

Lender Letter LL-2010-07**June 3, 2010****TO: All Fannie Mae Single-Family Servicers****Extension to Fannie Mae's Alternative Modification™ to the Home Affordable Modification Program****Introduction**

In Lender Letter LL-2010-04, *Fannie Mae's Alternative Modification to the Home Affordable Modification Program*, Fannie Mae introduced an alternative to the Home Affordable Modification Program (HAMP) for those borrowers who were eligible for and accepted into a HAMP trial period plan but were subsequently not offered a HAMP permanent modification because of eligibility restrictions.

The purpose of this Lender Letter is to extend the eligibility timeline provided in LL-2010-04 and clarify certain requirements for participation in the Alternative Modification™ (Alt Mod™) program.

Revised Eligibility Timeline

A borrower who was sent an initial HAMP offer or started a HAMP trial period plan prior to May 17, 2010 and whose first trial period plan payment was scheduled for June 2010, or earlier, is eligible for the Alt Mod provided the modification complies with the requirements described in LL-2010-04 and the terms of this Lender Letter, and the case is submitted through the HomeSaver Solutions® Network on or before September 30, 2010, the final date of the Alt Mod program offering.

Eligible borrowers who failed to qualify for a permanent HAMP modification but successfully completed **ALL** of the trial period plan payments before LL-2010-04 was issued on March 18, 2010, must be sent an Alt Mod offer no later than June 18, 2010. For these borrowers who may have not continued to make all payments after receipt of the HAMP Borrower Notice (Notice of Non-Approval), servicers must first attempt to collect from the borrower all of the payments not received since the end of the trial period. To the extent that a borrower cannot make all of the post-trial period payments, the servicer may only capitalize up to two months of payments not received since the end of the trial period. Borrowers who are unable to submit **ALL** non-capitalized post-trial period payments will not be eligible for Alt Mod.

Timing of Borrower Solicitation and Follow Up

As noted in LL-2010-04, contacting borrowers in a timely manner is key to the success of the Alt Mod program. Providing the borrower with an offer for the Alt Mod in conjunction with the HAMP Borrower Notice (Notice of Non-Approval) for a permanent HAMP modification is preferred.

When possible, the servicer should contact the borrower prior to the borrower's receipt of the HAMP Borrower Notice (Notice of Non-Approval).

Borrowers who complete their trial period plan payments from this point forward who are determined to be ineligible for a permanent HAMP modification, but eligible for Alt Mod, must be sent offers within 10 days of their completion of the HAMP trial period plan or within 10 days of the expiration of the 30-day HAMP Borrower Notice (Notice of Non-Approval).

Once the HAMP trial period has been completed, the servicer may send an Alt Mod offer to an eligible borrower subject to receipt of:

- the first payment for the Alternative Modification;
- the Hardship Affidavit or similar document, if not yet received;
- any remaining documentation required to verify the borrower's income (in accordance with LL02010-04); and
- the executed Loan Modification Agreement.

For borrowers who do not respond to the Alt Mod offer, the servicer must conduct follow-up (as described in LL-2010-04):

- between the 5th and the 15th day after the offer is mailed, the servicer must attempt at least three phone calls;
- on the 15th day after the offer is mailed, the servicer must deliver a follow-up letter, by either mail or a direct contact, door-knocking campaign; and
- between the 15th and 30th day after the offer is mailed, the servicer must attempt to contact the borrower a minimum of three additional times by either phone calls or a direct contact, door-knocking campaign.

Mortgage Insurer Approval

Fannie Mae is seeking to obtain blanket delegations of authority from each mortgage insurer so that servicers can more efficiently process an Alt Mod without having to obtain mortgage insurer approval on individual loans. Fannie Mae will post on eFannieMae.com a list of the mortgage insurers from which it has received a delegated authority agreement. Until Fannie Mae obtains a delegated authority agreement from a mortgage insurer on behalf of all servicers, the servicer must obtain approval through either their delegations from each mortgage insurer or if not available, on a case-by-case basis.

Borrowers Ineligible for Alt Mod

Not all borrowers will be eligible for the Alt Mod. For example, as described in LL-2010-04, borrowers with mortgage loans that have current mark-to-market LTV ratios less than 80 percent are not eligible for Alt Mod if they do not provide the required income documentation or if their modified payment is less than 20 percent of their verified gross monthly income. These borrowers who are not eligible for Alt Mod may not be considered for any other permanent modification without the prior written consent of Fannie Mae. Instead, the servicer must attempt to structure a repayment plan to bring the mortgage loan current within 12 months or proceed with foreclosure prevention alternatives or, if necessary, foreclosure.

Note: If, upon review of a borrower's income documentation, the servicer discovers that the borrower misrepresented his or her income when initially applying for HAMP, the servicer must inform the borrower that he or she is not eligible for an Alt Mod or any other permanent modification option. The servicer must document the borrower's misrepresentation in the servicing file and proceed with other workout options to cure the delinquency, or proceed with foreclosure prevention alternatives or, if necessary, foreclosure.

Servicer Inability to Comply

Servicers that are unable to comply with the Alt Mod program requirements provided in LL-2010-04, as amended by this Lender Letter, must notify Fannie Mae in advance of the Alt Mod program deadlines noted above. Servicers must provide written notification of noncompliance to their Servicing Consultant, Portfolio Manager, or the National Servicing Organization's Servicer Support Center.

Failure to comply with the policy guidelines provided in this Lender Letter could result in the forfeiture of incentive payments to the servicer.

Servicers may contact their Servicing Consultant, Portfolio Manager, or the National Servicing Organization's Servicer Support Center at 1-888-FANNIE5 (888-326- 6435) with any questions regarding this Lender Letter.

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