

*Supplemental Directive 09-05*

*August 13, 2009*

## *Introduction of the Second Lien Modification Program (2MP)*

### **Background**

In Supplemental Directive 09-01, the Treasury Department (Treasury) announced the eligibility, underwriting and servicing requirements for the Home Affordable Modification Program (HAMP). Under HAMP, servicers apply a uniform loan modification process to provide eligible borrowers with sustainable monthly payments for their first lien mortgage loans (referred to herein as first liens). This Supplemental Directive introduces the Second Lien Modification Program (referred to as 2MP), a program designed to work in tandem with HAMP. Together, HAMP and 2MP create a comprehensive solution to help borrowers achieve greater affordability by lowering payments on both first lien and second lien mortgage loans (referred to herein as second liens). Under 2MP, when a borrower's first lien is modified under HAMP and the servicer of the second lien is a 2MP participant, that servicer must offer either to modify the borrower's second lien according to a defined protocol or to accept a lump sum payment from Treasury in exchange for full extinguishment of the second lien. The 2MP offer will be made in reliance on the financial information provided by the borrower in conjunction with the HAMP modification and without additional evaluation by the second lien servicer.

This Supplemental Directive provides guidance to servicers for adoption and implementation of 2MP for second liens that are not owned or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Second Liens). Servicers of second liens that are owned or guaranteed by Fannie Mae or Freddie Mac should refer to the 2MP guidance provided by the applicable GSE.

In order to participate in 2MP with respect to Non-GSE Second Liens, a servicer must execute a Servicer Participation Agreement (SPA) (or an amended and restated Servicer Participation Agreement if the servicer has previously executed a HAMP SPA) and related documents with Fannie Mae in its capacity as financial agent for the United States (as designated by Treasury) on or before December 31, 2009. All servicers of eligible second liens may participate in 2MP. A servicer need not service the related first lien or participate in HAMP in order to participate in 2MP.

To help servicers implement 2MP, this Supplemental Directive covers the following topics:

- Modification and Extinguishment Eligibility
- Coordination with Other MHA Programs
- Modification Process
- Trial Period Requirements
- 2MP Timing
- 2MP Modification Documents
- Mortgage and Other Insurer Approval

- Use of Suspense Accounts and Application of Payments
- Assignment to MERS
- Reporting Requirements
- Credit Bureau Reporting
- Incentive Compensation
- Extinguishment Option
- Compliance
- Document Retention

### **Modification and Extinguishment Eligibility**

- Only second liens with corresponding first liens that have been modified under HAMP are eligible for a modification or extinguishment under 2MP.
- Second liens originated on or before January 1, 2009 are eligible for a modification or extinguishment under 2MP.
- Only second liens with an unpaid principal balance (at initial consideration for the second lien modification) equal to or greater than \$5,000 are eligible for modification incentive or cost share payments under 2MP. There are no unpaid principal balance limitations for investor incentive payments in conjunction with extinguishment of second liens under 2MP.
- A second lien may be modified only once under 2MP.
- A mortgage loan that is subordinate to a second lien is ineligible under 2MP. Modification or extinguishment of such a subordinate mortgage loan in place of the second lien will not satisfy the servicer's obligation under 2MP to modify or extinguish the second lien.
- If a second lien is modified under 2MP, it is not eligible for payment of extinguishment incentives under 2MP.
- A home equity loan that is in first lien position is not eligible under 2MP and should be evaluated for modification under HAMP.
- A mortgage lien that would be in second lien position but for a tax lien, a mechanic's lien or other non-mortgage related lien that has priority is eligible under 2MP.
- A second lien on which no interest is charged and no payments are due until the first lien is paid in full (e.g., FHA partial claim liens and/or equity appreciation loans) is not eligible under 2MP.
- Borrowers may be accepted into the program if a fully executed 2MP modification agreement or trial period plan is in the servicer's possession on December 31, 2012.

### **Coordination with Other MHA Programs**

To ensure alignment of all programs within the Making Home Affordable Program, participating servicers in 2MP must re-subordinate junior liens within their servicing portfolio to facilitate the modification of a first lien under HAMP or the refinance of a mortgage loan under the Home Affordable Refinance Program.

## **Modification Process**

When a borrower's first lien is modified under HAMP, a participating second lien servicer must offer to modify the borrower's second lien according to a defined protocol. The 2MP modification offer may be prepared during the HAMP trial period or on or after the date the HAMP modification becomes effective. However, because the terms of the HAMP modification are necessary to determine the terms of the 2MP modification, 2MP offers extended during the HAMP trial period may need to be revised based on the final terms of the HAMP modification. In addition, the modification of the second lien under 2MP may not become effective unless and until the modification of the first lien becomes effective under HAMP.

## **Matching Second Liens to HAMP First Liens**

In order to facilitate the communication of HAMP modification information between first and second lien servicers, Lender Processing Services' (LPS) Applied Analytics division will build and maintain a database of second liens that may be eligible under 2MP and that are serviced by servicers participating in 2MP. Information from the database will be used to match first and second liens and to notify second lien servicers of the HAMP modification status and details necessary for the second lien servicer to offer a 2MP modification to the borrower. All 2MP participating servicers are required to use LPS for 2MP and must enter into a contract directly with LPS for the program. Participating second lien servicers will pay a one-time set up fee and will pay nominal transaction fees for each second lien matched, regardless of whether a 2MP modification is completed.

As part of its contract with LPS, a 2MP participating servicer will agree to provide LPS with information regarding all eligible second liens that it services. In addition, the servicer will provide monthly updates of this information to LPS. The information provided to LPS will be used for matching first and second liens to facilitate 2MP modifications and for program analysis and reporting.

A participating 2MP servicer that is servicing both a first and second lien secured by the same property and that has modified the first lien under HAMP should not wait on the matching service provided by LPS to offer a 2MP modification. The servicer must offer to modify or extinguish the borrower's second lien as provided in this Supplemental Directive when the servicer offers the borrower a first lien modification under HAMP. However, the 2MP modification may not become effective prior to the effective date of the HAMP modification.

Initially, LPS will provide matching information to participating second lien servicers via secure email. The data requirements for providing second lien information to LPS are attached as Exhibit A to this Supplemental Directive.

## **Borrower's Consent**

In order to share first lien modification data with the second lien servicer, the borrower must provide consent. Thus, the HAMP Hardship Affidavit, the HAMP Trial Period Plan and the HAMP Modification Agreement forms are being updated to include consent provisions and will

be made available on [www.HMPadmin.com](http://www.HMPadmin.com). All HAMP servicers will be required to use these documents by September 30, 2009.

For HAMP modifications effective prior to September 30, 2009, and HAMP Trial Period Plans that are sent to borrowers prior to September 30, 2009, the first lien servicer will contact the borrowers to obtain the appropriate authorization to share the HAMP modification or Trial Period Plan data with participating 2MP servicers of eligible second liens. A first lien servicer may make a reasonable judgment based on data used to underwrite the HAMP modification regarding the likelihood that the borrower has a second lien on the property in deciding which borrowers to contact for appropriate consent. It is also acceptable for a 2MP servicer to obtain borrower consent should the borrower contact the servicer and inform the servicer that he or she has received a HAMP modification or has begun a HAMP trial period (as reported to Fannie Mae, as HAMP program administrator).

The servicer must notify Fannie Mae when borrower authorization is obtained so that the first lien can be identified as eligible for matching under 2MP. If the appropriate authorization to share the HAMP modification data is not received from a borrower or Fannie Mae is not notified that it has been received, the corresponding second lien will not be eligible for a 2MP modification or extinguishment and the 2MP servicer will have no obligation to offer a 2MP modification or extinguishment to the borrower.

### **Reliance on First Lien Data**

The terms of the HAMP modification of the first lien will be used to determine the terms of the 2MP modification of the second lien. Servicers participating in 2MP are not required to verify any of the borrower's financial information provided by the borrower in connection with the HAMP modification. Unless there is evidence of fraud or misrepresentation (such as when the second lien servicer is aware that a property is not owner-occupied), there is no additional responsibility on the part of the second lien servicer to verify the information provided by the first lien servicer through LPS. If the second lien servicer identifies evidence of fraud or misrepresentation, the servicer should not proceed with the 2MP modification and must notify the Compliance Agent at [MHA\\_Compliance@mhacompliance.com](mailto:MHA_Compliance@mhacompliance.com).

### **Standard Modification Steps**

Servicers must follow the following standard modification steps to modify the second lien.

#### **Step 1: Capitalization**

Capitalize accrued interest and servicing advances (costs and expenses incurred in performing second lien servicing obligations, such as those related to preservation and protection of the security property and the enforcement of the mortgage) paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by applicable state law. Accrued interest may be waived or deferred at the discretion of the servicer. The servicer should capitalize only those third party delinquency fees that are reasonable and necessary. Fees permitted by Fannie Mae and Freddie Mac for GSE mortgage loans shall be considered evidence

of fees that would be reasonable for non-GSE mortgage loans. Late fees and other ancillary income fees (e.g., insufficient funds fees, over limit fees and annual fees) may not be capitalized and must be waived.

## **Step 2: Reduce Interest Rate**

**2.A: For amortizing second liens (payment of both principal and interest):** Reduce the interest rate of the second lien to 1.0 percent. After five years, the interest rate on the second lien will reset at the then-current interest rate on the HAMP-modified first lien. If applicable, following the initial interest rate reset, the interest rate of the modified second lien will reset on the same terms and schedule as the interest rate of the HAMP-modified first lien.

*Example: The Interest Rate Cap on the modified first lien is 6.5%. The interest rate on the modified first lien is fixed at 5.0% for the first five years and then increases by 1.0% in year six to 6.0%, and by 0.5% in year seven to 6.5%. Thereafter, the interest rate remains at 6.5% for the remaining term of the first lien. Accordingly, the interest rate of the modified second lien will be fixed at 1.0% for the first five years and then increase by 5.0% in year six to 6.0%, and by 0.5% in year seven to 6.5%.*

**2.B: For second liens with interest-only payments:** Reduce the interest rate of the second lien to 2.0 percent. After five years, the interest rate on the second lien will reset at the then-current interest rate on the HAMP-modified first lien. If applicable, following the initial rate reset, the interest rate of the modified second lien will reset on the same terms and schedule as the interest rate of the HAMP-modified first lien.

*Example: The Interest Rate Cap on the modified first lien is 6.5%. The interest rate on the modified first lien is fixed at 5.0% for the first five years and then increases by 1.0% in year six to 6.0%, and by 0.5% in year seven to 6.5%. Thereafter, the interest rate remains at 6.5% for the remaining term of the first lien. Accordingly, the interest rate of the modified second lien will be fixed at 2.0% for the first five years and then increase by 4.0% in year six to 6.0%, and by 0.5% in year seven to 6.5%.*

**2.C: For partially amortizing second liens (such as convertible HELOCs):** If 50 percent or more of a second lien (based on the unmodified aggregate unpaid principal balance as of the date the 2MP offer is made to the borrower) is currently amortizing, the servicer should follow Step 2.A. above to reduce the interest rate of the second lien. If less than 50 percent of a second lien (based on the unmodified aggregate unpaid principal balance as of the date the 2MP offer is made to the borrower) is currently amortizing, the servicer should follow Step 2.B. above to reduce the interest rate of the second lien.

In the alternative, and at the discretion of the servicer in accordance with any related pooling and servicing agreement or other investor servicing agreement, for the steps above in 2.A., 2.B., or 2.C., the terms of the 2MP modification may include a more gradual interest rate step up. At no time may the interest rate on the modified second lien exceed the interest rate on the modified first lien.

### Step 3: Extend Term

**3.A: For amortizing second liens (payment of both principal and interest):** If the original term of the second lien is shorter than the remaining term of the HAMP-modified first lien, extend the term of the second lien to match the term of the HAMP-modified first lien. If the original term of the second lien is longer than the remaining term of the HAMP-modified first lien, do not extend the term of the second lien. In either instance, amortize the modified unpaid principal balance of the second lien over the term of the modified second lien.

**3.B: For second liens with interest-only payments:** If the original term of the second lien is shorter than the remaining term of the HAMP-modified first lien, extend the term of the second lien to match the term of the HAMP-modified first lien. If the original term of the second lien is longer than the remaining term of the HAMP-modified first lien, do not extend the term of the second lien. In either instance, amortize the modified unpaid principal balance of the second lien beginning at the time specified in the original second lien documents or after year five, whichever is later.

**3.C: For partially amortizing second liens (such as convertible HELOCs):** If 50 percent or more of a second lien (based on the unmodified aggregate unpaid principal balance as of the date the 2MP offer is made to the borrower) is currently amortizing, the servicer should follow Step 3.A. above to extend the term of the second lien. If less than 50 percent (based on the unmodified aggregate unpaid principal balance as of the date the 2MP offer is made to the borrower) of a second lien is currently amortizing, the servicer should follow Step 3.B. above to determine whether or not to extend the term of the second lien.

### Step 4: Principal Forbearance

If there was principal forbearance on the HAMP-modified first lien, forbear principal on the second lien in the same proportion. The proportion of forbearance should be based on the ratio of the principal forbearance amount of the HAMP-modified first lien to the total unpaid principal balance of the HAMP-modified first lien on its modification effective date. If the servicer has deferred accrued interest in lieu of capitalization in Step 1, the deferred amount will be in addition to any principal forbearance required under this Step 4.

*Example: The total unpaid principal balance of the HAMP-modified first lien on its modification effective date is \$100,000, and the amount of principal forbearance on the first lien is \$10,000. Therefore, the servicer must forbear 10% of the second lien. If the total unpaid principal balance of the second lien on the modification effective date is \$40,000, the servicer must forbear \$4,000.*

There is no requirement to forgive principal under 2MP. However, servicers may agree to forgive principal as part of a 2MP modification at their discretion.

**Note:** All loans modified under 2MP must result in closed end second liens. If the second lien is an open end line of credit, participating servicers must terminate the borrower's ability to draw additional amounts on the line when the 2MP modification becomes effective. In addition, immediately upon notification that the first lien is entering a HAMP trial period or has been modified under HAMP, servicers should terminate the borrower's ability to draw additional amounts on open end lines of credit if permitted by applicable law and the second lien loan documents. When terminating the borrower's ability to draw additional amounts under an open end line of credit, the servicer of the second lien must provide the borrower with disclosures in a manner consistent with applicable law.

### **Investor and Other Prohibitions**

If the applicable pooling and servicing agreement or other investor servicing agreement prohibits the servicer from entering into a modification of the second lien, the servicer must seek approval from the investor's representative for an exception. In the event that applicable state law prohibits or limits a modification step (e.g., extension of term beyond a specific point in time), a servicer may either skip the modification step or perform the step within the limitations of the law without obtaining prior approval from the investor.

### **Trial Period Requirements**

The borrower must demonstrate the ability and willingness to support the modified payment on the second lien; therefore, a trial period may be required based on the delinquency status of the borrower. A borrower's delinquency status on the second lien is determined as of the date the 2MP offer is made to the borrower. The terms of any 2MP trial period plan and the 2MP modification agreement must require that payments are due on the first day of each month. The 2MP trial period may run concurrently or overlap in time with the trial period for the first lien under HAMP.

When a borrower is current on the existing second lien and the current contractual payment amount is equal to or greater than the monthly payment that will be due following the 2MP modification, a trial period is not required (unless a trial period is necessary to comply with applicable contractual obligations). The servicer and borrower may execute a modification of the second lien immediately following modification of the HAMP-modified first lien.

When a borrower is not current (owes at least two payments at the time of the 2MP offer), the borrower must enter a trial period plan with payments that reflect the terms of the proposed second lien modification. The trial period must be three months in duration (or longer if necessary to comply with applicable contractual obligations). The borrower must make each trial period payment on or before the last day of the trial period month in which the payment is due in order to receive a 2MP modification. Although the borrower may make scheduled payments earlier than expected, the early payments do not affect the length of the trial period or accelerate the 2MP modification effective date.

If a participating servicer has entered a borrower in a second lien trial period plan prior to executing the SPA, that trial period plan will satisfy the 2MP trial period requirements if the trial

period plan is at least three months in duration and the second lien modification follows the steps detailed in the “Standard Modification Steps” section of this Supplemental Directive. However, the servicer must execute the SPA prior to the effective date of a second lien modification in order for the modification to be eligible for any 2MP incentives.

## **2MP Timing**

The modification of a second lien may not become effective unless and until (i) the modification of a corresponding first lien becomes effective under HAMP, and, when applicable (ii) the borrower has made each 2MP trial period payment by the end of the month in which the trial period payment is due.

### **Second Lien Serviced by the First Lien Servicer**

Upon enrolling in 2MP, participating servicers may immediately offer to modify eligible second liens if they service a corresponding first lien that has been modified under HAMP (as reported by the servicer to Fannie Mae, as HAMP program administrator). No later than 90 calendar days after the effective date of the SPA, servicers must offer a 2MP modification to any second lien borrower whose corresponding first lien they service if that lien was modified under HAMP at any time prior to the SPA effective date and remains in good standing.

For first liens modified under HAMP after the effective date of the SPA, servicers must offer a 2MP modification to a second lien borrower no later than 60 calendar days after the effective date of the related HAMP modification.

### **Second Lien Not Serviced by the First Lien Servicer**

The LPS technology solution for matching first and second liens across participating servicers is expected to be available to provide matching information by September 30, 2009. Upon notification of its availability, participating servicers must begin offering to modify eligible second liens when notified by LPS that a second lien was matched to a first lien that has been modified under HAMP (as reported by the servicer to Fannie Mae, as HAMP program administrator).

Servicers with SPA effective dates prior to September 30, 2009 will have until December 31, 2009, or 90 days from the date that LPS matching is available, whichever is later, to extend 2MP offers to all borrowers whose first liens were modified under HAMP on or before the date that LPS matching is available and which modifications remain in good standing.

Servicers with SPA effective dates on or after September 30, 2009 will have 90 days from the effective date of the SPA to extend 2MP offers to all borrowers whose first liens were modified under HAMP on or before the SPA effective date and which modifications remain in good standing.

For first liens modified under HAMP after the effective date of the SPA, servicers must offer a 2MP modification to a second lien borrower no later than 60 calendar days after the effective date of the HAMP modification.

### **Timing Exception**

For HAMP modifications effective prior to September 30, 2009, and HAMP Trial Period Plans that are sent to borrowers prior to September 30, 2009, Fannie Mae must be notified by a servicer that the appropriate authorization to share the HAMP modification or Trial Period Plan data with participating 2MP servicers of eligible second liens has been obtained. (See the “Borrower’s Consent” section of this Supplemental Directive for instructions for obtaining this consent). There may be a delay in obtaining borrower authorization and thus, a corresponding delay in matching a second lien to a HAMP-modified first lien. In these instances the participating servicer must offer the borrower a 2MP modification no later than 60 calendar days after receiving notification from LPS that the second lien has been matched to a HAMP-modified first lien.

### **Borrower Response**

Borrowers should execute and return the 2MP trial period plan or, if no trial period is required, the 2MP modification agreement, to the servicer within 30 days from the date of the 2MP offer. If the trial period plan or modification agreement is not received within 30 days, the servicer may permanently withdraw the offer and will not be obligated to modify the second lien.

### **2MP Modification Documents**

Treasury will not issue standard modification documents for 2MP. Participating servicers may rely on their existing second lien modification documents, revised as necessary to include 2MP program requirements and ensure that the documents comply with applicable federal, state, and local laws. At a minimum, the modification documents used must include the following:

1. A representation by the borrower that, under penalty of perjury, all documents and information provided by borrower to servicer is true and correct.
2. A statement from the borrower that the modification documents supersede the terms of any modification, forbearance, trial period plan or workout plan previously entered into in connection with the borrower’s second lien.
3. A statement from the borrower that the borrower will comply with and is bound by all covenants, agreements, and requirements of his/her loan documents except to the extent that such loan documents are modified by the modification agreement.
4. A statement from the borrower that the loan documents are composed of duly valid, binding agreements, enforceable in accordance with their terms.
5. A statement from the borrower that nothing in the modification agreement shall be understood or construed to be a satisfaction or release in whole or in part of the obligations contained in the loan documents as modified by the modification agreement.

6. A due on sale provision to the extent enforceable under federal law.
7. A statement that prohibits any subsequent assumption of the loan after modification.
8. A statement that declares any provision providing for a penalty for full or partial prepayment of the modified principal balance null and void.
9. A statement where the borrower agrees that the modification agreement will be null and void if the servicer does not receive all necessary title endorsement(s), title insurance product(s) and/or subordination agreement(s).
10. A statement in which the borrower agrees to execute any documents, including corrected documents and replacements for lost documents, necessary to consummate the transactions contemplated in the modification agreement.
11. A statement from the borrower that if the second lien is an open end line of credit, the borrower consents to the termination of his or her ability to draw additional amounts on the line.
12. A statement in which the borrower consents to the disclosure of his/her personal information, including the terms of the modification, to (a) Treasury for purposes related to HAMP and 2MP, (b) any investor, insurer, or guarantor that owns, insures or guarantees his/her mortgage, (c) the servicer of his/her first lien, (d) Fannie Mae and Freddie Mac as necessary for either to perform its respective obligations as financial agents of Treasury in connection with HAMP and 2MP, and (e) Companies that perform support services for HAMP and 2MP, including marketing HAMP or 2MP, conducting surveys or providing marketing research or other borrower outreach, data processing, and technical systems consulting.

## **Mortgage and Other Insurer Approval**

Typically, mortgage insurance for a second lien is issued through a master pool policy placed by the investor or holder of the mortgage. As a result, the second lien servicer might not be aware of the existence of mortgage insurance. When a servicer is servicing second liens on behalf of an investor, the servicer should ensure that the investor has identified those second liens that have mortgage insurance. The second lien investor should seek to obtain a blanket delegation of authority from mortgage insurers to modify second liens under 2MP.

As an alternative to a blanket delegation of authority, servicers may obtain mortgage insurer approval to modify second liens under 2MP on a case-by-case basis. Servicers should consult their mortgage insurance providers for specific processes related to the reporting of modified terms, payment of premiums, payment of claims, and other operational matters in connection with loans modified under 2MP.

Servicers should also obtain insurer approval for other types of lender placed protection policies, such as lien protection policies. Lien protection policies provide coverage for the lender against liens and encumbrances that assert a priority over an insured mortgage.

## **Use of Suspense Accounts and Application of Payments**

During a trial period plan, and if permitted by the applicable loan documents and the servicer's business practices, servicers may accept and hold as "unapplied funds" (held in a custodial account) amounts received which do not constitute a full monthly, contractual payment. However, when the total of the reduced payments held as "unapplied funds" is equal to a full contractual payment, the servicer is required to apply the payment to the second lien.

Any unapplied funds remaining at the end of any 2MP trial period that do not constitute a full monthly, contractual payment should be applied to reduce any amounts that would otherwise be capitalized as part of the modified principal balance.

If, following a 2MP modification, a principal curtailment is received on a loan that has a principal forbearance, servicers are instructed to apply the principal curtailment to the interest bearing unpaid principal balance (UPB). If, however, the principal curtailment amount is greater than or equal to the interest bearing UPB, then the curtailment should be applied to the principal forbearance portion. If the curtailment satisfies the principal forbearance portion, any remaining funds should then be applied to the interest bearing UPB.

### **Monthly Statements**

For modifications that include principal forbearance, servicers are encouraged to include the amount of the gross UPB on the borrower's monthly payment statement.

### **Assignment to MERS**

If the original second lien was registered with Mortgage Electronic Registration Systems, Inc. (MERS) and the originator elected to name MERS as the original mortgagee of record, solely as nominee for the lender named in the security instrument and the note, the servicer MUST make the following changes to the modification agreement:

(a) Insert a new definition under the "Property Address" definition, which reads as follows:

"MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for lender and lender's successors and assigns. MERS is the mortgagee under the Mortgage. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, (888) 679-MERS.

(b) Add a section to state:

That MERS holds only legal title to the interests granted by the borrower in the mortgage, but, if necessary to comply with law or custom, MERS (as nominee for lender and lender's successors and assigns) has the right: to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the Property; and to take any action required of lender including, but not limited to, releasing and canceling the mortgage loan.

(c) MERS must be added to the signature lines at the end of the modification agreement, as follows:

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Mortgage Electronic Registration  
Systems, Inc. – Nominee for Lender

The servicer may execute the modification agreement on behalf of MERS.

## **Reporting Requirements**

Each servicer will be required to register with Fannie Mae to participate in 2MP. Fannie Mae will provide a 2MP Registration Form to facilitate registration. Servicers are not required to report to Fannie Mae, as 2MP program administrator, the initiation of 2MP trial periods or the receipt of 2MP trial period payments.

### **Second Lien Modifications**

Servicers are required to provide to Fannie Mae, as 2MP program administrator, the loan set up attributes set forth in Exhibit B of this Supplemental Directive no later than the fourth business day of the month in which the second lien modification is effective.

Servicers must begin reporting activity on all 2MP loans on a monthly basis, beginning with the month after the loan set up file is provided, using the attributes set forth in Exhibit C of this Supplemental Directive.

### **Second Lien Modification Not Approved/Not Accepted**

Servicers are required to provide to Fannie Mae, as 2MP program administrator, for all second liens for which modifications were not approved or not accepted by the borrower in a given month, the loan attributes set forth in Exhibit D of this Supplemental Directive, no later than the fourth business day of the following month.

### **Effective Dates for Reporting**

An interim 2MP reporting process is expected to be available by September 30, 2009. Participating servicers should begin using the interim reporting process as soon as feasible upon notification of its availability. A permanent reporting and payment process for 2MP is expected to be available by December 31, 2009. Participating servicers should begin using the final reporting process as soon as feasible upon notification of its availability.

### **Accruals**

Incentive compensation will be accrued from the 2MP modification effective date for all modifications, including those reported under the interim reporting process. Servicer and

borrower incentive payments and investor cost share payments will only be made following implementation of the permanent payment process. These payments are scheduled to begin in January 2010 according to the schedule set forth in the “Incentive Compensation” section of this Supplemental Directive.

### **Credit Bureau Reporting**

Servicers must report a “full-file” status report to the credit repositories for each loan under 2MP in accordance with the Fair Credit Reporting Act as well as other applicable law and credit bureau requirements as provided by the Consumer Data Industry Association (CDIA). “Full-file” reporting means that the servicer must describe the exact status of each mortgage it is servicing as of the last business day of each month. In September 2009, CDIA will institute a new Special Comment Code to identify loans being paid under a partial or modified payment agreement. When instituted, this code should be used in place of Special Comment Code “AC” as described in the guidance below provided by CDIA.

### **Trial Period Reporting**

If the borrower was current with payments prior to the trial period and he or she makes each trial period payment on time, servicers must report the borrower as current (Account Status 11) during the trial period and report Special Comment Code ‘AC’ (Paying under a partial payment agreement).

If the borrower was delinquent (at least 30 days past the due date) prior to the trial period and the reduced payments do not bring the account current, servicers must report the Account Status Code that reflects the appropriate level of delinquency and report Special Comment Code ‘AC’ (Paying under a partial payment agreement).

### **Post Modification Reporting**

Servicers should continue to report one trade line under the original Account Number.

- Date Opened = the date the account was originally opened
- Original Loan Amount = the original amount of the loan, including the Balloon Payment Amount, if applicable. If the principal balance increases due to capitalization of delinquent amounts due under the loan, the Original Loan Amount should be increased to reflect the modified principal balance
- Terms Duration = the modified terms
- Scheduled Monthly Payment Amount = the new amount as per the modified agreement
- Current Balance = the principal balance (including the Balloon Payment Amount, if applicable), plus the interest and escrow due during the current reporting period
- Account Status Code = the appropriate code based on the new terms of the loan
- Special Comment Code = Leave Blank
- K4 Segment = used to report the Balloon Payment information, if applicable:
  - Specialized Payment Indicator = 01 (Balloon Payment)

- Payment Due Date = the date the balloon payment is due which is equal to maturity of the amortizing portion of the loan. Note: The payoff date can be used in this field
- Payment Amount = the amount of the balloon payment in whole dollars only

### **Incentive Compensation**

No 2MP incentives of any kind will be paid if the servicer has not executed a SPA to participate in 2MP. Additionally, no 2MP servicer or borrower incentives will be paid if (i) either the first or second lien is no longer in good standing under HAMP or 2MP, respectively, or (ii) either the first or second lien is paid in full. No 2MP investor cost share incentives will be paid if the first lien is no longer in good standing under HAMP or the first lien is paid in full.

The amount of funds available to pay servicer, borrower and investor compensation in connection with each servicer's modifications will be capped pursuant to each servicer's SPA (Program Participation Cap). Treasury will establish each servicer's initial Program Participation Cap by estimating the number of 2MP modifications and extinguishments expected to be performed by each servicer during the term of the 2MP. The Program Participation Cap could be adjusted based on Treasury's full book analysis of the servicer's loans.

The funds remaining available for a servicer's modifications and extinguishments under that servicer's Program Participation Cap will be reduced by amounts paid for extinguishments and the maximum amount of compensation payments potentially payable with respect to each second lien modification upon the modification becoming effective. In the event the compensation actually paid with respect to a second lien modification is less than the maximum amount of compensation payments potentially payable, the funds remaining available for a servicer's modifications and extinguishments under 2MP will be increased by the difference between such amounts.

Treasury may, from time to time and in its sole discretion, revise a servicer's Program Participation Cap. Fannie Mae will provide written notification to a servicer of all changes made to the servicer's Program Participation Cap. Once a servicer's Program Participation Cap is reached, a servicer may continue to modify second liens in accordance with the 2MP guidelines; however, no payments will be made with respect to any new second lien modifications or extinguishments. If the servicer is also participating in HAMP, the 2MP Program Participation Cap will be added to the servicer's existing Program Participation Cap and will be fungible between the programs.

### **Redefault and Loss of Good Standing**

If a borrower misses three consecutive payments at any time on his or her second lien following the execution of a 2MP modification (three monthly payments are due and unpaid on the last day of the third month), the second lien is no longer considered to be in "good standing". A loan that is not in good standing permanently loses eligibility to receive further servicer and borrower incentives and reimbursements under the program. Undisbursed incentive payments to borrowers and servicers, even if accrued, will not be made. Once lost, good standing cannot be restored and eligibility for incentives and interest reimbursements cannot be reclaimed, even if the borrower

fully cures the delinquency. Further, the second lien is not eligible for another 2MP modification or extinguishment.

### **Servicer Incentive Compensation**

A servicer of a second lien will receive compensation of \$500 for each second lien modification that becomes effective under 2MP. The servicer will also receive an annual “pay for success” fee of \$250 for up to three years as long as both the HAMP modification and the 2MP modification remain in good standing and have not been paid in full as of the date the payment is made. “Pay for success” fees do not accrue during the trial period, if any. The “pay for success” fee will accrue monthly and is payable annually for each of the first three years after the anniversary of the date the 2MP modification becomes effective. This is in addition to any servicer incentive compensation for which the servicer may be eligible in connection with a HAMP first lien modification. If either the HAMP modification or the 2MP modification ceases to be in good standing or is paid in full, the servicer will cease to be eligible for any further 2MP incentive payments after that time, even if the borrower subsequently cures his or her delinquency.

### **Borrower Incentive Compensation**

A borrower will receive an annual “pay for performance” principal balance reduction payment of up to \$250 for up to five years following the effective date of the second lien modification as long as both the HAMP modification and the 2MP modification remain in good standing and have not been paid in full as of the date the payment is made. “Pay for performance” principal balance reduction payments do not accrue during the trial period, if any. The “pay for performance” principal balance reduction payment will accrue monthly as long as the borrower is current on both the first and second liens and makes his or her monthly payment on time (the payment is made by the last day of the month in which the payment is due) and will be applied annually for each of the first five years after the anniversary of the date the 2MP modification became effective. This payment will be paid to the servicer of the first lien to be applied towards reducing the UPB on the first lien. This is in addition to any borrower “pay for performance” compensation for which the borrower may be eligible in connection with a HAMP first lien modification.

If either the modified first lien or the modified second lien ceases to be in good standing or is paid in full, the borrower will be ineligible to receive 2MP incentive payments already accrued or to accrue any future 2MP incentive payments, even if the borrower subsequently cures his or her delinquency.

### **Investor Payment Reduction Cost Share Incentives**

Investors of second liens modified under 2MP will receive payment reduction cost share compensation equal to the larger of (A) or (B). These calculations are described below:

(A) One-half of the payment difference between the payment on the modified second lien and the lesser of the payment based on the interest rate and term on the modified first lien or the contract rate and term of the second lien prior to modification. The calculation formula is:

- $\frac{1}{2} \times [\text{lesser of (payment based on first lien modified rate or second lien contract rate)} - \text{modified second lien payment}]$

(B) 150 basis points multiplied by the UPB of the second lien, converted to a monthly rate. The calculation formula is:

- $150 \text{ basis points} \times \text{UPB of second lien} / 12$

*Example 1: amortizing second lien (payments include principal and interest)*

<b><i>Payment Based on Current Second Lien Rate</i></b>	<b><i>Payment Based on Modified First Lien Rate</i></b>	<b><i>Modified Second Lien</i></b>	<b><i>Payment Reduction Cost Share Floor</i></b>
<i>\$45,000 UPB</i>	<i>\$45,000 UPB</i>	<i>\$45,000 UPB</i>	<i>\$45,000 UPB</i>
<i>5% rate</i>	<i>4% rate</i>	<i>1% rate</i>	<i>150 basis point floor</i>
<i>360 month term</i>	<i>360 month term</i>	<i>360 month term</i>	<i>\$675 annual subsidy</i>
<i>\$241.57 monthly P&amp;I payment</i>	<i>\$214.84 monthly P&amp;I payment</i>	<i>\$144.74 monthly P&amp;I payment</i>	<i>\$56.25 monthly subsidy</i>

*The investor would be entitled to the maximum of (A) one-half of the difference between \$214.84 (lesser of payment based on contractual terms of second or modified first lien rate ) and \$144.74 = \$35.05, or (B) \$56.25. In this case the investor would receive \$56.25.*

*Example 2: interest-only second lien (payments include only interest on the UPB during the modification period)*

<b><i>Payment Based on Current Second Lien Rate</i></b>	<b><i>Payment Based on Modified First Lien Rate</i></b>	<b><i>Modified Second Lien</i></b>	<b><i>Payment Reduction Cost Share Floor</i></b>
<i>\$45,000 UPB</i>	<i>\$45,000 UPB</i>	<i>\$45,000 UPB</i>	<i>\$45,000 UPB</i>
<i>5% rate</i>	<i>4% rate</i>	<i>2% rate</i>	<i>150 basis point floor</i>
<i>360 month term</i>	<i>360 month term</i>	<i>360 month term</i>	<i>\$675 annual subsidy</i>
<i>\$187.50 monthly interest payment</i>	<i>\$150 monthly interest payment</i>	<i>\$75 monthly interest payment</i>	<i>\$56.25 monthly subsidy</i>

*The investor would be entitled to the maximum of (A) one-half of the difference between \$150 (lesser of payment based on contractual terms of second or first lien modified rate) and \$75 = \$37.50, or (B) \$56.25. In this case the investor would receive \$56.25.*

Payment reduction cost share compensation will begin to accrue on the effective date of the 2MP modification and will be paid monthly for up to five years as long as the first lien modified under HAMP remains in good standing and has not been paid in full.

## **Extinguishment Option**

As an alternative to modifying an eligible second lien, a servicer, in accordance with any applicable pooling and servicing agreement or other investor servicing agreement, may elect to extinguish the entire second lien in exchange for a lump sum payment paid in accordance with the formula set forth in the table below. Extinguishment is not available for a second lien that has been modified under 2MP. Second liens that have already been charged off by the servicer are not eligible for extinguishment compensation under 2MP.

When the extinguishment option is utilized, the second lien servicer, investor and any mortgage or other insurer must relinquish all rights and remedies against the borrower(s) related to the second lien obligation, and the borrower may not be required to sign a promissory note or be charged a fee.

Following extinguishment, servicers must take all necessary action to cancel the indebtedness and release the second lien in a timely manner. When the mortgage note is cancelled and the required release and/or satisfaction documents are executed and filed, the servicer must promptly send the cancelled documents to the borrower with a cover letter instructing the borrower to retain the evidence of cancellation. The cover letter must explain that the forgiven debt has been reported to the credit bureau as “Cancelled; account charged off.” The servicer must not charge the borrower a fee for cancelling the indebtedness and releasing or discharging the second lien against the property.

### **Extinguishment Timing**

When extinguishment is selected, the extinguishment of the second lien may not become effective unless and until the modification of the first lien becomes effective under HAMP. The same timing requirements indicated in the “2MP Timing” section of this Supplemental Directive apply to extinguishments.

### **Incentive Payments**

For purposes of determining the incentive payment payable to the investor for extinguishing the second lien, the servicer must know the borrower’s total monthly debt ratio (back-end ratio) and the combined loan-to-value (CLTV) ratio. The servicer must use the total monthly debt ratio calculated for the HAMP-modified first lien (defined in Supplemental Directive 09-01), which will be provided by LPS when it notifies the 2MP servicer of the second lien match. The CLTV is the ratio of the current total unpaid principal balance of the HAMP-modified first lien and the current total unpaid principal balance of the unmodified second lien divided by the property value obtained in connection with the HAMP modification. LPS will provide the second lien servicer with the current total unpaid principal balance of the HAMP-modified first lien and the value of the property that secures the HAMP-modified first lien in the second lien match notification.

**2MP Compensation Per Dollar of UPB in CLTV Range  
(Loans Less than Six Month Past Due)**

<b>Back-End Ratio</b>	<b>CLTV Range</b>		
	<b>&lt;110%</b>	<b>110% to 140%</b>	<b>&gt;140%</b>
<b>≥55%</b>	0.09	0.06	0.04
<b>&lt;55%</b>	0.12	0.09	0.06

Notwithstanding the foregoing, the servicer will be paid \$0.03 per dollar of the unpaid principal balance being extinguished for second liens that are six or more payments past due at the time of extinguishment.

The servicer must represent and warrant that the second lien has been released in compliance with applicable laws when submitting a request to Fannie Mae for 2MP extinguishment payment. Additionally, the servicer must keep copies of all lien releases in its files to be made available for verification by the Compliance Agent.

Second lien extinguishment payments will be made in the month following receipt by Fannie Mae of all required data relating to the second lien extinguishment.

**Mortgage Insurer Approval**

When a servicer is servicing second liens on behalf of an investor, the servicer should ensure that the investor has identified those second liens that have mortgage insurance. The second lien investors should seek to obtain a blanket delegation of authority from mortgage insurers to extinguish second liens under 2MP. As an alternative to a blanket delegation of authority, servicers may obtain mortgage insurer approval to extinguish the second lien under 2MP on a case-by-case basis.

**Extinguishment Reporting Requirements**

Servicers are required to provide to Fannie Mae, as 2MP program administrator, the loan attributes set forth in Exhibit E of this Supplemental Directive no later than the fourth business day of the month in which the second lien extinguishment is effective. The same timing for the effective dates for reporting and accrual indicated in the “Reporting Requirements” section of this Supplemental Directive apply to extinguishments.

**Credit Bureau Reporting**

For second liens that are extinguished under 2MP, the servicer must report the following to the credit repositories:

- Account Status Code (Field 17A) = 97; Description = Unpaid balance reported as a loss (charge-off).
- Payment Rating Code (Field 17B) = L; Description = Charge-off.
- Payment History Profile (Field 18) = L; Description = Charge-off.

- Original Charge-off Amount (Field 23) = Whole dollars (\$). (Used with Account Status Code 97.)
- Date Closed (Field 26) = MMDDYYYY.
- Date of Last Payment (Field 27) = MMDDYYYY

## **Compliance**

Servicers must comply with 2MP requirements and must document the execution of loan evaluation, loan modification and accounting processes. Servicers must develop and execute a quality assurance program, similar to that established for HAMP, that includes either a statistically based (with a 95 percent confidence level) or a ten percent stratified sample of loans modified, drawn within 30-45 days of modification and reported on within 30-45 days of review. In addition, a trending analysis must be performed on a rolling 12-month basis.

Treasury has selected Freddie Mac to serve as its compliance agent for 2MP. In its role as compliance agent, Freddie Mac will utilize Freddie Mac employees and contractors to conduct independent compliance assessments. In addition, loan level data will be reviewed for eligibility and fraud.

The scope of the assessments will include, among other things, an evaluation of documented evidence to confirm adherence (e.g., accuracy and timeliness) to 2MP requirements with respect to the following:

- Evaluation of Second Lien Modification Eligibility
- Adherence to the Standard Modification Steps appropriate for the loan type (fully amortizing or interest only), as outlined in this Supplemental Directive
- Adherence to the Extinguishment Option for a Second Lien, including evidence of borrower notifications
- Adherence to the timing requirements for modifying or extinguishing second liens
- Evidence of Mortgage Insurer Approval
- Completion of Borrower Incentive Payments
- Appropriate recognition of Servicer Incentive Compensation
- Investor Payment Reduction Cost Share and Incentive Calculations
- Data Integrity in record keeping and ongoing data reporting
- Submission of current and accurate second mortgage data to LPS.

The review will also evaluate the effectiveness of the servicer's quality assurance program; such evaluation will include, without limitation, the timing and size of the sample selection, the scope of the quality assurance reviews, and the reporting and remediation process.

There will be two types of compliance assessments: on-site and remote. Both on-site and remote reviews will consist of the following activities (among others): notification, scheduling, self assessments, documentation submission, interviews, file reviews, and reporting.

For on-site reviews, Freddie Mac will strive to provide the servicer with (i) a 30-day advance notification of a pending review and (ii) subsequent confirmation of the dates of the review.

However, Freddie Mac reserves the right to arrive at the servicer's site unannounced. Freddie Mac will request the servicer make available documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self assessment ready for review. Additionally, Freddie Mac may request additional loan files during the review. Interviews will usually be conducted in-person.

During the review window, Freddie Mac will review loan files and other requested documentation to evaluate compliance with 2MP terms. Upon the completion of the review, Freddie Mac will conduct an exit interview with the servicer to discuss preliminary assessment results.

For remote reviews, Freddie Mac will request the servicer to send documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self assessment within 30 days of the request. In addition, time will be scheduled for phone interviews, including a results summary call after the compliance review is completed to discuss preliminary results.

The targeted time frame for publishing the servicer assessment report is 30 days after the completion of the review. Treasury will receive a copy of the report five business days prior to the release of the report to the servicer.

There will be an issue/resolution appeal process for servicer assessments. Servicers will be able to submit concerns or disputes to an independent quality assurance team within Freddie Mac.

A draft rating and implication methodology for the compliance assessments will be published in a subsequent Supplemental Directive and servicer feedback will be solicited prior to the finalization of the methodology.

## **Document Retention**

Servicers must retain all documents and information received during the process of determining borrower eligibility for 2MP, including evidence of application of each modification step. The servicers must retain all documents and information related to the monthly payments during and after any trial period, as well as incentive payment calculations and such other required documents.

Servicers must retain detailed records to document the reason(s) for any trial modification failure.

Servicers must retain required documents for a period of seven years from the date of the document collection.

**Exhibit A**  
**Second Lien Portfolio Data for Matching**

Name	Definition	Data Type	Allowable Values	Official Mandatory (M) / Conditional (C) / Optional
HAMP Registration Number	The unique identifier for the servicer participating in any MHA program.	Text (30)		M
2MP Second Lien Servicer Number	The 2MP Servicer number for the Second Lien Servicer.	Text(30)		M
Second Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the Second Lien.	Text(30)		M
Borrower Truncated Social Security Number	The last four digits of the Social Security Number of the Borrower.	Numeric(4)		M
Co-Borrower 1 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 1.	Numeric(4)		C
Co-Borrower 2 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 2.	Numeric(4)		C
Co-Borrower 3 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 3.	Numeric(4)		C
Co-Borrower 4 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 4.	Numeric(4)		C
Co-Borrower 5 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 5.	Numeric(4)		C
Co-Borrower 6 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 6.	Numeric(4)		C
Date of Original Note	The date the second lien mortgage note was signed.	Date(CCYY-MM-DD)		M
Property Street Address	The street address of the subject property.	Text(100)		M
Property Unit Number	The unit number of the property.	Text (50)		O
Property City	The name of the city where the subject property is located.	Text(100)		M
Property State	The 2-character postal abbreviation of the state, province, or region of the subject property.	Text(2)	enumeration: WY, WV, WI, WA, VT, VI, VA, UT, TX, TN, SD, SC, RI, PR, PA, OR, OK, OH, NY, NV, NM, NJ, NH, NE, ND, NC, MT, MS, MO, MN, MI, ME, MD, MA, LA, KY, KS, IN, IL, ID, IA, HI, GU, GA, FL, DE, DC, CT, CO, CA, AZ, AR, AL, AK.	M

Name	Definition	Data Type	Allowable Values	Official Mandatory (M) / Conditional (C) / Optional
Property Zip Code	The code designated by the postal service to direct the delivery of physical mail or which corresponds to a physical location. In the USA, this can take either a 5 digit form (ZIP Code) or a 9-digit form (ZIP + 4).	Text(9)		M
Lien Position	The lien position of the loan.	Numeric (4,0)		M
Second Lien Servicer Name	The name of the 2MP Servicer for the second lien.	Text(100)		M
Second Lien Servicer Primary Contact First Name	The first name of the Person.	Text(100)		M
Second Lien Servicer Primary Contact Last Name	The last name of the Person.	Text(100)		M
Second Lien Servicer Street Address Line 1	The street address that denotes the location where mail is delivered for the Servicer.	Text(100)		M
Second Lien Servicer City Name	The name of the city to which physical mail is directed for the Servicer.	Text(100)		M
Second Lien Servicer State	The 2-character postal abbreviation of the state, province, or region to which physical mail is directed or which corresponds to a physical location.	Text(2)		M
Second Lien Servicer Postal Code	The code designated by the postal service to direct the delivery of physical mail or which corresponds to a physical location. In the USA, this can take either a 5 digit form (ZIP Code) or a 9-digit form (ZIP + 4).	Text(9)		M
Second Lien Servicer Primary Contact Phone Number	The entire sequence of digits required to initiate a call from a standard phone to this number. It should include the area code or, for overseas numbers, the full country and city codes as they would be dialed.	Text(20)		M

**Exhibit B**  
**Second Lien Official Modification Loan Set-up**

<b>Name</b>	<b>Definition</b>	<b>Data Type</b>	<b>Allowable Values</b>	<b>Official Mandatory (M) / Conditional (C) / Optional</b>
HAMP Registration Number	The unique identifier for the servicer participating in any MHA program.	Text (30)		M
HAMP First Lien Servicer Number	The HAMP Servicer number for the First Lien Servicer.	Text (30)		M
First Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the First Lien.	Text(30)		M
2MP Second Lien Servicer Number	The 2MP Servicer number for the Second Lien Servicer.	Text(30)		M
Second Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the Second Lien.	Text(30)		M
Second Lien GSE Servicer Number	The Fannie Mae or Freddie Mac unique Servicer identifier for the Second Lien.	Text (30)		C
Second Lien GSE Loan Number	A unique identifier assigned to each loan by a GSE (Fannie or Freddie).	Text(30)		C
Underlying Trust Identifier	This is the shelf and series security identifier associated with the underlying security. A shelf offering is a SEC provision allowing an issuer to register a new issue security without selling the entire issue at once. Additionally, this may be the CUSIP identifier associated with the security. The CUSIP number is the identification number assigned to a security by CUSIP (Committee on Uniform Security Identification Procedures) for trading.	Text (20)		C
Program Type/Campaign ID	A new program type that identifies the 2MP program.	Text (14)	Campaign type -- enumeration: HMP3 - Second Lien	M
Investor Code	The owner of the mortgage.	Numeric(4,0)	Owner of the mortgage enumeration: 1 Fannie Mae 2 Freddie Mac 3 Private 4 Portfolio 5 FHA/VA 6 State or Local Housing Finance Agency	M
Borrower Execution or Notification Date	For official loan submission, this is the date that the borrower signed the official loan modification documents.	Date(CCYY-MM-DD)		M
Borrower Last Name	The last name of the Borrower. This is also known as the family name or surname.	Text(100)		M
Borrower First Name	First Name of the Borrower of record.	Text(100)		M

Name	Definition	Data Type	Allowable Values	Official Mandatory (M) / Conditional (C) / Optional
Borrower Social Security Number	The Social Security Number of the Borrower.	Numeric(9)		M
Co-Borrower Last Name	Last Name of the Co-borrower of record.	Text(100)		C
Co-Borrower First Name	First Name of the Co-borrower of record.	Text(100)		C
Co-Borrower Social Security Number	The Social Security Number of the Co-borrower.	Numeric(9)		C
Date of Original Note	The date the second lien mortgage note was signed.	Date(CCYY-MM-DD)		M
Foreclosure Referral Date	Provide the date that the mortgage was referred to an attorney for the purpose of initiating foreclosure proceedings. This date should reflect the referral date of currently active foreclosure process. Loans cured from foreclosure should not have a referral date.	Date(CCYY-MM-DD)	Date(CCYY-MM-DD)	C
Projected Foreclosure Sale Date	Projected date for foreclosure sale of subject property.	Date(CCYY-MM-DD)	Date(CCYY-MM-DD)	C
Amount Capitalized	Total amount capitalized at the time of modification, including accrued interest and other advances as applicable.	Currency(20,2)		C
Product before Modification or Extinguishment	The mortgage product of the loan, before the modification or extinguishment.	Numeric(4,0)	1. Amortizing 2. Interest Only 3. Partial	M
Percentage of Amortizing UPB	Indicates the percentage of Unpaid Principal Balance of the loan that is amortized, before modification.	Numeric(6,4)		C
Interest Only End Date	The date on which the Interest Only loans begin to fully amortize.	Date(CCYY-MM-DD)		C
Modification or Extinguishment Effective Date	The date on which the loan modification or extinguishment becomes effective.	Date(CCYY-MM-DD)		M
Submission Status	Status of loan data being submitted.	Numeric(4,0)	enumeration: 1 Second Lien Official Modification 2 Second Lien Extinguishment	M
MI Approval Indicator	Indicates MI approval of modification or extinguishment of second lien.	Boolean	True/False	C
Unpaid Principal Balance Before Modification or Extinguishment	The total principal amount outstanding prior to the effective date of the modification or extinguishment.	Currency(20,2)		M
Last Paid Installment Date Before Modification or Extinguishment	The due date of the last paid installment of the loan.	Date(CCYY-MM-DD)		M
Term Before Modification or Extinguishment	Represents the number of months on which installment payments are based.	Numeric(4,0)		M

Name	Definition	Data Type	Allowable Values	Official Mandatory (M) / Conditional (C) / Optional
Interest Rate Before Modification or Extinguishment	The interest rate in the month prior to loan modification or extinguishment. Please report as rounded to nearest 8 <sup>th</sup> (e.g., 4.125).	Numeric(6,4)		M
Payment Before Modification or Extinguishment	The scheduled principal and interest amount in the month prior to loan modification or extinguishment. For Interest Only loans, it is only the scheduled interest amount in the month prior to loan modification or extinguishment.	Currency(20,2)		M
Term After Modification	The number of months used to calculate the periodic payments of both principal and interest that will be sufficient to retire a mortgage obligation.	Numeric(4,0)		M
Unpaid Principal Balance After Modification	The unpaid principal balance of a loan after the loan modification. The unpaid principal balance after modification excludes any applicable forbearance amount and can also be referred to as Net UPB Amount. For monthly reporting, this is the Actual Net UPB.	Currency(20,2)		M
Last Paid Installment Date After Modification	The due date of the last paid installment of the loan. For monthly reporting this is the actual LPI.	Date(CCYY-MM-DD)		M
Interest Rate After Modification	The interest rate in the month after loan modification.	Numeric(6,4)		M
Payment After Modification	The P&I amount after modification.	Currency(20,2)		M
Maturity Date After Modification	The maturity date of the loan after modification.	Date(CCYY-MM-DD)		M
Principal Forbearance Amount	The total amount in dollars of the principal that was deferred through loss mitigation.	Currency(20,2)		C
Principal Write-down (Forgiveness)	Amount of principal written-down or forgiven.	Currency(20,2)		C
Property Street Address	The street address of the subject property.	Text(100)		M
Property City	The name of the city where the subject property is located.	Text(100)		M
Property State	The 2-character postal abbreviation of the state, province, or region of the subject property.	Text(2)	enumeration: WY, WV, WI, WA, VT, VI, VA, UT, TX, TN, SD, SC, RI, PR, PA, OR, OK, OH, NY, NV, NM, NJ, NH, NE, ND, NC, MT, MS, MO, MN, MI, ME, MD, MA, LA, KY, KS, IN, IL, ID, IA, HI, GU, GA, FL, DE, DC, CT, CO, CA, AZ, AR, AL, AK.	M
Property Zip Code	The code designated by the postal service to direct the delivery of physical mail or which corresponds to a physical location. In the USA,	Text(9)		M

Name	Definition	Data Type	Allowable Values	Official Mandatory (M) / Conditional (C) / Optional
	this can take either a 5 digit form (ZIP Code) or a 9-digit form (ZIP + 4).			
Product After Modification	The mortgage product of the loan, after the modification (Allowable values are Fixed or Step).	Numeric(4,0)	enumeration: 1. Amortizing 2. Interest Only	M
Max Interest Rate after Modification	Interest rate cap for the loan.	Number(6,4)		M
Property Type Code	A code that defines the type of property that the loan is associated with.	Numeric(4,0)	enumeration: 1 Single Family 2 Condo 3 Duplex 4 Other	M
Lien Position	The lien position of the loan.	Numeric (4,0)		M
Step Number	The sequence is used to uniquely identify and order Loan Interest Rate Adjustment schedule records specific to the loans step rate schedule.	Numeric(4)		M
Step - Payment Effective Date	The date the new payment will be effective.	Date(CCYY-MM-DD)		M
Step - Note Rate	The new interest rate in the step schedule.	Numeric(6,4)		M
Step Duration	The duration of the step period in months. If this step is the last step and will be the rate and payment effective for the life of the loan, then duration is not required.	Numeric(4)		M
Step - Payment Amount	P&I Amount - The amount of the principal and/or interest payment due on the loan for each installment, beginning on the effective date.	Numeric (4,0)		M

**Exhibit C**  
**Second Lien Monthly Activity**

<b>Name</b>	<b>Definition</b>	<b>Data Type</b>	<b>Allowable Values</b>	<b>Official Mandatory (M) / Conditional (C) / Optional</b>
2MP Second Lien Servicer Number	The 2MP Servicer number for the Second Lien Servicer.	Text(30)		M
Second Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the Second Lien.	Text(30)		M
Unpaid Principal Balance	The unpaid principal balance of a loan after the loan modification. The unpaid principal balance after modification excludes any applicable forbearance amount and can also be referred to as Net UPB Amount. For monthly reporting, this is the Actual Net UPB.	Currency(20,2)		M
Last Paid Installment Date	The due date of the last paid installment of the loan. For monthly reporting this is the actual LPI.	Date(CCYY-MM-DD)		M
Principal Payment	Principal portion of the P&I remitted.	Currency(20,2)		M
Interest Payment	Interest portion of the P&I.	Currency(20,2)		M
Action Code	A code reported by the lender to update the loan that indicates the action that occurred during the reporting period.	Numeric(4,0)	enumeration : 60 - Payoff	C
Action Code Date	The effective date of the action associated with the action code specified on the incoming transaction by the Servicer.	Date(CCYY-MM-DD)		C
Step - Payment Effective Date	The date the new payment will be effective.	Date(CCYY-MM-DD)		C
Step - Note Rate	The new interest rate in the step schedule.	Numeric(6,4)		C
Step - Payment Amount	P&I Amount - The amount of the principal and/or interest payment due on the loan for each installment, beginning on the effective date.	Numeric (4,0)		C

**Exhibit D**  
**Second Lien Modification Not Approved/Not Accepted**

<b>Name</b>	<b>Definition</b>	<b>Data Type</b>	<b>Allowable Values</b>	<b>Official Mandatory (M) / Conditional (C) / Optional</b>
HAMP Registration Number	The unique identifier for the servicer participating in any MHA program.	Text (30)		M
HAMP First Lien Servicer Number	The HAMP Servicer number for the First Lien Servicer.	Text (30)		M
First Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the First Lien.	Text(30)		M
2MP Second Lien Servicer Number	The 2MP Servicer number for the Second Lien Servicer.	Text(30)		M
Second Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the Second Lien.	Text(30)		M
Borrower Social Security Number	The Social Security Number of the Borrower.	Numeric(9)		M
Co-Borrower Social Security Number	The Social Security Number of the Co-borrower.	Numeric(9)		C
Matched Second Lien Loan Not Modified Reason Code	A code that specifies the reason why a matched second lien loan was not modified.	Numeric (4,0)	1 Borrower rejected offer 2 Borrower non-responsive 3 Trial payments not received 4 Investor not participating 5 Evidence of fraud or misrepresentation	M

**Exhibit E**  
**Second Lien Extinguishment**

<b>Name</b>	<b>Definition</b>	<b>Data Type</b>	<b>Allowable Values</b>	<b>Official Mandatory (M) / Conditional (C) / Optional</b>
HAMP Registration Number	The unique identifier for the servicer participating in any MHA program.	Text (30)		M
HAMP First Lien Servicer Number	The HAMP Servicer number for the First Lien Servicer.	Text (30)		M
First Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the First Lien.	Text(30)		M
2MP Second Lien Servicer Number	The 2MP Servicer number for the Second Lien Servicer.	Text(30)		M
Second Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the Second Lien.	Text(30)		M
Second Lien GSE Servicer Number	The Fannie Mae or Freddie Mac unique Servicer identifier for the Second Lien.	Text (30)		C
Second Lien GSE Loan Number	A unique identifier assigned to each loan by a GSE (Fannie or Freddie).	Text(30)		C
Underlying Trust Identifier	This is the shelf and series security identifier associated with the underlying security. A shelf offering is a SEC provision allowing an issuer to register a new issue security without selling the entire issue at once. Additionally, this may be the CUSIP identifier associated with the security. The CUSIP number is the identification number assigned to a security by CUSIP (Committee on Uniform Security Identification Procedures) for trading.	Text (20)		C
Program Type/Campaign ID	A new program type that identifies the 2MP program	Text (14)	Campaign type -- enumeration: HMP3 - Second Lien	M
Investor Code	The owner of the mortgage.	Numeric(4,0)	Owner of the mortgage enumeration: 1 Fannie Mae 2 Freddie Mac 3 Private 4 Portfolio 5 FHA/VA 6 State or Local Housing Finance Agency	M
Borrower Execution or Notification Date	For second lien extinguishment, this is the date that the servicer sent the cancelled second lien documents to the borrower.	Date(CCYY-MM-DD)		M
Borrower Last Name	The last name of the Borrower. This is also known as the family name or surname.	Text(100)		M
Borrower First Name	First Name of the Borrower of record.	Text(100)		M
Borrower Social Security Number	The Social Security Number of the Borrower.	Numeric(9)		M

Name	Definition	Data Type	Allowable Values	Official Mandatory (M) / Conditional (C) / Optional
Co-Borrower Last Name	Last Name of the Co- borrower of record.	Text(100)		C
Co-Borrower First Name	First Name of the Co-borrower of record.	Text(100)		C
Co-Borrower Social Security Number	The Social Security Number of the Co-borrower.	Numeric(9)		C
Date of Original Note	The date the second lien mortgage note was signed.	Date(CCYY-MM-DD)		M
Product before Modification or Extinguishment	The mortgage product of the loan, before the modification or extinguishment.	Numeric(4,0)	1. Amortizing 2. Interest Only 3. Partial	M
Modification or Extinguishment Effective Date	The date on which the loan modification or extinguishment becomes effective.	Date(CCYY-MM-DD)		M
Submission Status	Status of loan data being submitted.	Numeric(4,0)	enumeration: 1 Second Lien Official Modification 2 Second Lien Extinguishment	M
Second Lien Release Indicator	Indicates that the lien has been released. The servicer must provide evidence of the second lien release, via this data attribute, when submitting a request for extinguishment payment.	Boolean	True/False	M
MI Approval Indicator	Indicates MI approval of modification or extinguishment of second lien.	Boolean	True/False	C
Unpaid Principal Balance Before Modification or Extinguishment	The total principal amount outstanding prior to the effective date of the modification or extinguishment.	Currency(20,2)		M
Last Paid Installment Date Before Modification or Extinguishment	The due date of the last paid installment of the loan.	Date(CCYY-MM-DD)		M
Term Before Modification or Extinguishment	Represents the number of months on which installment payments are based.	Numeric(4,0)		M
Interest Rate Before Modification or Extinguishment	The interest rate in the month prior to loan modification or extinguishment. Please report as rounded to nearest 8th. (e.g. 4.125)	Numeric(6,4)		M
Payment Before Modification or Extinguishment	The scheduled principal and interest amount in the month prior to loan modification or extinguishment. For Interest Only loans, it is only the scheduled interest amount in the month prior to loan modification or extinguishment.	Currency(20,2)		M
Principal Write-down (Forgiveness)	Amount of principal written-down or forgiven.	Currency(20,2)		M
Property Street Address	The street address of the subject property.	Text(100)		M
Property City	The name of the city where the subject property is located.	Text(100)		M

Name	Definition	Data Type	Allowable Values	Official Mandatory (M) / Conditional (C) / Optional
Property State	The 2-character postal abbreviation of the state, province, or region of the subject property.	Text(2)	enumeration: WY, WV, WI, WA, VT, VI, VA, UT, TX, TN, SD, SC, RI, PR, PA, OR, OK, OH, NY, NV, NM, NJ, NH, NE, ND, NC, MT, MS, MO, MN, MI, ME, MD, MA, LA, KY, KS, IN, IL, ID, IA, HI, GU, GA, FL, DE, DC, CT, CO, CA, AZ, AR, AL, AK.	M
Property Zip Code	The code designated by the postal service to direct the delivery of physical mail or which corresponds to a physical location. In the USA, this can take either a 5 digit form (ZIP Code) or a 9-digit form (ZIP + 4).	Text(9)		M
Lien Position	The lien position of the loan.	Numeric (4,0)		M