

# MPF® Traditional Product

## Permanent Loan Modifications

January 16, 2024



## About this Material

The following material is based upon recently announced information relative to the MPF® Traditional Product Servicing Guide. These materials should not be used in place of the MPF Traditional Product Servicing Guide and the associated MPF announcement(s). The official versions of all MPF Guides and recent announcements are available through [www.fhlbmpf.com](http://www.fhlbmpf.com) and AllRegs®.

**Please note that PFIs and Servicers are expected to abide by any/all federal or state laws that may apply.**

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# Changes Ahead

**The MPF Traditional (conventional) workout options guidelines now include a permanent loan modification option.**

- **Chapter 9** of the MPF® Traditional Servicing Guide has been updated.
- The new Chapter 9 can be accessed through a link provided in the November 17<sup>th</sup>, 2023, announcement (2023-88).
- The revised guidelines in the new Chapter 9 are optional beginning on **January 3**, and become mandatory on **March 1**.
- A recorded webinar that provides an overview of the upcoming changes is available on the MPF Program website.



# Permanent Loan Modification Overview

# Permanent Loan Modifications

Permanent loan modifications may be an option for borrowers who are not eligible for a payment deferral plan or may be facing a permanent hardship.

- Permanent modification must be considered when a borrower is experiencing a permanent hardship caused by a long-term decrease in income or increase in expenses.
- Temporary loan modifications **will no longer be available after March 1, 2024**, except for servicers of MPF Traditional loans owned by FHLB San Francisco\*
- After March 1st, extensions to existing temporary modifications\* will no longer be granted.
- If a borrower is currently in a temporary modification and cannot afford to go back to their regular payment, they should be considered for a permanent modification\*.



\*Servicers of MPF Traditional loans owned by FHLBSF are limited to only temporary modifications and may not offer a permanent loan modification.

# Permanent Loan Modifications

**Servicers are responsible for evaluating the borrower for a permanent loan modification**

**Prior approval from the MPF Bank is not required, unless:**

- ✓ An exception to the guidelines is being requested, or
- ✓ The new maturity date for the modified loan exceeds the initial maturity date by more than 20 years.

# General Two-Step Process

## Step One

- Servicers determine the modified payment by following the steps provided in **Section 9.2.4.6.2**
- Borrowers must successfully complete a **3 or 4-month Trial Period Plan\*** before the modification becomes permanent.

## Step Two

- Once the Trial Period Plan is successfully completed, the documentation related to the permanent modification plan must be submitted to the MPF Default Team via eMAQCS®plus.

*\*See Section 9.2.4.8 for guidance on determining whether to complete a 3 or 4-month trial period.*

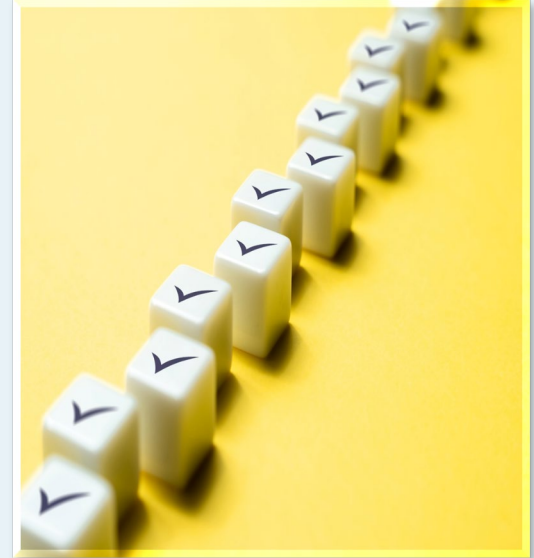
# Eligibility



# Eligibility

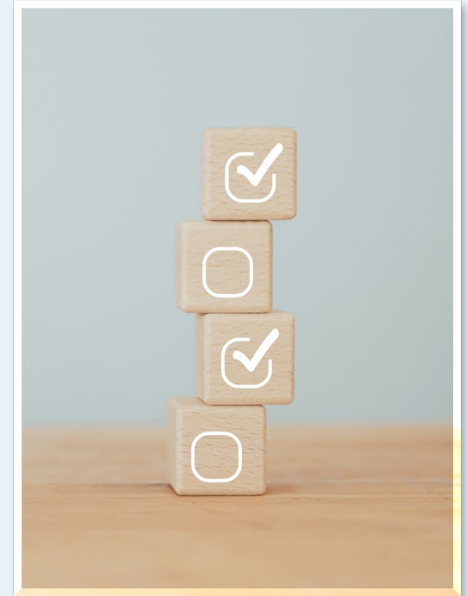
**To be eligible for a permanent loan modification, the following criteria must be met:**

- The loan must be and remain in first lien position.
- The property may not be vacant or condemned.
- The loan must be at least 60 days delinquent or determined to be in imminent default.
- The loan must have been originated at least 12 months prior to the modification evaluation date and not considered an Early Payment Default (EPD).
- The loan may not have received a previous permanent modification.
  - A payment deferral does not count as a mortgage loan modification.



## Eligibility (continued)

- If a borrower failed a loan modification trial period plan in the past, at least 12 months must have passed before another loan modification evaluation can begin.
  - Converting to a forbearance plan from a trial period plan is not considered to be a failed trial period plan.
- The loan must not have received a temporary loan modification that became 60 days or more delinquent within the first 12 months of the modification's effective date without being reinstated.
- Not be serviced by one of the following:
  - ✓ One Mortgage Partners, LLC Mortgage Pass-Through Certificates MPF® Shared Funding Program Series 2003-1 Trust
  - ✓ One Mortgage Partners, LLC Mortgage Pass-Through Certificates MPF® Shared Funding Program Series 2003-2 Trust



## Eligibility (continued)

### **The loan must not be subject to:**

- A current offer for another mortgage loan modification or other workout option
- An approved liquidation workout option
- An active and performing repayment plan
- An active and performing modification trial period plan
- A recourse or indemnification arrangement under which the MPF Bank purchased or that was imposed by the MPF Bank after the mortgage loan was purchased

# Imminent Default Eligibility Criteria

The initial eligibility requirements must be met **plus**:

The borrower must meet either the **credit** *or* the **hardship** eligibility criteria outlined in Chapter 9.

## Credit Criteria:

A credit score of less than or equal to 620 and either:

- Two or more 30-day late payments on the loan in the six months immediately preceding the evaluation or;
- A pre-modification housing expense ratio (HTI) greater than 40%\*

## Hardship Criteria:

- Death of a borrower or death of a primary or secondary wage earner.
- Long-term or permanent disability, serious illness of a borrower, co-borrower or dependent family member
- Divorce or legal separation
- Separation of borrowers unrelated to marriage

\*See 9.2.4.4.1.1 for details on how to calculate the housing expense-to-income (HTI) ratio.

## Imminent Default Eligibility Criteria (continued)

The initial eligibility requirements must be met **plus**:

- The loan is **current or less than 60 days delinquent** as of the evaluation date.
- The property is occupied as a primary residence by at least one borrower.
- The borrower must submit a complete **Workout Request Package (WRP)** and **Workout Request Application (WRA)**
  - The WRA (or equivalent) must provide evidence that the borrower's non-retirement cash reserves are less than \$25,000.
  - The borrower has provided a documented hardship on the WRA (or equivalent).



# Determining the Modification Terms

## Before You Begin

Verify that the loan is not falling out on the Turnaround Report (TAR) and that your **Monthly Remittance Report (SG300)** reflects the correct loan level data (including UPB).

Loan level discrepancies must be resolved prior to completing a permanent loan modification.

See The MPF Traditional Servicing Guide, Section 2.14.1 (Monthly Accounting Reports).



# Current Property Value

The servicer must obtain a property valuation, which must not be more than 90 days old at the time the servicer evaluates the borrower for the modification.

## One of the following must be used:

- An exterior broker's price opinion (BPO)
- An appraisal
- A third-party AVM
- The servicer's own internal AVM, provided that the servicer is subject to supervision by a federal regulatory agency, and the servicer's primary federal regulatory agency has reviewed the model.





## Determining the MTMLTV

To determine the borrower's new modified mortgage loan terms, the servicer must determine the post-modification **mark-to-market loan-to-value** (“MTMLTV”) ratio

$$\begin{array}{l} \text{Unpaid principal balance} \\ \text{Capitalized arrearages} \\ \text{Eligible advances} \\ \text{Third party fees} \end{array} \div \text{Current Value of the Property} = \text{MTMLTV}$$

# Steps for Determining the New Loan Terms

**To determine the borrower's new modified loan terms, the following steps must be completed in order, unless prohibited by applicable law.**

1. Capitalize Arrearages
2. Set the Modification Interest Rate
3. Extend the loan term
4. Forebear principal (based upon MTMLTV)
5. Forebear principal (based upon P&I reduction)
6. Forebear principal (when less than 90 days past due)



# Step 1: Capitalize Arrearages

The following are considered acceptable arrearages or capitalization:

## Accrued Interest

- From the month after the last paid installment date through the month before the effective date of the modification

## Out of pocket escrow advances to third parties

- Must have been paid prior to the effective date of the modification
- Escrow shortages are not capitalized

## Servicing advances paid to third parties in the ordinary course of business and not retained by the servicer

- Must have been paid prior to the effective date of the modification, if allowed by state law

## Any outstanding non-interest-bearing balance

- Must be from a previously completed modification or
- A previously completed payment deferral (including prior COVID 19 deferrals)

Late charges **may not** be capitalized and must be waived if the borrower successfully completes the Trial Period Plan.

## Step 2: Set the Modification Interest Rate

**Set the modification interest rate to a fixed rate based on the following:**

Use the interest rate in effect for the borrower's payment due in the month the evaluation is taking place

- If the **post-modification MTMLTV is less than 80%**, the modified interest rate is the borrower's contractual interest rate.
- If the **post-modification MTMLTV is greater than or equal to 80%**, the modified interest rate is the lesser of:
  - the MPF Traditional Modification Interest Rate (See Exhibit EE), or
  - the borrower's contractual interest rate

**Note:** The interest rate used to determine the final modification terms must be the same rate used to determine eligibility for the Trial Period Plan and calculating the Trial Period Plan Payment.

## Step 3: Extend the Loan Term

Extend the term **480 months** from the loan modification effective date\*

- Any loan modification that extends the maturity date by more than 20 years from original maturity date requires MPF Bank approval prior to offering the option to the borrower.
- If the property is a leasehold estate, the term of the lease must extend at least 5 years beyond the loan maturity date. If that is not the case, the lease must be renegotiated to satisfy this requirement.

\*The effective date is the first payment after the trial plan.



## Step 4: Forbear Principal

If the MTMLTV ratio is greater than 100%, forbear principal by the lesser of:

- An amount that equals a post modification MTMLTV ratio of 100% (using the interest-bearing UPB), **or**
- 30% of the gross post-modification UPB of the mortgage loan.

Interest must not accrue on any principal forbearance.

Any principal forbearance is payable either when the loan modification matures or the property is sold, refinanced, or transferred (whichever is earlier).

Is the  
MTMLTV  
> 100% ?

## Step 5: Continue to Forbear Principal

**Provide or increase principal forbearance until a 20% P&I payment reduction is achieved; however, the servicer must not forbear more than:**

- An amount that would create a post-modification MTMLTV ratio less than 80% using the interest-bearing UPB, **or**
- 30% of the gross post modification UPB of the mortgage loan

**20% P&I reductions aren't always guaranteed, as they may be limited by the above noted requirements.**

**Has the P&I  
payment been  
reduced by  
20% ?**

## Step 6: Forbear More Principal (if this applies)

If the mortgage loan is less than 90 days past due when the borrower submitted a complete WRP, continue to forbear principal until a 40% Housing Expense-to-Income Ratio (HTI) is achieved; however, the servicer must not forbear more than:

- An amount that would create a post-trial plan MTMLTV ratio of less than 80% **or**;
- 30% of the gross post modification UPB of the mortgage loan

**Was the loan  
less than 90  
days past due  
when the  
borrower  
submitted their  
WRP?**



# Escrows

- If a borrower waives escrows, an escrow account for taxes and insurance must be established prior to the beginning of the trial period plan.
  - If applicable law prohibits the establishment of an escrow account, the servicer must ensure that the T&I premiums are paid to date.
- Analyze any existing escrow account to estimate the periodic escrow deposit required to ensure adequate funds are available to pay future bills, including any T&I payments that may come due during the trial period.
- If a shortage is identified, it must be spread out in equal payments over a period of **60 months** unless the borrower agrees to pay the escrow shortage amount in a lump sum, or over a shorter period (not less than 12 months).

# Trial Period Plan


# Offering a Trial Period Plan

**Borrowers must successfully complete a three-month Trial Period Plan before a Permanent Loan Modification Plan can be granted**

- Servicers must utilize the **Permanent Loan Modification Trial Period Plan Notice (Form SG358)** or the equivalent, making any changes to comply with applicable law.
- **Form SG358** represents the minimum level of information that the servicer must communicate to the borrower to comply with the MPF Program requirements.
- If all eligibility requirements for the Loan Modification Plan are met, the servicer does not need to obtain approval from the MPF Provider prior to providing the borrower with **Form SG358**.
  - Any exceptions to the Loan Modification Plan requirements related to eligibility must be submitted via eMAQCSplus for approval prior to communicating the terms of the plan to the borrower.

# Trial Period Plan Notice SG358


Permanent Loan Modification Trial Period Plan Notice	
[DATE]	
Dear [BORROWER NAME(S)]: [SUBJECT PROPERTY ADDRESS 1] [SUBJECT PROPERTY ADDRESS 2] [CITY, STATE ZIP CODE] REFERENCE: [MPF LOAN NUMBER] [PF LOAN NUMBER]	
Subject: Loss Mitigation Offer Enclosed	
Dear [BORROWER NAME(S)]: Thank you for contacting us about your mortgage. Based on careful review of the information you provided, we are offering you an opportunity to enter into a loan modification trial period plan. This is the first step toward qualifying for a permanent loan modification. If you satisfy all the requirements set forth below, we will sign the loan modification agreement and your loan will be permanently modified.	
<b>Accepting the offer</b> To accept this offer to modify your mortgage, you must do one of the following by <b>[14 CALENDAR DAYS FROM THE DATE OF THIS LETTER]</b> : <ul style="list-style-type: none"><li>Contact us by phone or in writing to let us know if you intend to accept this offer, OR [SERVICER NAME] [MAILING ADDRESS] Phone: [BXX-XXX-XXXX]; Email Address: [SERVICER'S EMAIL]</li><li>Send your first trial period plan payment of \$ [FIRST PAYMENT AMOUNT].</li></ul>	
Failure to contact us or send your first trial period plan payment by such date, may result in your loan being considered delinquent.	
<b>Completing the trial period plan:</b> In order to successfully complete the trial period plan, you must make the trial period plan payments below.	



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Permanent Loan Modification Trial Period Plan Notice		
<b>Trial Period Plan Payment</b>	<b>Amount Due</b>	<b>Due Date</b>
FIRST*		
SECOND		
THIRD		
*If you submit your first trial period plan payment by <b>[14 CALENDAR DAYS FROM THE DATE OF THIS LETTER]</b> , follow this schedule for your second and third trial period plan payments only.		
We must receive each trial period plan payment in the month in which it is due. If we do not receive a trial period payment by the last day of the month in which it is due, this offer is revoked and we may refer your mortgage to foreclosure. If your mortgage has already been referred to foreclosure, foreclosure related expenses may have been incurred, foreclosure proceedings may continue, and a foreclosure sale may occur.		
<b>Permanent Modification:</b> Your modified terms will take effect only after: <ul style="list-style-type: none"><li>You have signed and submitted your loan modification agreement (which we will send you near the completion of the trial period plan);</li><li>We have signed the loan modification agreement and returned a copy to you upon completion of the trial period plan; AND</li><li>The modification effective date set forth in the loan modification agreement has occurred.</li></ul>		
<b>LOAN MODIFICATION TERMS</b> The table below compares your current mortgage terms to the <b>estimated</b> modified terms.		
	<b>Current Terms</b>	<b>Modification Terms</b>
Payment*		
Interest Rate		
Term		
Maturity Date		
Deferred Principal**		
*Payment includes principal, interest, and escrow payment, if applicable. For more information on the estimated modification payment amount, review the <b>Additional Information</b> below.		
**For more information on deferred principal, review the <b>Additional Information</b> below.		



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## Trial Period Plan Timing

Trial Period start dates vary depending upon when **Form SG358** was sent to the borrower

If Form SG358 is sent on or before the 15<sup>th</sup> calendar day of the month:

- Use the first day of the following month as the first Trial Period Plan payment due date.
- **Example:** If Form SG358 was sent on April 7<sup>th</sup>, the first payment due date is May 1<sup>st</sup>.

If Form SG358 is sent after the 15<sup>th</sup> calendar day of the month:

- The first Trial Period Plan payment is due one month later:
- **Example:** If Form SG358 was sent on April 21<sup>st</sup>, the first payment due date is June 1<sup>st</sup>.

## Trial Period Plan Length

The length of the Trial Period Plan must not change even if the borrower makes scheduled payments earlier than required. The trial period must be:

- **Four months long** if at the time of evaluation, the mortgage loan is current or less than 31 days delinquent, **or**
- **Three months long** if at the time of evaluation, the mortgage loan is 31 or more days delinquent.

If the borrower fails to make a Trial Period Plan payment by the last day of the month in which it is due, the borrower is considered to have failed the Trial Period Plan. **The servicer must not grant the borrower a permanent loan modification.**

# Reporting Requirements

During the trial plan, the loan must continue to report modified loans on the **Delinquent Mortgage and Bankruptcy Status Report (Exhibit B)**

- **Exhibit B** must be uploaded into eMAQCS®plus by the 5th business day of each month.
- Use **Action Code 12**
- Use **Delinquency Status Code BF** during the Trial Period Plan, and **28** after successful completion of the Trail Period Plan payment period.
  - After the trial period has been reported as successfully completed, the loan no longer needs to be reported (unless future delinquencies occur).
- **Loss Mitigation Type:** Use **Modification**
  - Include the **Loss Mitigation Approval Date** and **Loss Mitigation Estimated or Actual Completion Date** as applicable.

# Completing a Permanent Loan Modification



# Steps for Determining the New Loan Terms


To determine the borrower's new modified loan terms after the trial plan, use the **Loan Modification Worksheet (Form SG357)**

- The **Form SG357** walks through the steps for calculating the permanent modification terms.
- The steps for determining the modified loan terms are similar to the steps used for the trial period.
- Servicers are strongly encouraged to use Form SG357 (or its equivalent, to determine the loan modification terms.
- Servicers should submit this worksheet with the **Workout Worksheet (Form SG354)**.



# Permanent Loan Modification Worksheet (SG357)


Permanent Loan Modification Worksheet		
Data (Continued)	Servicer Must	Breakdown Amounts (if \$0, input \$0)
UPB & LPI Pre-Trail	Enter the pre-trail UPB	
Trail Payments Made/Contractual Payments Applied	Enter the principal portion of contractual payments applied during trail	
UPB & LPI After Trail is Completed	Enter the post-trail UPB	
Add Interest Arrearages (Delinquent Interest)	Enter the interest portion of the P&I payment from the month after the last paid installment date through the month before the effective date.	
Subtract Borrower Contribution/Suspense	Enter any borrower contribution or suspense amounts as a <b>negative</b> amount	
Add Out-of-Pocket escrow advances to third parties	Enter any escrow advances the PFI made to third parties made on behalf of the borrower while the loan was delinquent through the month prior to the effective date of the modification	
Add Servicing Advances paid to third parties (as applicable)	Enter any Servicing advances paid to third parties in the ordinary course of business and not retained by the Servicer made on behalf of the borrower while the loan was delinquent through the month prior to the effective date of the modification	
Add Outstanding non-interest bearing balance from a previously completed loss mitigation option (as applicable)	Enter any outstanding non-interest bearing balance from a previously completed loss mitigation option. These are frequently prior COVID-19 Deferrals, include deferred escrow amounts.	
Total Capitalized Balance Prior to Forbearance	Add the amounts from the prior 6 fields together, starting with the Post Trail UPB through the Servicing Advances Paid to Third Parties to achieve the Capitalized Balance Prior to any Forbearance Amounts.	



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Permanent Loan Modification Worksheet		
Data (Continued)	Servicer Must	Breakdown Amounts (if \$0, input \$0)
Total Capitalized Balance Prior to Forbearance	Add the amounts from the prior 6 fields together, starting with the Post Trail UPB through the Servicing Advances Paid to Third Parties to achieve the Capitalized Balance Prior to any Forbearance Amounts.	
Subtract any principal forbore as a result of post-modification MTMLTV ratio being greater than 100% (as applicable)	Enter the amount forbore that is the lesser of: <ul style="list-style-type: none"> <li>An amount that would create a post-modification MTMLTV ratio of 100% using the interest-bearing UPB of the mortgage loan</li> </ul> <b>Enter as a negative amount</b>	
Subtract any principal forbore as a result of trying to achieve a 20% P&I payment reduction (as applicable)	Enter an Amount that does not forbore more than: <ul style="list-style-type: none"> <li>An amount that would create a post-modification MTMLTV ratio less than 80% balance, or</li> <li>30% of the gross post-modification UPB of the mortgage loan</li> </ul> <b>Enter as a negative amount</b>	
Subtract any principal forbore as a result of trying to achieve a 40% HTI (as applicable)	Enter an Amount that does not forbore more than: <ul style="list-style-type: none"> <li>An amount that would create a post-modification MTMLTV ratio less than 80% balance, or</li> <li>30% of the gross post-modification UPB of the mortgage loan</li> </ul> <b>Enter as a negative amount</b>	
Total Forbearance Amount	Add the Principal Forbore as a result of Post-Mod MTMLTV over 100%, the Principal Forbore as a result of Post-Mod MTMLTV over 80% and the principal forbore to get the Total Forbearance Amount after modification	
Total Capitalized Balance Less Forbearance	Subtract the total forbore amount in the above field from the Total Capitalized Balance Prior to Forbearance to get the Total capitalized balance after modification	



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# Calculating the Post-Trial Plan UPB

**When the trial period payments received are sufficient to equal a borrower's past due contractual monthly payment, the contractual payment must be applied**

**Apply the funds to the borrower's past due contractual payment (s)**

Bring the last paid installment date forward to reflect the application of the payment

Any leftover trial payment funds should be subtracted from the capitalized arrearages

# Preparing the Loan Modification Agreement

- **Fannie Mae Form 3179** should be utilized.
- The form should be completed early enough in the Trial Period Plan to allow for sufficient processing time.
- Processing time is crucial, especially when the modification is effective the month immediately following the Trial Period plan.

\_\_\_\_\_[Space Above This Line For Recording Data]\_\_\_\_\_

**LOAN MODIFICATION AGREEMENT**  
(Providing for Fixed Interest Rate)

This Loan Modification Agreement ("Agreement"), made this \_\_\_\_ day of \_\_\_\_\_, between \_\_\_\_\_ ("Borrower") and \_\_\_\_\_ ("Lender"), amends and supplements (1) the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") dated \_\_\_\_\_ and recorded in Book or Liber \_\_\_\_\_, at page(s) \_\_\_\_\_, of the \_\_\_\_\_ Records of \_\_\_\_\_ (Name of Recorder) \_\_\_\_\_ and (2) the Note, bearing the same date as, and secured by, the \_\_\_\_\_ (County and State, or other Jurisdiction) Security Instrument, which covers the real and personal property described in the Security Instrument and defined therein as the "Property", located at \_\_\_\_\_ (Property Address)

the real property described being set forth as follows:

\_\_\_\_\_

In consideration of the mutual promises and agreements exchanged, the parties hereto agree as follows (notwithstanding anything to the contrary contained in the Note or Security Instrument):

1. As of \_\_\_\_\_, the amount payable under the Note and the Security Instrument (the "Unpaid Principal Balance") is U.S. \$ \_\_\_\_\_, consisting of the unpaid amount(s) loaned to Borrower by Lender plus any interest and other amounts capitalized.
2. Borrower promises to pay the Unpaid Principal Balance, plus interest, to the order of Lender. Interest will be charged on the Unpaid Principal Balance at the yearly rate of \_\_\_\_\_%, from \_\_\_\_\_, \$ \_\_\_\_\_, beginning on the \_\_\_\_\_ day of \_\_\_\_\_, and continuing thereafter on the same day of each succeeding month until principal and interest are paid in full. The yearly rate of \_\_\_\_\_% will remain in effect until principal and interest are paid in full. If on \_\_\_\_\_ (the "Maturity Date"), Borrower still owes amounts under the Note and the Security Instrument, as amended by this Agreement, Borrower will pay these amounts in full on the Maturity Date.

LOAN MODIFICATION AGREEMENT—Single Family—Fannie Mae UNIFORM INSTRUMENT Form 3179 1/01 (rev. 4/14) (page 1 of 3)

## Preparing the Loan Modification Agreement

**Servicers may opt to have the Loan Modification Agreement become effective on the first day of the second month following completion of the Trial Period Plan**

- If choosing to do this, the servicer must apply equal treatment to all borrowers.
- If the servicer elects this option, borrowers are not required to make an additional Trial Period Plan payment during the “interim month”
  - The “interim month” refers to the month between the final Trial Period Plan month and the effective date of the permanent loan modification.
  - For example, if the last trial period plan payment was March 1, the borrower is not required to make a payment in April. Their first payment due on the permanent loan modification is May 1.

# Preparing the Loan Modification Agreement (continued)

After the receipt of all trial payments and calculation of the final modification terms, the **Permanent Loan Modification Cover Letter (Form SG359)** or an equivalent form, must be used to communicate the borrower's eligibility for a permanent loan modification.

Form SG359 should be sent along with **Form 3179**

Loan Modification Cover Letter

[DATE]

[Servicer Logo]

Dear [BORROWER NAME(S)]:  
[SUBJECT PROPERTY ADDRESS 1]  
[SUBJECT PROPERTY ADDRESS 2]  
[CITY, STATE ZIP CODE]  
REFERENCE: [MPF LOAN NUMBER] [PFI LOAN NUMBER]

Subject: Loss Mitigation Offer Enclosed

Dear [BORROWER NAME(S)]:

We are pleased to inform you that you are eligible for a Loan Modification, which will permanently change the terms of your mortgage.

If you comply with the terms of the required Trial Period Plan, we will modify your mortgage and may waive all prior late charges that remain unpaid.

The enclosed modification agreement ("Loan Modification Agreement") reflects the proposed terms of your modified mortgage.

**Accepting the Offer:**

To accept the offer, you must:

- **Sign and return** both copies of the Loan Modification Agreement back to us in the enclosed, pre-paid envelope by **[INSERT DATE]**. If you do not send both signed copies of the Loan Modification Agreement by the above date, you must contact us if you still wish to be considered for a modification.
  - If the Loan Modification Agreement has notary provisions at the end, you must sign both copies before a notary public and return the notarized copies to us.
  - Please make a copy of all documents for your records.
- **Make all remaining trial period payments** on or before the dates they are due. If the trial period payments are made after their due dates or in amounts different from the trial period payment amount required, your mortgage may not be able to be modified.

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## Executing the Loan Modification Agreement

### The modified mortgage must retain first lien position and be fully enforceable

- The same borrower(s) signing the modification should match those on the original Note unless there was an eligible transfer that was exempt from the due-on-sale clause.
- Ensure that all real estate taxes and assessments are current and there are no liens that have priority over the modified loan.
- If the loan modification is recorded, obtain a title endorsement or similar title insurance product.
- If the current loan is covered by mortgage insurance, obtain approval from the MI company (and/or SMI company if applicable).



## Delivering the Loan Modification Agreement

**A fully executed original Loan Modification Agreement must be sent to the MPF Program Custodian within 25 days of receipt from the borrower**

- **If recording is required:**
  - Send a certified copy of the fully executed Loan Modification Agreement to the MPF Program Custodian within 25 days of receipt from the borrower.
  - Once received from the recorder's office, send the original Loan Modification Agreement to the MPF Program Custodian within 5 business days.
- **If the Loan Modification Agreement does not require recording, the servicer must send the fully executed original Loan Modification Agreement to the document custodian within 25 days of receipt from the borrower.**



# Submitting to the MPF Provider

- Servicers do not need to obtain prior approval, however once the modification has been completed and **Form 3179** has been executed, the servicer must submit the updated **Workout Worksheet (SG354)** and all supporting documentation to EMAQCS®plus.
- The updated **SG354** must be used, **no alternative or equivalent forms will be accepted.**

**Workout Worksheet**

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**Section 1: PFI/Servicer Information**

PFI Number: \_\_\_\_\_ Servicer Name: \_\_\_\_\_  
 MPF Loan Number: \_\_\_\_\_ Borrower Name: \_\_\_\_\_  
 Property Address: \_\_\_\_\_

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**Section 2: Workout Information**

Workout Option Requested (select one) – All options **do** require additional documentation outlined in Section 3.

☐ Forbearance Plan (Submission of this form is only required if: forbearance exceeds 12 months or other exception. Exception details are required in Section 4)  
☐ Repayment Plan (Submission of this form is only required if: repayment plan exceeds 12 months or other exception. Exception details are required in Section 4)  
☐ Payment Deferral (Submission of this form is required)  
☐ **Permanent** Loan Modification (**NOT for Servicers of loans owned by FHLB San Francisco** - Submission of this form is required)  
☐ **Temporary** Loan Modification (**ONLY for Servicers of loans owned by FHLB San Francisco** - Submission of this form is required)  
☐ Short Sale (Submission of this form is required)  
☐ Deed-in-Lieu of Foreclosure (Submission of this form is required)

**Servicer attests to the following:**

☐ Workout meets applicable eligibility requirements outlined in MPF guide (If not, exception details are required in below section)  
☐ All information in Workout Request Package was verified to be accurate based on borrower documentation. (If not, discrepancy details are required in below section)

**Mortgage Insurance:**

☐ Loan has Mortgage Insurance and workout is acceptable to MI Company \_\_\_\_\_  
 MI Company: \_\_\_\_\_  
☐ Loan does not have Mortgage Insurance

**Bankruptcy:**

☐ Loan is subject to active Bankruptcy and the proposed workout has been approved by Bankruptcy Court  
☐ Loan is not subject to active Bankruptcy

**Payment Deferral / Permanent Loan Modification:**  
 If repayment of an identified escrow shortage is being spread over a term of less than 60 months, Servicer attests the borrower has agreed to this:  
 Yes ☐ No ☐

**Servicer attests the Payment Deferral was accepted by the Borrower(s):**  
 Yes ☐ No ☐

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**mpf** Mortgage Partnership Finance Page 3 of 5 Revision Date: 01/03/2024

# Documentation

# Required Documentation

**After the Trial Period Plan has been successfully completed, the following information should be completed in/or uploaded into eMAQCS<sup>®</sup>plus\***

- A completed **NEW Workout Worksheet (Form SG354)**
- **Loan Modification Cover Letter (Form SG359)**
- **Permanent Loan Modification Trial Period Plan Notice (Form SG358)**
- **Permanent Loan Modification Worksheet (Form SG357)**
- A fully executed **Loan Modification Agreement (Fannie Mae Form 3179)**
- A payment history starting from the last paid installment to current date
- An escrow history starting from the last paid installment to current date (supporting documentation for any escrow amounts included in the capitalized balance)
- An escrow analysis as of the workout effective date (supporting documentation for any escrow shortage)
- An eligible property valuation to support the MTMLTV ratio calculation

\*The above noted required documentation is listed in Section 3 of Form SG354 Workout Worksheet.  
**The MPF Default Team or your MPF Bank may request additional information.**

# Required Documentation FAQs

- The Workout Request Application (WRA) Form SG-355, Loan Modification Cover Letter Form SG-359, Trial Plan Notice Form SG-358 and Loan Modification Worksheet Form SG-357 contain the minimum amount of information required.
- Loan Modification Interest Rate-Exhibit EE contains the interest rate required to be used when determining new modified mortgage loan terms.
- Submission of the SG-354 Workout Worksheet along with all attachments is required upon completion of the loan modification. **No alternative or equivalent forms will be accepted.**
- Form 3179 is a required form, only changes permitted by Fannie Mae or Freddie Mac are allowed.
- If a loan is less than 90 days delinquent a WRP is required. If a loan is more than 90 days delinquent a WRP is not required. The WRP, all required supporting documentation and the above required documents must be permanently retained in the loan file.
- From January 3, 2024, through March 1, 2024, the updated Workout Worksheet SG-354 is identified in eMAQCS®plus as SG-354 New Workout Worksheet (NEW).

# Reporting Requirements

# Reporting Requirements

**After a mortgage loan modification is executed and the Form SG-354 has been submitted via eMAQCS®plus, the servicer must adjust the mortgage loan as noted below:**

- Loan level reporting should be updated to reflect the capitalized UPB and new first payment date.
- The borrower's payment amount must be revised to reflect the new modified payment.
- If the borrower makes a payment prior to the modification effective date (first payment date), the funds should not be applied to the capitalized UPB used for the payment calculation. The early payment should be applied as the first payment of the permanent modification.
  - If the payment received is less than the amount due, it may be held in suspense until the full payment amount is received.
  - If the payment is more than the amount due, the remaining amount may be applied as a principal curtailment.

# MPF Program Information

## MPF Service Center

- Phone: 877-345-2673
- Email: [MPF-Help@FHLBC.com](mailto:MPF-Help@FHLBC.com)
- Hours: 8:30 am to 4:30 pm CST

*Assistance is also available via the MPF Program Customer Service Portal*

## MPF Program Default Team

[mpfdefaultservicing@fhlbc.com](mailto:mpfdefaultservicing@fhlbc.com)

## MPF National Education

[mpftraining@fhlbc.com](mailto:mpftraining@fhlbc.com)

