

**DEFERRALS AND
WORKOUT PLANS
FOR DELINQUENT
BORROWERS**

FLEX MODIFICATION

- Borrower must complete trial period first.
- After the trial period has been successfully completed then the following steps need to be taken:
 1. Capitalize eligible arrearages such as accrued interest, escrow advances, etc. to arrive at the post-modification UPB. Post D-P tran code to increase the principal, C-I tran code that is set to exclude from servicing for the accrued interest and credit to the escrow bucket for escrow advances.
 2. Verify the interest rate and maintain if necessary. If the interest rate needs to be updated and backdated, the option for Rate Change Maintenance would need to be taken.
 3. Extend the term to 480 months from the loan modification effective date. The term can be updated using the edit function on C&A Inquiry, All Fields or selecting Account Maintenance under Related Functions.
 4. Forbear any principal, if necessary, to meet the terms of the modification (HAMP record would need to be set up so interest does not accrue on the principal forbearance amount.)

MAKING FORBEARANCE PAYMENTS

- According to Freddie Mac, the interest bearing UPB portion of a forbearance has to be paid down to zero before the FI's can apply funds to the forbearance amount
- Exception to the Rule:
 - If the customer makes a curtailment payment that is equal to or greater than the forbearance amount even if the interest won't be paid down to zero
 - If the interest bearing UPB won't be paid to zero, then the curtailment should be applied to the forbearance amount

QUESTIONS?



STEPS TO INACTIVATE A LOAN ON FREDDIE MAC

- A loan is inactivated when it becomes 120 days delinquent which means you no longer have to send interest to Freddie Mac
- Enter FHLMC in the Action Group Field, leave the Action Code blank and enter the Inactivation Date
- Use the first day of the month for inactivation
- This needs to be maintained before the P&I Determination date and in the 4th cycle of delinquency

ALTERNATIVES TO FORECLOSURE

- Deed in lieu – Transaction where the deed to the property is transferred back to the servicer.
- Short sale – Transaction where the proceeds of the sale are less than the amount owed on the loan.
- Charge off – FI has determined there is no likelihood that the mortgage debt will be collected.

REQUEST A PAYOFF ON INVESTOR SIDE ONLY

- If any of the situations in the previous slide occur, the option will need to be taken to request a payoff on the investor side.
- If it is determined that the servicing side needs to be \$0 but the regular side of the loan needs to remain on the books, the option would be taken to do a **payoff on the investor side only**.
- If it is determined that the servicing side and the regular loan side need to be \$0 then the option would be taken to do a **complete payoff on all sides**.

INVESTOR SERVICING MENU OPTION FOR REQUEST A PAYOFF ON INVESTOR SIDE ONLY

Take the following steps if the servicing side only should be \$0:

1. Enter the account number.
2. Enter the action code if an action code has been provided by the investor.
3. Enter the payoff option as 'P' for 'Removes investor & participation sides of loans and places it back to unsold status'.
4. Next take the option to Print request investor payoffs. This option will generate LNS045P report.

CONTINUED

- System will write out a maintenance record with the field description 'Add P/O request' and the new value will show as 'P'.
- System will credit the DDA/CUS account in EOD processing so the funds can be remitted to the investor the following day.
- If for some reason it is determined the request needs to be deleted it would need to be done on the same day the option is taken. Go back to step 1. then click on the Delete request button. System will write out another maintenance record to show it was deleted.

INVESTOR SERVICING MENU OPTION FOR REQUEST A PAYOFF ON INVESTOR SIDE AND FI SIDE

Take the following steps if the servicing side **AND** the regular loan side should be \$0:

1. Go to the payoff screen. If there are fields other than current balance and accrued interest (suspense, escrow, late charges, other charges, etc.) then the fields will need to be brought to \$0. The transactions will need to hard post in EOD processing.
2. The following day go back to the payoff screen to verify there is only the current balance and accrued interest on the loan.
3. Next go to the option to Request a payoff on Investor side only and enter the account number.
4. Enter the action code if an action code has been provided by the investor.
5. Enter the payoff option as 'C' for 'Complete payoff of all sides of loan'.
6. Next take the option to Print request investor payoffs. This option will generate LNS045P report.

CONTINUED

- System will write out a maintenance record with the field description 'Add P/O request' and the new value will show as 'C'.
- System will create offsetting entries on the GL so no funds will hit the DDA/CUS account.
- The amount will be included on LNS285P report. The call-in amount will need to be reduced by the amount of the principal transaction that posted to the servicing record.
- If for some reason it is determined the request needs to be deleted it would need to be done on the same day the option is taken. Go back to step 3. then click on the Delete request button. System will write out another maintenance record to show it was deleted.

QUESTIONS?

