



HELPING YOUR CLIENTS WITH FANNIE MAE AND FREDDIE MAC'S PRINCIPAL REDUCTION

WHAT IS IT?

At the direction of the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac are offering a one-time Principal Reduction Modification program to certain seriously delinquent, underwater borrowers who are still struggling in the aftermath of the financial crisis to help them avoid foreclosure and stay in their homes.

WHO IS ELIGIBLE?

Eligibility for the Principal Reduction Modification is limited to borrowers whose loan is owned or guaranteed by Fannie Mae or Freddie Mac* and meet basic criteria:

1. At least 90 days delinquent as of March 1, 2016
2. Unpaid principal balance of \$250,000 or less as of March 1, 2016
3. Are owner-occupants
4. Loan-to-value ratio exceeds 115 percent
5. Generally meet other Streamlined Modification eligibility criteria

WHEN WILL BORROWERS KNOW IF THEY ARE ELIGIBLE?

Borrowers should act soon to get help and avoid foreclosure. By July 15, servicers will solicit potentially eligible borrowers for a Streamlined Modification, which will lower their payment with no need for an application or documentation of finances.

Borrowers who believe they may be eligible for a Principal Reduction Modification should accept this Streamlined Modification offer even though this offer will not reference principal reduction. This does not guarantee eligibility for the Principal Reduction Modification program, but borrowers who are later determined eligible and enter into a permanent Streamlined modification, will later have their Streamlined Modification's principal forbearance converted to principal forgiveness. Borrowers who are determined to be ineligible for principal forgiveness will remain in their Streamlined Modification and continue to benefit from their reduced payment.

Servicers will solicit all eligible borrowers starting no later than October 15. All Principal Reduction Modification solicitation offers must be sent to eligible borrowers by December 31.

WHY DO BORROWERS HAVE TO WAIT?

Servicers will need some time to evaluate a borrower's eligibility. Anyone struggling to pay their mortgage who believes they meet these eligibility criteria should contact their servicer directly.

WHERE SHOULD I DIRECT MY CLIENTS IF THEY HAVE A PROBLEM OR WANT MORE INFORMATION?

Borrowers should contact their servicer with questions about their eligibility, or the process to receive a Principal Reduction Modification. If housing counselors have questions or need information, please contact Cheryl Peterson at Fannie Mae (cheryl_peterson@fanniemae.com) or Freddie Mac's service center (1-800-FREDDIE). FHFA will forward principal reduction case work requests to Fannie Mae and Freddie Mac, but we would still like to be helpful to counseling agencies if there are other questions. You can contact us at PRM@FHFA.gov.

More information, including detailed borrower Frequently Asked Questions, is available on FHFA.gov:

FHFA.gov/Media/PublicAffairs/Pages/FHFA-Announces-PRM-Program-and-Further-Enhancements-to-NPL-Sales-Reqs.aspx

or

FHFA.gov/Media/PublicAffairs/PublicAffairsDocuments/Borrower-FAQs_04-14-16.pdf

**Homeowners can look up if their loan is owned by Fannie Mae or Freddie Mac via their Loan Look-up Tools:*

Fannie Mae: knowyouroptions.com/loanlookup
Freddie Mac: ww3.freddiemac.com/loanlookup/

