
FEDERAL HOUSING FINANCE AGENCY



NEWS RELEASE

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FHFA URGES SERVICERS TO TAKE PROMPT ACTION ON LOAN MODIFICATIONS

Washington, DC – Federal Housing Finance Agency (FHFA) Director James B. Lockhart today urged loan servicers to support the new streamlined modification program (SMP) announced November 11 by FHFA, the U.S. Treasury Department, the Federal Housing Administration (FHA), Fannie Mae, Freddie Mac and HOPE NOW. In a letter to more than 40 mortgage servicers and trustees of private-label mortgage-backed securities (PLS), Lockhart said the SMP should become an accepted standard for indentifying seriously delinquent borrowers who can be helped to avoid preventable foreclosure. Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks are the largest investors in PLS. Their holdings, originally AAA-rated securities, comprise roughly 20 percent of all PLS outstanding.

“Fannie Mae and Freddie Mac are the acknowledged leaders in creating national standards for mortgage lending in the United States,” wrote Lockhart. “I am writing to request your prompt action to support the standards set forth by Fannie Mae and Freddie Mac’s new streamlined modification program for all mortgages. Trustees and servicers have an obligation to minimize losses to investors in, and guarantors of, mortgage-backed securities. The critical component for reducing losses is to stabilize the housing market.”

THE SMP helps to stabilize the housing market through several key steps:

- SMP targets borrowers who have missed three payments or more, own and occupy their property as a primary residence and have not filed for bankruptcy.
- SMP creates a standard definition of an “affordable” mortgage payment—no more than 38 percent of the household’s monthly gross income.
- Servicers will have flexibility in modifying loans, including reducing the mortgage interest rate, extending the life of the loan or even deferring payment on part of the principal. The servicer receives an \$800 payment for each modification.
- SMP will increase significantly the number of loan modifications completed, reduce the time and effort required to undertake such modifications and reduce foreclosures.

The FHFA letter describes how SMP can work within servicers' existing agreements and obligations. Fannie Mae and Freddie Mac will soon issue specific instructions for the December 15th program implementation shortly .

“Stronger foreclosure prevention activities should help to arrest the downward spiral in house and private-label MBS prices,” said Lockhart. “It is time to act to modify loans to keep people in their homes and to prevent foreclosures, which harm neighborhoods and create more losses for investors.”

Link to [Letter](#)

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$6.2 trillion in funding for the U.S. mortgage markets and financial institutions.