



Freddie offers new loan mod option

Freddie Mac is replacing its Debt Coverage Ratio program with a new option, called a Standard Modification. The program is designed to assist borrowers who are ineligible for a Home Affordable Modification Program (HAMP) loan modification or have previously defaulted on a HAMP or other loan mod. For those who are approved, the program reduces a borrower's mortgage principle and monthly payment by at least 10 percent each, thereby making the payments more affordable.

To qualify, homeowners must be at least 60 days past due on their mortgage. Those who are not at least 60 days past due can qualify by proving they are in imminent danger of default, through demonstrating an eligible hardship and providing verification of income.

Mortgages that are modified will have their interest rates set to 5 percent and the amortization period (time required to pay off the mortgage) extended to 40 years from the time of the modification. Lenders approving such modification will receive cash incentives of up to \$1,600 per homeowner approved.

Borrowers approved for the program must undergo a three-month trial period during which they must keep up with their new payment schedule before the loan modification is finalized and made permanent, similar to HAMP. Lenders will have incentives to encourage them to finalize borrower's status within two months of the end of the trial period.

Lenders may begin trial modifications for approved homeowners under the program as early as Oct. 1, 2011. As of Jan. 1, 2011, all borrowers seeking a loan modification of any type on a Freddie Mac-supported mortgage must be evaluated for eligibility under the program.

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