

Subject: FHFA Announces Principal Reduction Modification Program and Further Enhancements to NPL Sales



Home / Media / [FHFA Announces Principal Reduction Modification Program and Further Enhancements to NPL Sales Requirements](#)
News Release

FHFA Announces Principal Reduction Modification Program and Further Enhancements to NPL Sales Requirements

FOR IMMEDIATE RELEASE
4/14/2016

Washington, D.C. – The Federal Housing Finance Agency (FHFA) today announced that Fannie Mae and Freddie Mac will offer principal reduction 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. The new Principal Reduction Modification program is a one-time offering for borrowers whose loans are owned or guaranteed by Fannie Mae or Freddie Mac and who meet specific eligibility criteria. The modification will be available to owner-occupant borrowers who are 90 days or more delinquent as of March 1, 2016, whose mortgages have an outstanding unpaid principal balance of \$250,000 or less, and whose mark-to-market loan-to-value (MTMLTV) ratios exceed 115 percent. Other eligibility criteria apply (see attached [Fact Sheet](#) for eligibility criteria and key dates).

The program was approved under FHFA's statutory authority in the Emergency Economic Stabilization Act of 2008 "to implement a plan that seeks to maximize assistance for homeowners and ... minimize foreclosures," including through a "reduction in loan principal," while minimizing losses for the Enterprises (12 USC 5220(b)) as well as other provisions of law.

FHFA expects that approximately 33,000 borrowers will be eligible for a Principal Reduction Modification. Servicers must solicit borrowers eligible for a Principal Reduction Modification no later than October 15, 2016.

FHFA also announced today that it has approved further enhancements to its requirements for Freddie Mac and Fannie Mae's sales of non-performing loans (NPLs). The new enhancements: 1) establish that NPL buyers must evaluate borrowers whose MTMLTV ratio exceeds 115 percent for modifications that include principal reduction and/or arrearage forgiveness; 2) forbid NPL buyers

