

Model Process for Non-GSE Modification Programs That use an NPV Model for Loans with Private Mortgage Insurance

May 27, 2009

On March 1, 2009, the member companies of the Mortgage Insurance Companies of America (MICA) reached an understanding with the Housing Policy Council and the United States Department of the Treasury relating to a model procedure as to how loans insured by a private mortgage insurer (“MI Company”) should be handled when the decision to modify a loan is based on the use of a net present value (“NPV”) calculation. A copy of the Memorandum of Understanding (“MOU”) is attached hereto (Exhibit A).

This document provides the procedures for loans that either:

- 1) Pass the NPV test (NPV “Positive”), or
- 2) Fail the NPV test (NPV “Negative”) and are delivered to the MI Company for a Mortgage Insurance Second Look Review (“Second Look”).

1) MICA Model Delegation of Authority for Loans Passing the NPV Test (NPV “Positive”):

To facilitate a streamlined process for modifying loans passing the NPV test, the MI Companies have developed a Home Affordable Modification Program (HAMP) delegation model for Servicers/investors. See Exhibit B for the model delegation agreement. For other modification programs, refer to the applicable MI Company for guidance regarding delegation for these programs.

Standard loan level reporting will apply for all loan modifications closed under this delegation. See Exhibit C for model reporting requirements.

2) Model Second Look Review for Loans Failing the NPV Test (NPV “Negative”):

Second Look Review Criteria

Non-GSE loans that have not passed the required NPV test must be sent to the insuring MI Company for the ***Second Look*** promptly after determining the NPV results to minimize the risk of losing the opportunity to modify the loan. A Servicer is permitted to submit for the Second Look program immediately after this initial determination of a failed NPV or after considering other modification programs allowed by the investor.

Second Look Operating Guidelines

Following the Servicer’s determination that the non-GSE modification failed the NPV test, the Servicer will promptly submit the ***Second Look*** review workout package to the MI

Company or first review alternative modification programs offered by the investor prior to promptly submitting the package to the MI Company.

Submission Package Requirements:

(1) Use Mortgage Insurance *Second Look* Request Form (See Exhibit D) or append the *Second Look* data elements to the NPV Data Inputs file (See (3)(a) below). The following data would need to be appended:

- Servicing Company Name
- Investor Name
- Servicer Contact Name
- Servicer Contact Email
- Servicing Company Phone
- NPV Model Used

(2) Each request submitted for the *Second Look* review should be identified as an "MI Second Look Request" in the subject line for email or fax submissions.

(3) With the *Second Look* submission, the Servicer must also deliver the NPV data inputs and NPV model outputs as described below:

(a) Treasury's Base NPV Model Data Inputs:

The Servicer will send an electronic copy of the Microsoft® Excel® back up copy of the NPV Model Submission Tool with validated data used in the NPV submission for the applicable loan. See page 9 in the User Guide – Home Affordable Modification Program Base Net Present Value Model Spreadsheet Tool ("User Guide"), dated April 14, 2009, available at www.hmpadmin.com. This file will contain all input data elements as currently noted in the User Guide or as revised in future versions. The Servicer will append to this file the following data elements:

- Servicing Company Name
- Fannie Mae MI Company code – Primary
- Fannie Mae MI Company code – Pool
- Primary MI certificate number
- Pool MI certificate number
- Pool Contract ID
- Gross Unpaid Principal Balance after modification
- Total Dollar Amount Delinquent
- Total Capitalized Dollar Amount

(b) Treasury's Base NPV Model Data Outputs:

The Servicer will send an electronic copy of the NPV model outputs returned to the Servicer in the "_out.csv" file format as described on pages 9-10 in the User Guide referenced above.

(c) NPV Models Other Than the Treasury’s Base NPV Model:

In addition to the NPV model inputs and outputs described above, the Servicer must provide a copy of the model used.

MI Claim Advance Review Process:

The MI Company will review the *Second Look* request and determine whether it will approve an advance claim payment (“MI Claim Advance”) in connection with the proposed modification. The MI Company will determine whether or not to approve an MI Claim Advance based on a full review of the submitted documentation for each borrower including, but not limited to, an assessment of the borrower’s cash flows and monthly surpluses.

Preliminary MI Claim Advance Commitment

If approved, the MI Company will initially send the Servicer an approval notice with a preliminary commitment by the MI Company to forward the MI Claim Advance when the loan has been modified and is reported to the respective MI Company as current.

The preliminary commitment notice will be conditioned for receipt of all required documentation including, but not limited to:

- Hardship letter,
- Income verifications,
- Debt verifications (credit report),
- And all other documentation required in Preliminary Commitment Notice.

The MI Claim Advance will be reduced by any investor incentives not already factored into the NPV model.

Final MI Claim Advance Commitment

All required documents must be delivered to the MI Company upon receipt by the Servicer in order for the MI Company to review for final commitment. If there is a variance in any of the documentation and/or income verification provided by the borrower the MI Company may modify or withdraw the MI Claim Advance.

Denial

If the MI Claim Advance is denied or withdrawn, the MI Company will then work with the Servicer to assess other foreclosure avoidance alternatives for the borrower.

MI Claim Advance Payment Requirements:

The MI Company will remit the MI Claim Advance payment to the Servicer once the modification is reported as closed via written notice provided to MI Company by the Servicer within 30 days of the effective date of the modification (Exhibit C). The loan default cure must be reported to the MI Company through normal delinquency reporting.

Subsequent MI Claims:

The MI Claim Advance shall be recoverable as a deduction against a future claim or in the event of later rescission of coverage from the original and any subsequent Servicer/investor of the loan.

Exhibits:

- Exhibit A – Memorandum of Understanding between Members of the Mortgage Insurance Companies of America and the Housing Policy Council Regarding the Consideration of Primary Mortgage Insurance in the Proposed NPV Test for Loan Modifications
- Exhibit B – Limited Delegation of Modification Authority on Non-GSE under HAMP
- Exhibit C – HAMP Reporting Template
- Exhibit D – “Second Look” Request Form