



United States Department of Agriculture

United States Department of Agriculture

Loss Mitigation Guide

Single Family Housing Guaranteed Loan Program

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Single Family Housing

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SERVICING EARLY DELINQUENCY LOANS (LESS THAN 90 DAYS PAST DUE)

The purpose of all collection efforts is to bring a delinquent mortgage current in as short a time as possible. Single Family Housing Guaranteed Loan Program (SFHGLP) policy as stated in 7 CFR § describes minimum servicing requirements to accomplish this objective. The majority of one or two payment delinquencies will be addressed by either voluntary reinstatement by mortgagors, or through traditional collection methods outlined in 7 CFR §, including informal forbearance plans and deeds-in-lieu of foreclosure (DIL). DIL should be used only in extreme hardship or involuntary inability to pay.

While a loss mitigation program is designed to address serious defaults, any reasonable lender efforts to cure loans that are past due for 90 days or more contribute to the goal of helping residents in rural areas retain homeownership and reduce the Agency's losses. Thus, effective loss mitigation begins in the early stages of servicing defaulted loans and is the servicing lender's responsibility to validate and document the borrower's capacity under the terms of the loss mitigation workout recommendation.

A. Early Intervention	<p>To facilitate a successful loss mitigation intervention, the servicer must attempt to make verbal or written contact with the borrower if the payment is not received by the 20th day after it is due.</p> <p>The earlier the lender makes contact with the delinquent borrower and identifies the cause of the default, the more likely it is that the default will be cured and the mortgagor will be able to keep the home. It is critical that the lender make all decisions in a manner consistent with fair housing and lending principles.</p>
B. Cause of Default	<p>The lender should identify the underlying cause of the delinquency at the earliest stage of borrower contact and determine if the problem is permanent or temporary. A borrower whose ability to support the mortgage debt has been permanently reduced through death, divorce, or permanent disability is unlikely to cure the default through a repayment plan. Such a borrower should be considered for either a loan modification, which may result in a reduction of the mortgage payment, or a pre-foreclosure sale, which allows a transition to more affordable housing. In some cases, a loan modification might result in higher mortgage payments as a result of capitalizing the arrearage. This option may be feasible if the borrower's financial situation will accommodate a higher payment.</p> <p>A borrower who needs credit, legal, or employment assistance to resolve temporary financial problems should be referred to housing counseling, such as HUD housing counseling at 1-800-569-4287 or HUD's approved housing counseling web-site, http://www.hud.gov/offices/hsg/sfh/hcc/hcc_home.cfm as soon as possible.</p>
C. Default Counseling	<p>A borrower who receives early counseling is much more likely to bring the loan current. Lenders are strongly encouraged to recommend counseling to borrowers and establish working relationships with counseling agencies. Among the documents the lender should provide to the borrower before the end of the second month of delinquency is HUD publication 2008-5-FHA, <i>Save Your Home: Tips to Avoid Foreclosure</i>, rev January 2014. This may not be feasible, however, if the borrower has filed a bankruptcy petition and, in the opinion of the lender's legal counsel, providing a copy of the pamphlet would be a violation of the bankruptcy stay. In such cases, the lender should keep documentation of this fact in the servicing file.</p>
D. Informal Forbearance Plans	<p>An example of an informal forbearance plan is a verbal repayment agreement lasting for 3 months or less. Such a plan is the first and best means to ensure that a one or two month delinquency does not escalate beyond the mortgagor's ability to cure. In such a plan, the lender should carefully review the borrower's financial situation and arrange payment terms that the borrower realistically can keep until the delinquency can be cured.</p>

**USDA Single Family Housing Loss Mitigation
Servicing Early Delinquency Loans**

E. Borrower's Ability (Capacity) to Cure	The lender should obtain as much information as possible regarding the borrower's capacity and willingness to cure the default. When it becomes apparent that an informal forbearance plan will not be sufficient to resolve the delinquency, the servicer should evaluate whether one of the more formal loss mitigation strategies should occur (see General section).
F. Sale of the Property	A borrower who does not have the ability to cure the delinquent loan, but who has sufficient equity to sell the property and repay the arrearage from the sale proceeds, should be assisted in doing so. This assistance may include a written agreement that provides a short-term reduction or suspension of payments pending the closing of the property sale. In such a case, the delinquency will be cured at the closing of the sale. The lender has full responsibility in assisting the borrower in such a case

LOSS MITIGATION OVERVIEW

SFHGLP lenders have the authority and the responsibility to use effective actions and strategies to assist borrowers in default retain their homes, and thus reduce losses to Agency and the lender. Because of its ongoing relationship with the delinquent borrower, the lender is in the best position to determine which, if any, loss mitigation strategies are appropriate in a given circumstance. A lender may use any of the loss mitigation options described below.

A. Lender's Loss Mitigation Actions	<p>The lender must:</p> <ul style="list-style-type: none"> • Provide a complete and accurate loan servicing plan that clearly outlines the recommended action. An incomplete loan servicing plan submitted by a lender will not be decided by the agency until the omitted documents or clarification is received. • consider all reasonable means to address the delinquency at the earliest possible time • use payment or credit scoring tools, if available, to identify high risk borrowers that may need more attention, rather than wait until standard contact dates • inform the borrower(s) of available loss mitigation options and the availability of housing counseling before the end of the second month (60th day) of delinquency (<i>Ensuring that the borrower receives the HUD publication 2008-5-FHA http://portal.hud.gov/hudportal/documents/huddoc?id=14-01ml.pdf concerning foreclosure avoidance is acceptable, as well as documentation in the servicing and collection notes of conversations with the borrower concerning mitigation options.</i>) • evaluate each delinquent loan no later than the 90th day of delinquency to determine which loss mitigation option is appropriate • use loss mitigation whenever feasible to avoid foreclosure • reevaluate each delinquent loan monthly until current or foreclosed • report loss mitigation actions through monthly default status reporting using EDI status of mortgage code values • initiate foreclosure within six months (180 days) of default unless a loss mitigation option is being pursued aggressively, and ensure that all actions taken are documented • initiate foreclosure timely on vacant and abandoned properties • retain a complete audit trail showing all loss mitigation actions
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GENERAL

Both lenders and borrowers have responsibilities under loss mitigation. While each option involves specific actions, some policies apply to all of the options, and some lender actions are performed whether or not any of the loss mitigation strategies are used. This section describes the general policies, recommended procedures, and minimum actions that constitute effective loss mitigation techniques.

<p>A. Default Status of the Loan</p>	<p>Loss mitigation options are intended to provide relief for a borrower who is delinquent, or facing imminent default. That is, a borrower who has failed to perform under any covenant of the mortgage or deed of trust for 30 days or more, or is at risk of default. If the borrower's circumstances warrant, the lender may make servicing options such as a special forbearance agreement or a loan modification available to a borrower whose failure to perform is likely to continue. If the cause of the delinquency is incurable, a disposition option such as a pre-foreclosure sale or a deed-in lieu of foreclosure is recommended immediately because the borrower has no realistic opportunity to replace the lost income or reduce expenses sufficiently to meet the loan obligation through other options.</p> <p>Any attempt to deliberately manufacture or misrepresent pertinent facts about a borrower's financial or other qualifying status may disqualify the borrower from participating in loss mitigation options and result in civil or criminal penalties. If perpetrated by a lender, such actions may lead to administrative and/or judicial penalties against the lender.</p>
<p>B. Owner Occupancy</p>	<p>Generally, the borrower's eligibility for any of the reinstatement, special forbearance, or loan modification options should be based on occupancy of the property as a principal residence. Loss mitigation retention or disposition options may be considered if the property has been recently vacated due to one of the following but not limited to special circumstances:</p> <ul style="list-style-type: none"> • Employment transfer, • Natural disaster, or • Medical condition <p>A lender must receive Agency concurrence to make an exception for a nonoccupant borrower who is seeking relief through a pre-foreclosure sale (PFS), or deed-in-lieu of foreclosure (DIL) when it is clear that the subject property was not purchased as a rental investment or used as a rental for more than 12 months. The lender keeps the documents justifying such an exception in the servicing file.</p> <p>A loan secured by an abandoned property is not eligible for a reinstatement option. However, a disposition option may be used after the Agency approves it when the property has been recently vacated by circumstances related to the default that are beyond the borrower's control, such as a job transfer or death. The lender submits thorough documentation of such circumstances to the Agency and keeps related notes in the servicing file.</p>
<p>C. Other Eligibility Factors</p>	<p>The following general eligibility restrictions apply in all cases:</p> <p>A borrower who has a bankruptcy petition pending is not likely to be able to participate in any loss mitigation option. A borrower who has had a bankruptcy discharged or dismissed may be considered for loss mitigation options.</p>

D. 90 Day Review	The lender evaluates each delinquent SFHGLP loan that it services when monthly installments are due and unpaid for 91 days, and considers all loss mitigation techniques to determine which, if any, are appropriate. To meet this evaluation requirement, the lender's early involvement in the delinquency is demonstrated by contact with the borrower to gather sufficient information about the borrower's circumstances, intentions, and financial condition. This is especially important in light of the borrower's possible reluctance to discuss financial difficulties. While the lender cannot be responsible if a borrower fails to respond to repeated contacts, the lender must clearly document aggressive efforts to reach the borrower within 90 days of the default.
Curable default	When the cause of the delinquency is curable and the borrower is committed to remaining in the home, the lender should consider reinstatement options in this order: <ul style="list-style-type: none"> • special forbearance • loan modification • special loan servicing modification
Non-curable default	When the cause of the delinquency is not curable and/or the borrower is not committed to remaining in the home, the lender must consider disposition options in this order: <ul style="list-style-type: none"> • pre-foreclosure sale • deed-in-lieu of foreclosure
E. Option Priority	The following waterfall of loss mitigation workout alternatives must be adhered to: <ol style="list-style-type: none"> 1. Special Forbearance 2. Loan Modification 3. Special Loan Servicing 4. Pre-Foreclosure Sale 5. Deed-In-Lieu <p>In some cases the waterfall of loss mitigation alternatives may warrant utilizing a disposition workout in-lieu of a retention workout based on the borrower's involuntary inability to pay.</p>
F. Monthly Evaluation	As long as the account remains delinquent, the lender reevaluates the status of each loan each month following the 90-day review, and maintains documentation of the evaluations in its servicing or collection systems. The evaluation may be as simple as notes in the collection system that the mortgagor's payments under special forbearance are made as agreed. Reports generated by servicing systems that track repayment plans are adequate for documentation purposes.

<p>G. Evaluating the Borrower's Financial Condition</p>	<p>For any loss mitigation option, the lender must obtain detailed financial information from the borrower. The lender may ask the borrower to give this information on a form of its choice that collects the data elements similar to those shown on the <u>Request for Mortgage Assistance (RMA) Form</u>: http://www.makinghomeaffordable.gov/get-started/request-modification/Documents/RMA_english_03.30.2012_static.pdf. If the borrower is cooperative, the information may be taken during a telephone interview provided that it is a complete picture of the borrower's financial information. Regardless of how the financial information is secured, the lender should independently verify it by obtaining a credit report, and current income verification and profit and loss statement if the borrower is self-employed any other forms of verification the lender deems appropriate.</p> <p>Once a lender has the borrower's complete financial information, it should analyze the borrower's current and future ability to meet the monthly mortgage obligation by estimating the borrower's assets and surplus income as follows.</p> <ul style="list-style-type: none"> • Determine the borrower's anticipated monthly net income for the same period, making necessary adjustments for income fluctuations. • Determine the borrower's normal monthly living expenses (food, utilities, etc.) including debt service on the mortgage and other scheduled obligations. Make adjustments for obligations due over the term of the proposed special forbearance agreement, or in the case of all other options, for a minimum of three months. • Subtract expenses from income to determine the amount of surplus income available each month. • Divide surplus income by total monthly expenses to determine the surplus income percentage. <p>All detailed financial information used to determine the borrower's financial capacity must be dated within 90 days from the date of receipt. The servicer must communicate a decision to the borrower within 30 days of receiving a complete loss mitigation package.</p> <p>The lender must use good business judgment to ensure that the workout option selected reasonably reflects the borrower's ability to pay. A borrower with sufficient surplus income or other assets is asked to cure the debt through a repayment option.</p>
<p>Ineligible Borrower</p>	<p>If the borrower is not eligible for any loss mitigation alternative based on information secured from the borrower in a telephone interview, the lender should advise the borrower of the reason(s) and allow the borrower at least seven calendar days to submit additional information that might have an impact upon the lender's evaluation. The lender will retain the financial analysis and supporting documentation and make it available for compliance reviews. Collection actions may continue.</p>
<p>H. Combined Options</p>	<p>Loss mitigation options may be used alone or in combination to resolve an existing default. There are some limitations, however:</p> <ul style="list-style-type: none"> • Special forbearance may be combined with a loan modification. The combination of options is sequential, not simultaneous. • Pre-foreclosure sale may be combined with a deed-in-lieu provision in case the property does not sell within the time required. • A lender may combine a special forbearance plan with a loan modification when there is any doubt about a borrower's long term income stability. To reduce the risk of a workout failure, the borrower can demonstrate the ability to support the debt by making at least three monthly payments at the modified amount before executing a modification.
<p>I. Foreclosure</p>	<p>The lender must have considered all feasible loss mitigation options before initiating foreclosure. The lender must document all of the options it considered and retain such information for Agency review. If the borrower has abandoned the property, loss mitigation home retention alternatives are not options before initiating the foreclosure.</p>

J. Time to Initiate Action	<p>A lender uses one of the loss mitigation options or initiates foreclosure within six months of the date of default. This requirement is considered satisfied if any of the following actions has occurred within the six-month period:</p> <ul style="list-style-type: none"> • the loan is brought current or paid off • the borrower executes a special forbearance agreement • the loan is modified • the borrower executes a pre-foreclosure sale agreement • the borrower executes a deed-in-lieu of foreclosure • the lender initiates the first legal action to begin foreclosure
K. Lender Reporting	<p>The lender reports these actions in the month they occur or, if after the monthly cut-off date, in the next reporting cycle using the appropriate EDI status code See Appendices for a list of status codes.</p>
L. Extension Requests	<p>If the lender initiated a special forbearance or loan modification but is unable to complete it, the lender may request approval from the Agency to extend the timeframe to initiate foreclosure provided the loss mitigation option was begun prior to the timeframe that foreclosure was to be initiated. To qualify for the extension, the lender provides evidence that it analyzed the borrower's complete financial situation and evaluated the appropriate loss mitigation options. In addition, the lender reports the loss mitigation initiative using the appropriate EDI status code in the monthly default status report.</p> <p>The lender may request an extension from the Agency for completing a deed-in-lieu of foreclosure. If the lender attempts a repayment plan (not special forbearance), the lender may request an extension before the timeframe to initiate foreclosure expires and explains why an extension is necessary.</p>
M. Option Failure	<p>If loss mitigation options fail, the lender may either commence or recommence foreclosure, or initiate another loss mitigation option. Failure occurs when:</p> <ul style="list-style-type: none"> • the mortgagor does not perform under the terms of a written special forbearance agreement for 60 days, or • the mortgagor does not perform under the terms of a special forbearance (trial period) used as a condition of loan modification or special loan servicing approval for 30 days. Lenders must continue to perform outreach efforts to mortgagors for other workout alternatives. Mortgagors financial capacity will dictate whether a retention or disposition workout alternative is feasible. • there is no signed contract of sale within 3 months of a pre-foreclosure sale agreement; or if there is a signed contract of sale, settlement has not occurred within 6 months of the agreement; or the mortgagor notifies the lender of withdrawal from the agreement; or the lender notifies the mortgagor in writing that it has terminated the agreement.
N. Documentation	<p>For each claim, the lender must maintain evidence in its servicing notes and collection history systems of its compliance with loss mitigation guidelines as well as supporting documentation including all communications with any Agency office. The lender's servicing notes and collection history systems also contain evidence of compliance with counseling and other actions on loans that do not result in a claim.</p>

O. Servicing Plan	Under 7 C.F.R. §, the lender must submit a servicing plan to the Agency when a loan is 90 days delinquent and a method other than foreclosure is recommended to resolve the delinquency. The form in Appendix 1 should be used to communicate servicing plan data to the Agency. For pre-foreclosure sales and deed-in-lieu of foreclosure alternatives the lender must submit the Disposition (PFS/DIL) Cost Benefit Analysis along with the servicing plan.
P. Option Checklists	The checklists in Appendices 2-5 show the most important actions for each loss mitigation option. Their use is optional and need not be submitted with the servicing plan submitted to the Agency.

SPECIAL FORBEARANCE

A special forbearance agreement is a written plan that may gradually increase monthly payments in an amount sufficient to repay the arrearage and/or temporarily reduce or suspend payments for a short period. A special forbearance agreement may also involve payments for several months followed by a loan modification. The agreement provides the mortgagor with relief not typically afforded under an informal repayment agreement. Examples of provisions in a special forbearance agreement include a repayment term of four or more months; suspending or reducing payments for one or more months to allow the borrower to recover from the cause of default; or an agreement to allow the borrower to resume making full monthly payments while delaying repayment of the arrearage.

An informal repayment agreement is a plan lasting 3 months or less to cure a short-term delinquency. A special forbearance is a plan that involves one of the following:

- Full repayment: Monthly payments in an amount sufficient to repay the arrearage over time, typically less than or equal to six months
- Unemployment or disaster forbearance: Reduced or suspended monthly payments while the borrower(s) resolves the hardship, such as unemployment, followed by an evaluation for other home preservation options if needed
- Trial period: Remittance of monthly modified payments for a period, generally three months (or four months for borrowers facing imminent default), followed by a permanent loan modification

At no time does the maximum arrearage under a special forbearance plan exceed the equivalent of 12 months of principal, interest, taxes and insurance ("P-I-T-I").

A. Defaulted Loan	<p>The loan is a minimum of 3 payments but not more than 12 payments delinquent, and is not in foreclosure when a special forbearance agreement is executed. A loan that had previously been referred to foreclosure may be removed from foreclosure status after executing a special forbearance. The lender suspends foreclosure, on advice of its legal counsel, subject to the borrower's performance under the terms of the special forbearance agreement, if the suspension is stated in writing in the agreement.</p> <p>A lender's evaluation of the borrower's capacity and special circumstances (such as, unemployment or a presidential declared natural disaster) may indicate that special forbearance is appropriate prior to 3 payments delinquent, then a lender may enter into a special forbearance</p>
B. Borrower Qualifications	<p>Special forbearance may be offered to a borrower who has recently experienced a verified loss of income or an increase in living expenses. Such a borrower should be the owner-occupant of the property securing the SFHGLP loan and committed to occupying the property as a primary residence during the term of the special forbearance agreement.</p>
C. Special Provisions when the cause of Default is Unemployment	<p>When it has been determined, that the reason for default is unemployment and the borrower does not have any immediate opportunities for re-employment, SFHGLP extends additional latitude to lenders and holders to mitigate losses.</p> <p>Lenders and holders now have the authority to enter into a 12-month forbearance agreement with a borrower who is unemployed or significantly underemployed and seeking re-employment at the time the borrower's financials are being analyzed by the lender or holder. The borrower should be required to make a partial payment while on the forbearance agreement. The amount of the partial payment made by the borrower will be contingent upon the lender's financial analysis of the borrower. As a condition of the forbearance agreement, the borrower must pursue employment during the term of the forbearance agreement. Additionally, the borrower must contact the lender or holder if their employment status changes.</p>

	<p>The lender or holder is required to verify the borrower's employment status monthly and restructure the forbearance agreement or evaluate the borrower for another option, such as a loan modification, when the borrower's employment status changes. As with SFHGLP's standard forbearance agreement, all of the requirements apply to these Special Provisions.</p>
D. Property Condition	<p>The lender verifies that the property has no physical conditions that adversely impact either the borrower's continued use or ability to support the debt. A borrower will not be able to support payments under a special forbearance plan if the property is in such a deteriorated condition that repairs will drain the borrower's monthly resources. The analysis of the borrower's surplus income should consider obvious property maintenance expenses.</p> <p>The use of good business judgment is imperative. If significant deferred maintenance is a contributing cause of the default, it may be appropriate to provide a period of mortgage forbearance during which specified repairs are completed at the borrower's expense. If the property is in extremely poor physical condition, a special forbearance plan that allows a reduction or suspension of payments without a requirement to repair the property may not offer a permanent solution.</p>
E. Financial Analysis	<p>The servicing lender's responsibility is to validate and document the borrower's capacity under the terms of the recommendation. The lender determines that the borrower has the capacity to resume full monthly payments and bring the loan current under the terms of a forbearance plan. The lender does this by projecting the borrower's surplus monthly income for the duration of the special forbearance period. Income from a non-borrower who also occupies the property may be used to support payments under a repayment plan or special forbearance agreement. The proposed repayment terms are consistent with the borrower's ability to pay. The following documentation must be obtained in order to determine financial capacity of the borrower:</p> <ul style="list-style-type: none"> • SFHGLP Servicing Plan • Letter from borrower outlining involuntary inability to pay/hardship • Pay-Stub covering a minimum of thirty days or four weeks of earnings • Credit Report • Detailed budget <p>For self-employed borrowers the following documentation is required:</p> <ul style="list-style-type: none"> • Year to date profit and loss statement, and either • Prior year profit and loss statement, or • Prior year signed tax return <p>Excluding documentation from prior years, all financial information must be dated within 90 days from the date of receipt. If the lender's financial analysis determines that the borrower either does not, or will not, have the ability to resume full monthly payments in the foreseeable future, special forbearance should not be used. The lender should then consider other loss mitigation options.</p>
F. Combining Options	<p>Special forbearance may either be used alone or be combined with a loan modification. For example, if a borrower is expected to recover from the cause of the default and resume making full monthly payments, but will not have adequate surplus income to repay the arrearage, the lender may establish a special forbearance agreement. Such an agreement allows the borrower to demonstrate recovery from the financial problem by making 3 payments (or 4 payments for imminent default) at the modified amount, after which the delinquent amount is capitalized into the modified loan.</p>
G. Documentation	<p>The mortgagor and lender execute a written agreement that clearly defines the term, frequency of payments, and amounts due under the special forbearance plan. The agreement acknowledges previously missed mortgage payments and states that</p>

	<p>failure to comply with its terms can result in foreclosure. There is no maximum length for a special forbearance agreement and the lender may allow as much time as is reasonable based on the borrower's repayment ability.</p> <p>An acceptable agreement should:</p> <ul style="list-style-type: none"> • provide the borrower with relief not available under an informal forbearance plan • bring the loan current, unless it is combined with a mortgage loan modification • not at any time allow the total arrearage amount to exceed the equivalent of 12 P-I-T-I payments • not allow late fees to be charged while the mortgagor is performing under the terms of a special forbearance agreement • Permit allowable foreclosure costs and late fees accrued before the special forbearance agreement is executed to be included as part of the repayment schedule. However, such costs and late fees are collected only after payment of all principal, interest, and escrow advances. The loan is never considered delinquent only because the borrower has not paid late fees or other foreclosure costs.
<p>H. Review and Renegotiation</p>	<p>The lender reviews the status of a special forbearance plan each month and takes appropriate action if the borrower is not complying with the terms of the plan. A plan may be renegotiated if the borrower's financial circumstances change; however, under a renegotiated plan, the loan should not be more than 12 months delinquent.</p>

LOAN MODIFICATION

A loan modification is a permanent change in one or more of the terms of a loan that results in a payment the borrower can afford and allows the loan to be brought current. Loan modifications may include a change in the interest rate, even below the market rate if necessary. Loan modifications may include capitalization of all or a portion of the arrearage (PITIA) and/or reamortization of the balance due. Capitalization may also include foreclosure fees and costs that are associated with the current foreclosure action, deficits in tax and insurance accounts, past due annual fees imposed by the lender, but not late charges or lenders fees.

A modification may be appropriate for a borrower who has experienced a permanent or long-term reduction in income or an increase in expenses, or who has recovered from the cause of the default but does not have sufficient surplus income to repay the arrearage through a repayment plan. To qualify for a modification, the borrower has a documented ability to support the monthly mortgage debt after the terms of the loan are modified. If necessary to demonstrate repayment ability, the loan term after reamortization may be extended for up to 30 years from the date of the loan modification. However, the Rural Development guarantee is only in effective 30 years from the origination date. If the loan term is extended beyond the 30-year loan term from the date of origination the guarantee will not apply beyond the original 30-year loan term.

Not all loans are appropriate for modification. Loans that best support modification include: those with above market interest rates; lower loan to value ratios; and/or mature terms (i.e., paid down ten years or more). The modification is valuable when the arrearage can be capitalized into the loan balance and/or the interest rate is adjusted not to exceed the current market rate so that the borrower can better afford the resulting monthly payment.

A. Loan Delinquency	<p>To modify a defaulted note under loss mitigation:</p> <ul style="list-style-type: none"> • Generally, three or more full monthly payments are due and unpaid. • The loan is not in foreclosure at the time the modification is executed; however, a loan removed from foreclosure status may be modified. • The default is due to a verified loss of income or increase in living expenses. <p>Note: The lender may, at its discretion, modify a loan that is not delinquent but is in imminent danger of default; i.e. will soon become delinquent due to known circumstances.</p>
B. Borrower Qualifications	<p>A modification may be offered to a borrower who has stable surplus income, which, while not sufficient to repay the original loan and the arrearage, is sufficient to support the monthly payments under the modified rate. It is the servicing lender's responsibility to validate and document the borrower's capacity under the terms of the recommendation.</p> <p>The borrower must be the owner-occupant who is committed to occupying the property as a primary residence. A modification must not be used to bring a loan current before a sale or assumption.</p>
C. Property Condition	<p>While the modification option does not have a loan-to-value restriction, and an appraisal is not required, the lender must conduct an inspection to verify that the property has no physical conditions that adversely impact the borrower's continued use or ability to support the debt.</p> <p>A borrower may not be able to support payments under a modification if the property is in such a deteriorated condition that repairs will drain the borrower's monthly resources. An analysis of the borrower's surplus income should consider anticipated property maintenance expenses. If the property is in extremely poor physical condition, a modification may not offer a resolution of the default.</p> <p>Costs to complete needed repairs may not be capitalized as part of a modification agreement, and the borrower may not receive any cash as a result of the modification.</p>

<p>D. Financial Analysis</p>	<p>The lender uses good business judgment to determine if the borrower has the capacity to support mortgage payments at the modified amount. Income from a non-borrower who also occupies the property may be used to support payments under a loan modification agreement. The lender determines the borrower's financial condition and projects the borrower's stable source of dependable income to support a minimum of three months payments. The loan is not modified if the lender determines that the borrower does not have the ability to support the modified monthly payment.</p> <p>The following documentation must be obtained in order to determine financial capacity of the borrower:</p> <ul style="list-style-type: none"> • SFHGLP Servicing Plan • Letter from borrower outlining involuntary inability to pay/hardship • Pay-Stub covering a minimum of thirty days or four weeks of earnings • Credit Report • Detailed budget <p>For self-employed borrowers the following documentation is required:</p> <ul style="list-style-type: none"> • Year to date profit and loss statement, and either • Prior year profit and loss statement, or • Prior year signed tax return <p>Excluding documentation from prior years, all financial information must be dated within 90 days from the date of receipt.</p>
<p>E. Combining Options</p>	<p>A modification may be used alone, or as part of a repayment, or special forbearance agreement. If a borrower needs time to resolve the default, but will eventually be able to support the debt at the modified payment, a modification may be included at the final step in a repayment plan or special forbearance. An existing repayment plan or special forbearance may also be converted to modification if the borrower's circumstances change.</p>
<p>F. Loan Modification Provisions</p>	<p>The following apply to loan modifications:</p> <ul style="list-style-type: none"> • the modification results in a fixed-rate fully amortizing loan, • the modified interest rate may not exceed the original note, and • the modification brings the loan current. <p>The lender may, at its discretion, reduce the note interest rate below the market rate if necessary to resolve the default. Discount fees associated with rate reductions are not reimbursable. All or a portion of the P-I-T-I arrearage (principal, interest, and escrow items) may be capitalized into the mortgage balance, including foreclosure fees and costs that are associated with the current foreclosure action, deficits in tax and insurance accounts and past due annual fees imposed by the lender.</p> <p>Late fees and other administrative expenses may not be capitalized. The lender may collect the late fees and administrative expenses from the mortgagor either through a lump sum payment or through a repayment plan separate from, and subordinate to, the modification agreement.</p> <p>The modified principal balance may exceed the loan's original principal balance.</p> <p>The modified principal balance may exceed 100% loan-to-value.</p> <p>The lender may reamortize the total unpaid amount due over the remaining term of the mortgage, or if necessary, extend the term up to 30 years from the date of the</p>

	loan modification.
G. Lien Status	The lender ensures the first-lien status of the modified mortgage in compliance with any applicable state or Federal laws and regulations.
H. Documentation	The lender ensures that the modification documentation preserves the first lien status of the SFHGLP-guaranteed loan. The lender will make a determination in accordance with state law as to whether it is necessary to record the modification agreement in order to maintain the first lien. Copies of executed, not recorded, modification agreements must be forwarded to the Agency.
I. Disclosures	The lender complies with any disclosure or notice requirements applicable under state or federal law.
J. Failure	If the loan becomes delinquent following modification, it shall be treated as a new default and serviced accordingly. Since the lender maintains the first lien status of the loan subsequent to modification, any amount that is not in the first lien position is not guaranteed by SFHGLP and is not subject to a claim. If the lender submits a claim, the Agency reserves the right to request documentation (legal or otherwise) establishing the loan's first lien status.
K. Subsequent Use	If a loan has been modified within the previous two years, re-default risk is presumed to increase following a subsequent modification. Before granting a modification in this circumstance, the lender prepares a written justification, obtains Agency prior approval, and retains a copy along with supporting documents in the servicing file. A subsequent modification should be an unusual occurrence, and the cause of the second default should not be related to the original reason for default.
L. Loan Note Guarantee Terms	The terms of the SFHGLP Loan Note Guarantee (LNG) do not change. The LNG is in effect only for 30 years from the date of the original loan. Any loss on the modified loan is limited to the lesser of either 90 percent of the original loan amount, or the sum of the first 35 percent of the loss and 85 percent of the balance of the loss.
M. Lender EDI Reporting	<p>The lender reports these actions in the month they occur or, if after the monthly cut-off date, in the next reporting cycle using the appropriate EDI status code. In addition, the lender sends a copy of the executed loan modification to the appropriate Agency staff within 30 days of execution and no later than 60 days. The agreement should contain the following key data elements:</p> <ul style="list-style-type: none"> • borrower and co-borrower name(s) and ID number(s) • effective reamortization date • unpaid principal reamortized • eligible interest and costs capitalized • sum of reamortized principal and capitalized interest and costs • interest rate • maturity date
N. Agency Action	The Agency staff processes the loan modification by means of the Guaranteed Loan System.

SPECIAL LOAN SERVICING

RHS has the authority to approve the modification of guaranteed single-family housing loans that are in default or facing imminent default with terms extended up to 40 years from the date of modification (section 502(h)(14) of the Housing Act). RHS permits lenders to modify mortgages by reducing the interest rate to a level at or below a maximum allowable interest rate and extending the term of the loan up to 40 years from the date of loan modification (“extended-term loan modification”). RHS also will reimburse lenders for certain advances made on behalf of borrowers in default or facing imminent default (“mortgage recovery advances”) (together with extended-term loan modification, “special loan servicing”). Lenders must receive written approval from RHS prior to servicing a borrower’s account with special loan servicing. As with other authorized servicing options, the Lender must submit a servicing plan to RHS pursuant to 7 CFR 3555 when a borrower’s account is 90 days delinquent and a method other than foreclosure is recommended to resolve the delinquency. Use of special loan servicing does not change the terms of the loan note guarantee.

Pursuant to section, special loan servicing shall be used to bring the borrower’s mortgage payment to income ratio as close as possible to, but not less than, 31 percent. The mortgage payment to income ratio is defined as the monthly mortgage payment (principal, interest, taxes, insurance and association dues) if applicable) for the modified mortgage divided by the borrower’s gross monthly income.

A. Eligibility – Lender (Loan Holder/Loan Servicer)	The Lender must be a Section 502 Single Family Housing Guaranteed Loan Program approved Lender.
B. Eligibility – Borrowers	<p>The current borrower(s) on the existing Rural Development (RD) guaranteed single-family mortgage must be identical to the borrower(s) on the modified mortgage.</p> <p>The borrower(s) must be facing imminent default or be in default. A borrower is in default if that borrower is 30 days or more past due on the mortgage obligation. A borrower is “facing imminent default” if that borrower is current or less than 30 days past due on the mortgage obligation and is experiencing a significant reduction in income or some other hardship that will prevent him or her from making the next required payment on the mortgage during the month in which it is due.</p> <p>The borrower must have a starting Front-End ratio (mortgage payment (PITIA) to income ratio) as close to but not below 31%.</p> <p>Special loan servicing is only permitted one time over the life of the loan.</p> <p>In order to be eligible, a mortgage must be a RD Section 502 Guaranteed Single Family mortgage. There is no net present value (NPV) test for eligibility.</p>
C. Eligibility – Maximum Mortgage Amounts	Not applicable (there is no maximum mortgage amount).
D. Eligibility – Modified Mortgage	<p>The Lender must consider the following traditional servicing options before considering special loan servicing: a repayment agreement, a special forbearance agreement, and a loan modification plan with a term not to exceed 30 years from the date of the original loan. Then the Lender may consider an extended-term loan modification. If the targeted mortgage payment to income ratio cannot be achieved using an extended-term loan modification, then the Lender may consider a mortgage recovery advance in addition to the extended-term loan modification.</p> <p>Before considering a mortgage recovery advance, the Lender must set the interest rate not to exceed the maximum allowable interest rate and extend the repayment term for 30 years from the date of loan modification. The Lender may reduce the interest rate further and/or extend the term of the loan for up to 40 years from the</p>

	date of loan modification at the Lender's option, but the Lender shall not be required to do so before utilizing a mortgage recovery advance. This will afford Lenders the flexibility to adhere to specific investor loan modification term extension requirements.
E. Property Eligibility	At the time of the special loan servicing, the borrower must occupy the property as the borrower's primary residence and intend to continue occupying the property as such.
F. Interest Rate – Modified Mortgage	The interest rate must be fixed and meet the guidelines in the final rule (7 CFR 3555). RD may establish the maximum allowable interest rate in an extended-term loan modification by publishing a notice in the Federal Register describing how to calculate the maximum allowable interest rate. If the maximum allowable interest rate has not been established by notice in the Federal Register, the maximum allowable interest rate shall be 50 basis points greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) rate for 30-year fixed rate mortgages (U.S. average), rounded to the nearest one-eighth of one percent (0.125%) as of the date the loan modification is approved. At this time, RD has not established a rate by notice in the Federal Register, so the rate described in the rule applies.
Capitalization	Capitalization may also include foreclosure fees and costs that are associated with the current foreclosure action, deficits in tax and insurance accounts, past due annual fees imposed by the lender, but not late charges or lenders fees.
G. Loan Purpose	Mortgages modified using RD Special Loan Servicing are required to have a lower monthly mortgage payment than the unmodified mortgage.
H. Lien Priority	The lender must ensure the first-lien status of the modified mortgage in compliance with any applicable state or Federal laws and regulations.
I. Credit History	No minimum credit score is required. (Credit report is only used to verify recurring debts.)
J. Property Valuation	No property valuation is required.
K. Trial Modification	<p>Prior to modifying a loan using RD Special Loan Servicing, the Lender must have the borrower complete a trial period during which the borrower makes the monthly mortgage payment they would make under the modified mortgage.</p> <p>For borrowers who are in default when special loan servicing is initiated, the trial period must be three months in length. The Lender cannot modify the loan using special loan servicing unless the borrower makes all three reduced trial payments on time.</p> <p>For borrowers facing imminent default when special loan servicing is initiated, the trial period must be four months in length. The Lender cannot modify the loan using special loan servicing unless the borrower makes all four reduced trial payments on time.</p>
L. Documentation Requirements	<p>To be considered for special loan servicing, the borrower(s) must provide detailed financial information to the Lender.</p> <p>Lenders may collect financial information from borrowers either in writing or during a telephone interview. Regardless of how the borrower's financial information was secured, the Lender must independently verify the financial information.</p> <p>For most borrowers, the Lender must verify the borrower's income by obtaining documents such as the borrower's current pay stub covering the most recent thirty days or four weeks of earnings, along with the most recent W-2 form. For borrowers who are self-employed, the Lender must verify the borrower's income by obtaining documents such as the borrower's profit and loss statements for the year to date, the previous year, and the borrower's signed tax return for the previous</p>

	<p>year.</p> <p>The Lender must obtain a credit report to validate monthly installment debt, revolving debt, and secondary mortgage debt.</p> <p>The credit report may be used only in order to determine total indebtedness. A borrower's credit score obtained from any credit repository will not be considered in determining whether a borrower is eligible for RD Special Loan Servicing</p> <p>RD will consider additional forms of verification the Lender deems appropriate in the analysis of the borrower's ability to support the debt.</p> <p>The borrower's financial information must be submitted to the USDA Single Family Housing Guaranteed Loan Program's Centralized Servicing Center for review. Based on this and other information, RD will determine whether to approve or deny the proposed loan modification. Lenders must receive written approval from RD prior to servicing a borrower's account with special loan servicing. Submit the information to the following address:</p> <p>Centralized Servicing Center USDA, Rural Development E-Mail: guarantee.svc@stl.usda.gov Fax Server Phone No.: 314-457-4463 or 314-457-4473 Mailing Address: 4300 Goodfellow Blvd. Building 105E, FC 225 St. Louis, MO 63120-1703</p> <p>Questions relating to Documentation Requirements should be directed to the Centralized Servicing Center customer service telephone line at (866) 550-5887.</p>
<p>M. Reimbursement for Mortgage Recovery Advances</p>	<p>To file a claim for reimbursement of a mortgage recovery advance, the Lender must submit a claim to RD within 60 days of the advance being executed by the borrower through his or her signature on the promissory note. When filing the claim for reimbursement with RD, the Lender must submit the original promissory note and a copy of the filed mortgage or deed-of-trust. When filing the claim for reimbursement with RD, the Lender must also submit a summary of the amount of the funds advanced, including the monthly PITI and principal deferment (if applicable), and other account information indicating the borrower's arrearage before the advance, as well as the present status of the account as of the date of the advance; the name, address, and tax ID number for the Lender; and the name, address, and phone number of a contact person for the Lender who can answer questions about the reimbursement request.</p> <p>The complete claim, including all supporting documents referred to above, must be submitted within 60 days of the execution of the mortgage recovery advance. All required documentation must be submitted to the Centralized Servicing Center for reimbursement. Please refer to the Documentation Requirements section of this guidance for address and contact information.</p> <p>The Lender may file a claim for reimbursement of up to \$250 for a title search and/or recording fees in connection with the promissory note and mortgage or deed-of-trust. These claims are not part of the mortgage recovery advance and must be submitted in accordance with 7 CFR § 3555.354.</p>

<p>N. General Underwriting Requirements for a Mortgage Recovery Advance</p>	<p>Mortgage recovery advance processing and underwriting instructions are described below.</p> <ul style="list-style-type: none"> • If the targeted mortgage payment to income ratio cannot be achieved using an extended term loan modification, then the Lender may consider a mortgage recovery advance in addition to the extended-term loan modification. Before considering a mortgage recovery advance, the Lender must set the interest rate not to exceed the maximum allowable interest rate and extend the repayment term for 30 years from the date of loan modification.
<p>Example of the Calculation of a Maximum Mortgage Recovery Advance</p>	<ul style="list-style-type: none"> • If necessary to reach the targeted mortgage payment, arrearages exceeding 12 months of PITI should be capitalized into the modified loan balance. • The maximum mortgage recovery advance (up to 30 percent of the unpaid principal balance as of the date of default) consists of the sum of arrearages not to exceed 12 months of PITI; legal fees and foreclosure costs related to a cancelled foreclosure action; and principal reduction. • The principal deferment on the modified mortgage is determined by multiplying the unpaid principal balance by 30 percent and then reducing that amount by arrearages advanced to cure the default and any foreclosure costs incurred to that point. The principal deferment amount for a specific case shall be limited to the amount that will bring the borrower's total monthly mortgage payment (PITIA) to 31 percent of gross monthly income. <p>Please see the following example of the calculation of a maximum Mortgage Recovery Advance when utilizing the Special Loan Servicing:</p> <p style="padding-left: 40px;">Unpaid Principal Balance = \$150,000</p> <ul style="list-style-type: none"> • Current Monthly Payment (PITI) = \$1,220 (P&I = \$920 + TI = \$300) • Current Other Recurring Debt = \$800 • Monthly Gross Income = \$3,500 • Number of Payments Past Due = 3 • Total Arrearage = \$3,660 • Maximum Mortgage Recovery Advance = \$150,000 x 30% = \$45,000 • Maximum Monthly PITIA = \$3,500 x 31% = \$1,085 (Front Ratio) • Maximum Total Monthly Debt = \$3,500 x 55% = \$1,925 (Back Ratio) <p>The borrower may not be charged any additional costs for receiving a Mortgage Recovery Advance. Lenders are reminded that in order for cancelled foreclosure costs to be included in the Mortgage Recovery Advance, the cancelled foreclosure must have been initiated prior to special loan servicing and all such costs must reflect work actually completed prior to the date of the foreclosure cancellation. All documentation supporting the decision to provide a Mortgage Recovery Advance must be maintained in the servicer's loan documentation file.</p>
<p>O. Mortgage Recovery Advance Guidelines</p>	<p>No interest will accrue on the Mortgage Recovery Advance. The payment of the Mortgage Recovery Advance is not due until the earliest of (i) the maturity of the modified mortgage, (ii) the borrower transfers title to the property (by sale or by other voluntary or involuntary means), or (iii) a pay-off of the mortgage. Lenders</p>

	<p>may use HUD's Partial Claim documents for the Mortgage Recovery Advance promissory note and mortgage or deed of trust.</p> <p>The promissory Note and mortgage or deed of trust should be made payable to the: United States of America, acting through the Rural Housing Service (and its successors). The borrower must send payment directly to RD at:</p> <p style="text-align: center;">USDA, Rural Development Guaranteed Loan Branch – FC 350 P.O. Box 200011 St. Louis, MO 63120-0011</p> <p>Any notice given to RD should be sent to the attention of the Loss Claims Department at the Centralized Servicing Center. Please refer to the Documentation Requirements section.</p>
P. Underwriting – Gross Monthly Income	<p>Gross monthly income includes the following, with respect to the borrower and any co- borrower(s):</p> <ul style="list-style-type: none"> • The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services; • For self-employed borrowers, the net income from operation of a farm, business, or profession; • Interest, dividends, and other net income of any kind from real or personal property (for example, investment income and rental income); • Benefit income, including the full amount of periodic payments received from Social Security (may be grossed up to a maximum of 125% of non-taxable income) (including Social Security received by adults on behalf of minors or by minors intended for their own support), annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts; and • Alimony and/or child support. • Income received by the mortgagor that is reasonably likely to continue.
Q. Underwriting – Front End Mortgage Payment to Income Ratio	<p>The Front-End ratio (mortgage payment to income ratio) is the ratio of the borrower's monthly mortgage payment (principal, interest, taxes, insurance, and association dues (PITIA)) to the borrower's gross monthly income.</p> <p>Special Loan Servicing must be used to bring the Front-End ratio as close as possible to, but not less than, 31%. Special Loan Servicing recommendations submitted by loan servicers that exceed 31% will be reviewed by the agency on a case-by-case basis.</p>
R. Underwriting - Back End Total Debt to Income Ratio	<p>The Back-End ratio (total debt to income ratio) is the ratio of the borrower's total recurring monthly debts (such as the borrower's monthly mortgage payment (PITIA), payments on all installment debts, monthly payments on all junior liens, alimony, car lease payments, aggregate negative net rental income from all investment properties owned, and monthly mortgage payments for second homes) to the borrower's gross monthly income. This ratio must not exceed 55% after special loan servicing.</p> <p>The Lender must validate monthly installment debt, revolving debt, and secondary mortgage debt by pulling a credit report for each borrower or a joint report for married co-borrowers. The Lender must also consider any information obtained from the borrower orally or in writing concerning monthly obligations.</p>
S. Underwriting – Subordinate Financing	<p>Payments on subordinate mortgages are not included in the Front-End ratio, but they are included in the Back-End ratio.</p>
T. In Foreclosure	<p>If the foreclosure process has already begun, the Lender should not proceed with the</p>

Process	foreclosure sale until the borrower has been evaluated for Special Loan Servicing and, if eligible, an offer to participate in the RD Special Loan Servicing has been made.
U. Escrows	Lenders are required to escrow for borrowers' real estate taxes and mortgage-related insurance payments.
V. Unpaid Late Fees	Late fees should not be capitalized into the modified loan or included in a mortgage recovery advance.
W. Credit Report	The Lender must cover the cost of the credit report.
X. Borrower Cash Contribution	The Lender should not require the borrower to contribute cash to pay down arrearages prior to a loan modification.
Y. Disclosure & Data Collection	<p>When promoting or describing RD mortgage options, Lenders Must provide borrowers with information designed to help them understand the mortgage terms that are being offered.</p> <p>Lenders also must provide borrowers with clear and understandable written information about the terms, costs, and risks of the mortgage in a timely manner to enable borrowers to make informed decisions.</p> <p>RD requires Lenders to comply with any disclosure or notice requirements applicable under RD regulations and state or federal law.</p>
Z. Data Collection	Lenders will continue to be required to collect and transmit borrower and property data in order to ensure compliance with program requirements as well as to measure the program's effectiveness. Data elements may include data needed to perform underwriting analysis and mortgage terms.

PRE-FORECLOSURE SALE

The pre-foreclosure sale (“PFS”) option allows a borrower in default to sell his or her home and use the sale proceeds to satisfy the mortgage debt even if the proceeds are less than the amount owed. This option is appropriate for a borrower whose financial situation requires the sale of the home, but who is unable to do so because the value of the property has declined to less than the amount owed on the mortgage.

The borrower makes a commitment to actively market the property for a period of at least three months, during which time the lender delays foreclosure action. If the property does not sell, the borrower is encouraged to convey the property to the lender through a deed-in-lieu of foreclosure.

A borrower wishing to use the PFS option submits a request to the lender along with any financial information the lender requires. The lender obtains a recent market value appraisal and preliminary title report to determine the feasibility of the PFS. The lender notifies the borrower whether or not the request is approved.

A. Loan Default	The loan is in default (delinquent more than 30 days) at the time the pre-foreclosure sale is closed. A lender may exercise discretion to accept an application from a borrower who is facing imminent default, and if the loan will be in default by the time the pre-foreclosure sale is completed. The lender documents this decision in the servicing file. Under no circumstances shall PFS be available to borrowers who have abandoned their mortgage obligation despite their continued ability to pay.
B. Borrower Qualifications	<p>The PFS option may be extended to a borrower who:</p> <ul style="list-style-type: none"> • is in default or facing imminent default due to a verified increase in living expenses or decrease in income • occupies the property as a primary residence (lender must document occupancy status) <p>A lender must document non-occupant borrowers when it is verified that the need to vacate is related to the cause of the default (examples, but not limited to: job loss, mandatory transfer, divorce, death).</p>
C. Borrower’s Application	<p>A defaulted borrower or a borrower facing imminent default who expresses interest in a pre-foreclosure sale should be sent a copy of the lender’s PFS criteria. Additionally, the lender is encouraged to proactively solicit participation by a borrower who is in default or facing imminent default on an SFHGLP first mortgage and who is unable to cure the default.</p> <p>By signing and returning the application with the required financial information, the borrower should acknowledge receipt of housing counseling, and agree to:</p> <ul style="list-style-type: none"> • list the property with a licensed real estate broker unrelated to the borrower. <i>(The listing agreement should include a specific cancellation clause in the event the terms of a sale are not acceptable.)</i> • make a good faith effort to aggressively market the property • perform all normal property maintenance and repairs until closing of the pre-foreclosure sale
D. Property Value	The lender obtains a standard market value appraisal from an appraiser who does not share any interest with the mortgagor or mortgagor’s agent. The appraisal contains both “As Is” and “As Repaired” values for the property, and should be valid for six months. A copy of the appraisal is shared with the homeowner or sales agent, if requested. Appraisals or opinions of value provided by the borrower, or borrower’s real estate agent are not acceptable. The lender reviews the appraisal and satisfies itself that the opinion represents the fair market value of the subject property. The original list price of the property must reflect its fair market value. The cost of the

	appraisal is reimbursable in the loss claim.
E. Property Condition	<p>Properties that have sustained serious damage (from fire, flood, earthquake, tornado, etc.) should not be considered for PFS if the cost of repair exceeds 10 percent of the As Repaired appraised value. The lender may exercise discretion to accept or reject a damaged property when the repair costs are less than the 10 percent threshold, but should document the decision in the servicing file.</p> <p>Prior to servicing plan submission lenders must ensure that hazard insurance claims involving property damage are filed and settled expeditiously. All repairs and replacements using the insurance proceeds must be planned, performed and inspected in accordance with Agency construction requirements and procedures.</p>
F. Condition of Title	The property has marketable title. The lender obtains a title search or preliminary title report to verify that the title is not impaired either with unresolvable title problems or with junior liens that cannot be discharged. If the lender determines that junior liens and other title issues can be resolved, the borrower's PFS application may be approved and resolution of the title issues can be pursued concurrent with the marketing effort.
G. Financial/Property Analysis	<p>The lender determines the borrower's present and anticipated financial condition. The lender projects the borrower's surplus monthly income and uses good business judgment to determine whether the borrower is able to support the mortgage debt.</p> <p>The following documentation must be obtained and/or completed in order to determine financial capacity of the borrower:</p> <ul style="list-style-type: none"> • SFHGLP Servicing Plan • Letter from borrower outlining involuntary inability to pay/hardship • Pay-Stub covering a minimum of thirty days or four weeks of earnings • Credit Report • Detailed budget <p>For self-employed borrowers the following documentation is required:</p> <ul style="list-style-type: none"> • Year to date profit and loss statement • Prior year signed tax return <p>The following documentation must be obtained to pertaining to the subject property</p> <ul style="list-style-type: none"> • Appraisal • Listing Agreement • Sales Contract (if applicable) • HUD-1 Settlement • Title Report • All Pre-Foreclosure Sale workouts must be accompanied by the "Disposition (PFS/DIL) Cost Benefit Analysis" (Appendix #7). Appendix #7 is an example of the analysis that must be completed in order for a Pre-Foreclosure Sale workout can be considered. A lender may generate their own version of Appendix 7 in-lieu of utilizing the example provided.
H. Timing of PFS Actions	<p>The lender decides to allow a PFS, commences foreclosure, or initiates another loss mitigation option within six months of the date of default, unless the default is cured earlier.</p> <p>If the PFS follows a failed special forbearance agreement, the PFS, foreclosure or other option should be initiated within 90 days of the failure.</p>
I. Duration of the Pre-Foreclosure Sale Period	The pre-foreclosure sale period should be 90 days from the date of approval. The lender should review the marketing efforts with the mortgagor each month. After 90 days have passed without a scheduled closing, the lender should discuss the

	<p>likelihood of a sale with the real estate broker and make a determination to either end the pre-foreclosure sale period, or, if a sale is likely, extend it for an additional 30 days. Documentation of this decision is retained in the servicing notes.</p> <p>If the property is under contract at the end of the marketing period, the lender may extend the PFS period for 60 days, not to exceed a total of 6 months.</p> <p>The pre-foreclosure option may also be extended to a borrower that has not received prior approval to participate in the PFS program. A sales contract offer must be validated by an appraisal that is conducted by an appraiser not party to the transaction. The appraisal must support the “as is” property value independent of the current offer.</p>
J. Other Lender Actions	<p>The lender is responsible for inspection, protection, and preservation of the property between the 45th day of default and the date it approves the borrower’s PFS request. Funds spent for preservation and protection may be reimbursed.</p> <p>The lender must provide any other documents deemed pertinent to describe all servicing actions taken.</p>
K. Early Termination	<p>The borrower’s participation in the PFS option may be terminated at the lender’s discretion, for any of the following reasons:</p> <ul style="list-style-type: none"> • unresolvable title problems • determination that the borrower is not acting in good faith to market the property • voluntary withdrawal by the borrower
L. Failure	<p>If a closing of an approved PFS has not occurred within 90 days of the expiration of the pre-foreclosure sale period (or 6 months of the date of default, whichever is later), the lender should commence foreclosure or obtain a deed-in-lieu of foreclosure. If the borrower’s financial condition has improved significantly to the point that a cure of the delinquency is a viable option, the lender may undertake a special forbearance agreement or a loan modification. However, the lender should fully justify this decision in the claim review file, and approve the action within the 90-day period.</p>
M. Borrower Consideration	<p>A borrower who successfully sells the property securing the loan using the PFS option is relieved of the mortgage obligation. The borrower shall not be pursued for deficiency judgments by either the lender or the Agency.</p>
N. Contract Approval	<p>Because time is of the essence when the PFS option is exercised, the lender should review the signed Contract for Sale within 5 calendar days. The transaction is an outright sale of the premises. No sale by assumption may be considered, regardless of provisions for release of liability.</p> <p>The lender may approve a sale contract in which the net sales proceeds are at least 84 percent of the home’s “As-Is” appraised value. “Net Sales Proceeds” is defined as the contract price less:</p> <ul style="list-style-type: none"> • sales commission (usually 6% or less) • local/state transfer tax stamps and other customary closing costs including the seller’s costs for a title search and title insurance • up to \$2,500 may be used from sales proceeds for discharge of liens or encumbrances • allowable seller concessions must not exceed 3% of the sales price. In cases where Rural Development is guaranteeing a new loan, the seller concessions will be limited to 1% of the purchaser’s new mortgage loan amount <p>Examples of settlement costs which may not be included in the net sales proceeds calculation are:</p> <ul style="list-style-type: none"> • tax service fees and other property transfer costs normally paid by the buyer

	<ul style="list-style-type: none"> • home warranty fees • repairs not stipulated in the appraisal • survey costs • lawyer’s fees for representing the seller (apart from conducting the settlement or review of documents) • purchaser’s down payment, escrow impounds and interim interest • purchaser’s upfront/monthly mortgage insurance premiums • lender’s Title Insurance fee <p>There can be no hidden terms or special understandings between any of the parties involved in the transaction; i.e., the buyer, seller, appraiser, sales agent, closing agent, and lender.</p>
O. Closing and Post Responsibilities	<p>Before the transaction closes, the lender will provide the closing agent with a list of all amounts payable out of the sale proceeds. Before giving final approval for a closing, the lender reviews the HUD-1 to ensure that it complies with earlier closing cost estimates.</p> <p>A pre-foreclosure sale is reported to national credit bureaus as a “short sale.” The lender is responsible for filing Form 1099-A with the IRS and reporting any discharge of indebtedness, in accordance with the Internal Revenue Code.</p>
P. Filing a Claim	<p>The loss claim under the loan note guarantee is submitted to the Agency within 45 days after the date of the PFS closing. The Agency will reimburse the lender for reasonable and customary costs of the appraisal, title search (if not included in the settlement statement), the allowable percentage of legal fees for a foreclosure postponed pending completion of PFS, if applicable, and reasonable costs of preservation and protection. Disbursements for taxes, assessments, hazard insurance, and other allowable items payable before the date of the PFS closing are also reimbursable. The Agency will not pay costs related to the property incurred after the closing date.</p> <p>In order for the servicer to receive a loss mitigation incentive of \$1,000 for successfully closing a pre-foreclosure sale, the documentation requirements outlined above must be met.</p>

DEED-IN-LIEU OF FORECLOSURE

Deed-in-lieu of foreclosure (DIL) is a disposition option in which a borrower voluntarily deeds the collateral property to the lender in exchange for a release from all obligations under the mortgage. Although the borrower loses the property, a DIL is usually preferable to foreclosure because the cost and emotional trauma of foreclosure are reduced. In addition, a DIL is generally less damaging than foreclosure to a borrower's ability to obtain credit in the future. SFHGLP prefers a DIL because it avoids the time and expense of a legal foreclosure action, and the property is generally in better physical condition at acquisition due to the cooperative nature of the transaction.

Unlike a legal foreclosure however, the lender's acquisition of the property by a DIL does not extinguish junior liens or terminate tenancies. Therefore, the lender has a responsibility to determine that the condition of the property and the title meet minimum standards. The most significant is that the lender enters into a written agreement with the borrower, stating the specific actions the borrower will perform in order to take advantage of this option.

<p>A. Loan Default</p>	<p>Before accepting the deed conveying the property, the lender should document that the loan is in default (delinquent more than 30 days), and the cause of the default is incurable. A lender must request Agency prior approval to enter into a DIL agreement with a borrower whose loan is current but who is facing imminent default, and should document the decision in the servicing file. In such a case, the loan is in default at the time that the DIL is recorded.</p> <p>A qualified property should first be offered for sale through the PFS program. A lender who elects to accept a DIL without attempting a PFS must receive prior Agency approval.</p> <p>Under no circumstances shall a DIL be available to a borrower who has abandoned the mortgage obligation despite the continued ability to pay.</p>
<p>B. Borrower Qualifications</p>	<p>The DIL option may be extended to a borrower who is unable to continue to support the mortgage debt and who occupies the property as a primary residence.</p> <p>A lender who receives prior approval from the Agency may offer a DIL to a non-occupant borrower when it verifies that the need to vacate was related to the cause of the default (job loss, mandatory job transfer, divorce, death), and the subject property was not purchased as a rental investment, or used as a rental for more than 12 months.</p> <p>A DIL may not be considered if a deficiency judgment will be pursued against the borrower.</p>
<p>C. Financial and Property Analysis</p>	<p>The lender determines the borrower's financial condition. The lender projects the borrower's surplus monthly income for a minimum of three months and uses good business judgment to determine if the borrower has the capacity to support the mortgage debt.</p> <p>The following documentation must be obtained and/or completed in order to determine financial capacity of the borrower:</p> <ul style="list-style-type: none"> • SFHGLP Servicing Plan • Letter from borrower outlining involuntary inability to pay/hardship • Pay-Stub covering a minimum of thirty days or four weeks of earnings • Credit Report • Detailed budget • Title Report

	<p>For self-employed borrowers the following documentation is required:</p> <ul style="list-style-type: none"> • Year to date profit and loss statement • Prior year signed tax return <p>The following documentation must be obtained pertaining to the subject property:</p> <ul style="list-style-type: none"> • Appraisal
<p>D. Condition of the Property and Title</p>	<p>Properties that have sustained serious damage (from fire, flood, earthquake, tornado, or other man made or natural disasters.) should not be considered for DIL if the cost of repair exceeds 10 percent of the As Repaired appraised value or poses an environmental or health risk. If the cost to repair the subject property exceeds 10%, Agency concurrence is required.</p> <p>The lender may exercise discretion to accept or reject a damaged property when the repair costs are less than the 10 percent threshold, but should document the decision in the servicing file.</p> <p>Prior to servicing plan submission lenders must ensure that hazard insurance claims involving property damage are filed and settled expeditiously. All repairs and replacements using the insurance proceeds must be planned, performed and inspected in accordance with Agency construction requirements and procedures.</p> <p>The lender must obtain a complete title search and is able to obtain good and marketable title to the property. The lender obtains a title search or preliminary title report to verify that the title is not impaired either with unresolvable title problems or with junior liens that cannot be discharged. If the lender determines that junior liens and other title issues can be resolved, the borrower's PFS application may be approved and resolution of the title issues can be pursued concurrent with the marketing effort.</p>
<p>E. Documentation</p>	<p>A written DIL agreement is executed by the mortgagor and lender and contains all of the conditions under which the deed will be accepted, such as:</p> <ul style="list-style-type: none"> • certification that the borrower does not own any other property subject to a mortgage • specific transfer date • notification that there may be income tax consequences as a result of the DIL • acknowledgment that borrowers who comply with all of the requirements of the agreement shall not be pursued for deficiency judgments • a statement describing the general physical condition in which the property will be conveyed demonstrating clean and marketable condition • agreement that the borrower will convey the property vacant and free of personal property unless the lender has approved occupied conveyance • itemization of the keys, built-in fixtures and equipment to be delivered to the lender on or before the transfer date • borrower's agreement to provide evidence that certain utilities, assessments and

**USDA Single Family Housing Loss Mitigation
Deed in Lieu of Foreclosure**

	<p>homeowner's association dues are paid in full to the transfer date unless otherwise agreed to by the parties</p> <ul style="list-style-type: none"> All Deed-In-Lieu of foreclosure workouts must be accompanied by the "Disposition (PFS/DIL) Cost Benefit Analysis" (Appendix #7). Appendix #7 is an example of the analysis that must be completed in order for a Deed-In-Lieu workout to be considered. A lender may generate their own version of Appendix 7 in-lieu of utilizing the example provided. <p>The lender is responsible for ensuring that the DIL documentation is in compliance with all applicable laws and regulations</p>
F. Conveyance	A special warranty deed is used to convey the property. The original credit instrument is canceled and surrendered to the borrower, indicating that the debt has been satisfied. The lender records the satisfaction of lien and the deed in a timely and prudent manner.
G. Timing	<p>A DIL is completed or foreclosure initiated within 6 months of the date of default unless the lender obtained an extension by first trying another loss mitigation option or has received an extension approved by the Agency before the 6-month period expires.</p> <p>If the DIL follows a failed special forbearance agreement or pre-foreclosure sale, the DIL should be completed or foreclosure initiated within 90 days of the failure. If the DIL follows any other option, it is completed or foreclosure initiated within 9 months of the date of default.</p>
H. Lender Reporting	The DIL is reported to credit bureaus. The lender also files Form 1099-A with the IRS, and reports any discharge of indebtedness in accordance with the Internal Revenue Code.
I. Borrower Consideration	A borrower who successfully conveys the property securing the loan with a deed-in-lieu of foreclosure is relieved of his debt. The borrower shall not be pursued for deficiency judgments by either the lender or the Agency.
J. Filing the Claim	<p>As with other loss claims, the lender is expected to follow established claim instructions. The Agency will reimburse the lender for reasonable and customary costs of the appraisal, title search, allowable legal fees, and reasonable costs of preservation and protection. Disbursements for taxes, assessments, hazard insurance, and other allowable items payable before the REO settlement date are also reimbursable. The Agency will not pay costs related to the property that are incurred after the REO settlement date.</p> <p>In order for the servicer to receive a loss mitigation incentive of \$250 for successfully closing a deed-in-lieu of foreclosure, the documentation requirements outlined above must be met.</p>

APPENDICES

Appendix 1	USDA Single Family Housing Guaranteed Loan Program Servicing Plan (Required)
Appendix 2	USDA Single Family Housing Guaranteed Loan Program Special Loan Servicing Plan (Required)
Appendix 3	Special Forbearance Checklist (<i>Optional</i>)
Appendix 4	Modification Checklist (<i>Optional</i>)
Appendix 5	Pre-foreclosure Sale Checklist (<i>Optional</i>)
Appendix 6	Deed-In-Lieu of Foreclosure Checklist (<i>Optional</i>)
Appendix 7	Disposition (PFS/DIL) Cost Benefit Analysis (Required)
Appendix 8	Status of Mortgage Codes

Appendix 1**Single Family Housing Guaranteed Loan Program Servicing Plan**

Part A. Lender Information			
Servicer/ Holder:		Preparer:	Date:
Address:		Phone No.:	Fax No.:
City:		State:	Zip Code:
Part B. Loan Information			
Borrower:		Co-Borrower:	Lender Loan No.:
Borrower SSN:		Co-Borrower SSN:	Loan Origination Date:
DDLPI:	UPB: \$	Mo. Payment: \$	Total PITI Arrearage \$
Part C. Property Information			
Street Address:			
City:		State:	Zip Code:
Property Condition:	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor
Occupancy Status:	<input type="checkbox"/> Owner Occupied	<input type="checkbox"/> Tenant Occupied	<input type="checkbox"/> Vacant
Is the Property Listed for Sale?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
List Price: \$	Days on Market:	Real Estate Agent:	Agent's Phone No.:
Part D. Financial Information			
Reason for Default:			
Monthly Net Income: \$	Monthly Expenses: \$	Mo. Surplus Income: \$	Liquid Assets: \$
Comments:			
(Continue on reverse if necessary)			
Part E. Property Valuation			
Valuation Date:	<input type="checkbox"/> Inspection	<input type="checkbox"/> Appraisal	<input type="checkbox"/> BPO
As Is Value: \$	As Repaired Value: \$	Estimated Cost of Repairs: \$	
Part F. Workout Recommendation			
<input type="checkbox"/> Special Forbearance	<input type="checkbox"/> Modification	<input type="checkbox"/> Pre-Foreclosure Sale	<input type="checkbox"/> Deed-In-Lieu
Outstanding Fees: \$	Capitalized Amount : \$	List Price \$	Foreclosure Initiation Date:
Total Arrearage Amt: \$	New Mo Payment:: \$	List Date:	Est. Foreclosure Sale Date:
Agreement Term (mos.):	Old Interest Rate: New Interest Rate:	Marketing Period (days):	Fees & Costs to Date: \$
Mo. Pmt Amount: \$	Maturity Date:	Commission %:	
	Junior Lien Amount: \$	MLS Listing (Y/N)?:	
	Foreclosure Status:	Borrower Contribution: \$	
	Income/Expense Ratio:		

Appendix 2

Special Loan Servicing				
Part A. Lender Information				
Servicer/Holder:			Date:	
Preparer:		E-Mail Address:		
Address:		Phone No:	Fax No.:	
City:	State:		Zip Code:	
Part B. Loan Information				
Borrower:		Co-Borrower:	Lender Loan No.:	
Borrower SSN:		Borrower ID: (Unique USDA ID -Not SSN)	Loan Origination Date:	
DDLPI:	UPB:	Current Monthly Payment:	Foreclosure Fees And Costs:	
	\$	\$	\$	
Total Principal/ Interest Arrearage: \$	Total Tax Arrearage: \$	Total Insurance Arrearage: \$	Total PITI Arrearage: \$	
Part C. Property Information				
Street Address:				
City:		State:	Zip Code:	
Property Condition: Select		Occupancy Status: Select	Is the Property Listed for Sale? Select	
List Price: \$	Days on Market:	Real Estate Agent:	Agent's Phone No.:	
Part D. Financial Information				
Reason for Default:				
Borrower Monthly Gross Income: \$	Co-Borrower Monthly Gross Income: \$	Recurring Monthly Expenses: \$	Mo. Surplus Income: \$	Liquid Assets: \$
Part E. Workout Recommendation				
Proposed Monthly Payment: \$		1. Maximum Recovery Advance (MRA): 30% of Unpaid Principal Bal At Default: \$		
Old Interest Rate:		2. Total PITI Arrearage (= \leq 12 months PITI): \$		
New Interest Rate:		3. Foreclosure Fees And Costs: \$		
New Maturity Date:		4. Maximum Principal Deferment (line 1, less lines 2 and 3): \$		
Junior Lien Amount: \$		5. Proposed Principal Deferment (= \leq Line 4): \$		
Foreclosure Status: Select		6. Proposed MRA (sum of Lines 2,3 & 5) \$		
Capitalized Amount: \$		Does The Borrower Qualify For Traditional Servicing: Select		
Housing Ratio %:		Was An Escrow Analysis Performed? Select		
Total Debt Ratio %:		Has Borrower Met With A HUD Counselor? Select		
Comments: (Continue on separate page if necessary)				

Appendix 3

SPECIAL FORBEARANCE CHECKLIST

Loan Number:	Borrower:	Date:
Issue		Verification (Date, Amount, Source of Information etc.)
Has the borrower experienced a verified loss of income or increase in living expenses?		
Is the borrower an owner-occupant?		
Did the borrower receive the <u>How To Avoid Foreclosure</u> brochure?		
Will the loan be more than 90 and less than 365 days delinquent on the effective date of the agreement? (Show number of days)		
Did the surplus income analysis to determine the borrower's ability to repay the debt include:		
a financial statement provided by the borrower?		
a credit report?		
income/expense verifications?		
evidence the borrower can support the payment schedule?		
Show the borrower's surplus income percentage.		
Has an inspection determined that the property has no adverse conditions affecting continued occupancy?		
Does the written agreement executed by the borrower:		
clearly define the terms and frequency of repayment?		
offer relief not available through a normal repayment plan?		
state that failure to comply may result in foreclosure?		
limit the total default to 12 months or less?		
If the special forbearance agreement culminates in a modification, show the proposed date of that action.		

Appendix 4

LOAN MODIFICATION CHECKLIST

Loan Number:	Borrower:	Date:
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Issue	Verification (Date, Amount, Source of Information etc.)
Has the borrower experienced a verified loss of income or increase in living expenses?	
Does the borrower have a commitment to continue to occupy the property as his or her primary residence?	
Did the borrower receive the How To Avoid Foreclosure brochure?	
Will the loan be more than 90 days delinquent on the date of execution and funding? (Show number of days.)	
If this loan had a prior modification within the past two years, justify the decision to modify now.	
Did the surplus income analysis to determine the borrower's ability to repay the debt include:	
a financial statement provided by the borrower?	
a credit report?	
income/expense verifications?	
evidence of the borrower's ability to pay for at least 3 months?	
What is the borrower's surplus income percentage?	
Reason why the default cannot be cured through special forbearance?	
Has a title search established first lien status of the modified loan?	
Will release of junior liens be required?	
Will title endorsement be required?	
Has an inspection determined that the property has no adverse conditions affecting continued occupancy?	
Does the written modification agreement executed by the borrower:	
include all advances necessary to cure the delinquency of the principal, interest, taxes, insurance and foreclosure fees and costs?	
exclude administrative costs?	

Appendix 5

PRE-FORECLOSURE SALE CHECKLIST

Loan Number:	Borrower:	Date:
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Issue	Verification (Date, Amount, Source of Information etc.)
Has the borrower experienced an involuntary reduction in income or increase in living expenses?	
Does the borrower occupy the property as his or her primary residence? If not, explain.	
Will the loan be at least 30 days delinquent when the PFS closes? (Show number of days.)	
Does an appraisal completed within the past 6 months show that: the AS-IS value is less than the loan amount ? (show Value) sale proceeds will result in a loss of more than \$1,000? the property is not seriously damaged?	
Has a title search been obtained indicating marketable title?	
Did the surplus income analysis to determine the borrower's inability to repay the debt include: a financial statement provided by the borrower? a credit report? income/expense verifications? the borrower's surplus income percentage? (Show percentage.)	
The PFS agreement, executed by the borrower shows: the end date for marketing is? minimum acceptable net proceeds are?	
Do Net Sale Proceeds equal or exceed 84 percent of As-Is Value? (Show percentage)	

Appendix 6

DEED-IN-LIEU OF FORECLOSURE CHECKLIST

Loan Number:	Borrower:	Date:
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Issue	Verification (Date, Amount, Source of Information etc.)
Has the borrower experienced a verified loss of income or an unusually large and unforeseen increase in living expenses?	
Does the borrower occupy the property as his or her primary residence? If not, explain.	
Will the loan be at least 30 days delinquent when the special warranty deed is accepted?	
Did the borrower receive the HUD brochure, <u>How To Avoid Foreclosure</u> ?	
A recent appraisal indicating the AS IS property value as?	
If any portion of the property is rented has there been an approved occupied conveyance?	
Has a title search been obtained showing good and marketable title?	
Does the surplus income analysis used to determine the borrower's inability to repay the debt include:	
a financial statement provided by the borrower?	
credit report?	
income/expense verifications?	
the borrower's surplus income? (show dollars and percentage)	Surplus \$ _____ %
Does a written DIL agreement, executed by the borrower:	
require the property to be vacant and free of personal property at conveyance?	
convey clear title free of junior liens?	
require the borrower to pay utility bills to the date of conveyance?	
require the borrower to pay Homeowner's Association dues or other assessments?	
advise the borrower to obtain the advice of a tax consultant?	

Appendix 7

Disposition (PFS/DIL) Cost Benefit Analysis (Example)

This worksheet is being provided to demonstrate cost savings to the Government, as described under 7 CFR 3555.305. Voluntary liquidation methods must demonstrate the expected cost to the Government to be the same as or less than the cost of foreclosure. Other methods of liquidation must demonstrate how the proposal will result in savings to the Government. These options are appropriate for borrowers who have experienced a verified, involuntary inability to meet their mortgage obligation. Borrowers that have abandoned their mortgage obligation or strategically defaulted may not be eligible. For further eligibility clarification, please refer to the "Loss Mitigation Guide." Failure to comply with Agency Regulation, Policies and Guidance may result in a reduction or denial of any future Loss Claim. If you need further assistance, please contact the Centralized Servicing Center at 1-866-550-5887.

Voluntary/Other Liquidation Method		Foreclosure Method	
Current Market Value	\$180,000.00	Current Market Value	\$180,000.00
Gross Sales Price	\$172,500.00	¹ Estimated Liquidation Value	\$151,200.00
Net Sales Proceeds	\$157,482.63		
Actual Net Sales Price %	91.294%		
Unpaid Principal Balance	\$203,325.62	Unpaid Principal Balance	\$203,325.62
Interest to Settlement Date	\$5,622.79	Interest to FC Sale Date	\$6,401.16
Escrow Shortage	\$900.00	Escrow Shortage	\$1,100.00
FC Cost	\$1,513.25	FC Cost	\$2,731.55
Other Cost	\$129.13	Other Cost	\$129.13
Total Debt	\$211,490.79	² Estimated REO Marketing Cost	\$22,604.40
Less Net Sales Proceeds	\$157,482.63	Total Debt	\$236,291.86
Total Estimated Loss Claim	\$54,008.16	Less Estimated Liquidation Value	\$151,200.00
		Total Estimated Loss Claim	\$85,091.86
		<i>¹Equal to 84% of the Current Market Value</i>	
		<i>²Multiply Estimated Liquidation Value by Management Acquisition Factor (14.95%)</i>	
Cost Savings to the Government:		\$31,083.70	

Appendix 8**STATUS OF MORTGAGE CODES**

Value Name	EDI Code Value
Account Delinquent	42
Forbearance	9 & 12
Modification Pending	28
Voluntary Liquidation Pending	
Deed-in-Lieu Pending	44
Forced Liquidation Pending	43
Liquidation Complete	30
Bankruptcy Filed	59, 65, 66, 67
Bankruptcy Reorganization in Effect	
Account Reinstated and Current	
1980-81 Brought Current (For display of history only on MA50; cannot be entered)	
Real Estate Owned	45 & 47
Account Reported Delinquent on 203 Quarterly Status Report (For display only on MA50)	
Account brought current with 203 Quarterly Status Report (For display only on MA50)	
Account brought current with automatic Bring Loans Current process (For display only on MA50)	
Loss Claim Submitted	11

- *Codes in Bold are considered delinquent. Codes 26, 31, & 35 are post liquidation of the account by the lender and are not counted as delinquent loans.*