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MPF Traditional Product
COVID-19 Permanent Loan Modification

March 2022

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Topics of Discussion

- Borrower Eligibility
- Documentation
- Determining the Loan Terms
- Trial Plan Period
- Permanent Loan Modifications
- Reporting Requirements

COVID-19 Loan Modification Plan

The COVID-19 Loan Modification plan is designed to assist borrowers **entering the end of a COVID-19 related forbearance plan** that have a hardship that has resulted in a permanent or long-term decrease in income or an increase in expenses.

Servicers are responsible for evaluating borrowers according to the set hierarchy of workout plans.

Is the borrower able to afford reinstatement? → NO → **Is the borrower able to afford a repayment plan?** → NO → **Is the borrower able to defer the amount owed and resume their contractual payments?** → NO → **Consider a COVID-19 Loan Modification Plan**

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COVID-19 Loan Modification Plan

The COVID-19 Loan Modification Plan is a two-step process

- Servicers evaluate for eligibility and offer a modification plan to the borrower.
  - ✓ Prior approval from the MPF Provider is not required.
- Servicers determine the modified payment by following the steps provided in MPF Announcement 2022-12.
- Borrowers must successfully complete a **3-month Trial Period Plan** before the modification becomes permanent.
- Once the trial plan is successfully completed, the documentation related to the modification plan must be submitted to the MPF Provider via eMAQCS®plus.

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Eligibility

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Evaluating for Eligibility

To be eligible for a COVID-19 related loan modification the mortgage must:

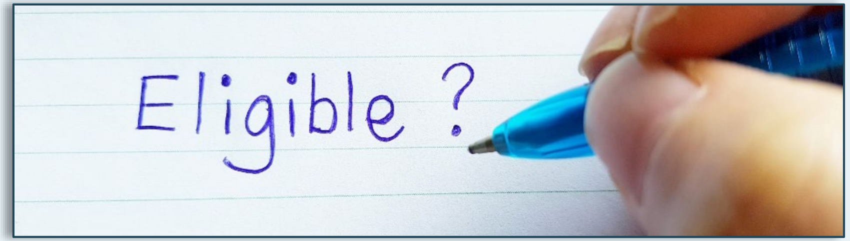
- Be a first-lien conventional mortgage loan.
- Have been current or less than two months delinquent as of March 1, 2020 or originated after March 1, 2020.*
- Be at least 90 days delinquent.
- May not be serviced by one of the following:
  - ✓ One Mortgage Partners, LLC Mortgage Pass-Through Certificates MPF® Shared Funding Program Series 2003-1 Trust
  - ✓ One Mortgage Partners, LLC Mortgage Pass-Through Certificates MPF ® Shared Funding Program Series 2003-2 Trust

**If a loan is not eligible for a COVID-19 Loan Modification Plan due to being delinquent prior to March 1, 2020, Servicers may evaluate the borrower for a Temporary Loan Modification.*

Evaluating for Eligibility (continued)

The mortgage loan must not be subject to:

- A current offer for another workout option.
- An approved liquidation workout option.
- An active and performing repayment plan, other non-COVID-19 related forbearance plan or loan modification plan.
- A recourse or indemnification arrangement under which the MPF Bank purchased or that was imposed by the MPF Bank after the mortgage loan was purchased.



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Borrower Eligibility

To be eligible for a COVID-19 Permanent Modification Plan the borrower must:

- Be the same borrower(s) that signed the Promissory Note **and if not,**

- The individual executing the Modification Plan must have acquired interest in the property as a result of a transfer of ownership that was exempt from the due-on-sale clause (i.e. inheritance).

Servicers handling **Texas 50(a)(6)** loans should contact their MPF Bank for guidance prior to offering a COVID-19 Permanent Loan Modification Plan.

Escrows

Escrows are required

- If a borrower is not currently escrowing for taxes and insurance, accounts must be established as a condition of the modification unless otherwise prohibited by law.
- Prior to offering a modification, Servicers must perform an escrow analysis of the current escrow accounts to estimate the deposits required are adequate to cover future charges.
- If a shortage is identified, Servicers must spread the shortage out in equal payments over a term of 60 months unless the borrower decides to pay the shortage amount up-front or over a shorter period (no less than 12 months).
- Any escrow shortages identified during the analysis may not be capitalized and the Servicer is not required to fund any existing escrow account shortage.

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Documentation

Required Documentation

Servicers should collect the following documentation and it should be permanently retained in the loan file

- **Workout Worksheet** (Form SG354) *Has been revised to include this new workout option.*
- **Borrower Hardship Certification** (Form SG402)
- Income verification*
- Borrower's tax return transcripts obtained from the IRS
- Asset documentation and any other documentation necessary to fully document the borrower's financial situation*.
- A current credit report*
- Property valuation
- Reaffirmation Agreement or approval from Trustee if the borrower was previously in bankruptcy.
- Any other documentation used to process and evaluate the Modification Plan request, including but not limited to documentation of the cause(s) of the borrower hardship.

*Typically the same documentation obtained to underwrite a loan. Refer to the **MPF Selling Guide** for specific requirements.

Required Documentation

Prior approval from the MPF Provider is not required.
Only the following information should be completed in/or uploaded into eMAQCS®plus* after the Trial Period Plan has been successfully completed:

- A completed **Workout Worksheet (Form SG354)**
- The **Trial Period Plan (Appendix D)** in MPF Announcement **2022-12**
- **The COVID-19 Modification Cover Letter (Appendix E)** in MPF Announcement **2022-12**
- A fully executed **Loan Modification Agreement (Fannie Mae Form 3179)**
- **A current payment history** covering the past 12 months

Servicers may approve a borrower for a COVID-19 Modification Plan based on the evaluation of an incomplete application if they deem the information they have received to be sufficient to make an eligibility determination.

eMAQCS plus

*The MPF Default Team or your MPF Bank may request additional information.

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Workout Worksheet Updates

The Workout Worksheet (SG354) has been updated to include the MPF Traditional COVID-19 Modification Plan

Workout Worksheet (Form SG354)

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Instructions Page

Purpose

Servicers of conventional MPF Traditional loans must use this form when recommending a workout option for the Borrower.

Preparation

- **When** – The Servicer must complete the form when recommending a workout option for a Borrower.
- **Who** - This form must be completed by an employee of the Servicer who has responsibilities that would cause such individual to be knowledgeable of the facts and processes needed to complete this form and has authority to certify to the truthfulness and accuracy of the information on this form
- **How** – The attached form is provided as a job aid and should be used for informational purposes only. To complete this form Servicers must access it through eMAQCS®Plus.
  - **Complete ONLY Sections 1 and 3 for all COVID-19 related forbearance, repayment deferment plans, and loan modifications.**
  - **Complete ONLY Sections 2 and 3 for all other workout plans (including ALL short sales, deed in lieu, and non-COVID-19 related forbearance, repayment plans, and loan modifications).**

Only complete Sections 1 and 3

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Workout Worksheet Updates

The Workout Worksheet (SG354) has been updated to include the MPF Traditional COVID-19 Modification Plan

Workout Worksheet (Form SG354)

Product Information

This form is for the MPF Traditional product only.

PFI/Servicer Information

PFI Number: ______________ Servicer Name: ____

SECTION 1 – COVID-19 related forbearance, repayment, deferment plans, Loan Modification **ONLY**

MPF Loan Number: ____________________ Borrower Name: ____________________________________

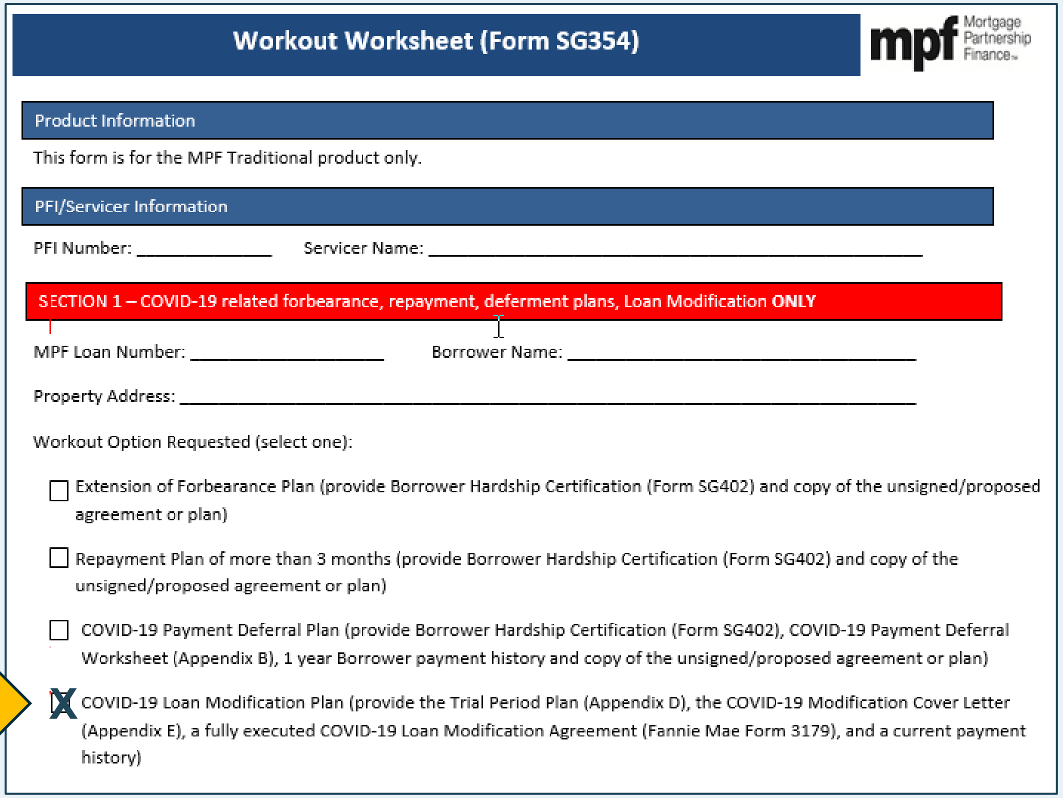
Property Address: ____

Workout Option Requested (select one):

- ☐ Extension of Forbearance Plan (provide Borrower Hardship Certification (Form SG402) and copy of the unsigned/proposed agreement or plan)
- ☐ Repayment Plan of more than 3 months (provide Borrower Hardship Certification (Form SG402) and copy of the unsigned/proposed agreement or plan)
- ☐ COVID-19 Payment Deferral Plan (provide Borrower Hardship Certification (Form SG402), COVID-19 Payment Deferral Worksheet (Appendix B), 1 year Borrower payment history and copy of the unsigned/proposed agreement or plan)
- X COVID-19 Loan Modification Plan (provide the Trial Period Plan (Appendix D), the COVID-19 Modification Cover Letter (Appendix E), a fully executed COVID-19 Loan Modification Agreement (Fannie Mae Form 3179), and a current payment history)

Workout Worksheet Updates

The Workout Worksheet (SG354) has been updated to include the MPF Traditional COVID-19 Modification Plan



Workout Worksheet (Form SG354)

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Product Information

This form is for the MPF Traditional product only.

PFI/Servicer Information

PFI Number: ______________ Servicer Name: ____

SECTION 1 – COVID-19 related forbearance, repayment, deferment plans, Loan Modification ONLY

MPF Loan Number: ____________________ Borrower Name: ____________________________________

Property Address: ____

Workout Option Requested (select one):

- ☐ Extension of Forbearance Plan (provide Borrower Hardship Certification (Form SG402) and copy of the unsigned/proposed agreement or plan)
- ☐ Repayment Plan of more than 3 months (provide Borrower Hardship Certification (Form SG402) and copy of the unsigned/proposed agreement or plan)
- ☐ COVID-19 Payment Deferral Plan (provide Borrower Hardship Certification (Form SG402), COVID-19 Payment Deferral Worksheet (Appendix B), 1 year Borrower payment history and copy of the unsigned/proposed agreement or plan)
- X COVID-19 Loan Modification Plan (provide the Trial Period Plan (Appendix D), the COVID-19 Modification Cover Letter (Appendix E), a fully executed COVID-19 Loan Modification Agreement (Fannie Mae Form 3179), and a current payment history)

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Workout Worksheet Updates

The Workout Worksheet (SG354) has been updated to include the MPF Traditional COVID-19 Modification Plan

SECTION 3 – ALL WORKOUTS

Servicer's Comments and Recommendations

The Servicer makes the following workout recommendation: MPF Traditional Covid-19 Modification Plan

Workout Worksheet (Form SG354)

Provide a description of the plan's terms

Recommended Workout Terms (e.g. monthly payment amount, length of plan, borrower contribution amount): ____________________

Additional comments: ____________________

Attachments/Supporting Documentation

Are supporting documents attached? ☐Yes ☐No

List any supporting documents and/or any missing documents and provide an explanation for any missing documents: ____________________

Employee Information

By submitting this form, I certify that the information contained herein is true and accurate.

Printed Name of Employee Submitting Form: ____________________

Title: ____________________ Email: ____________________

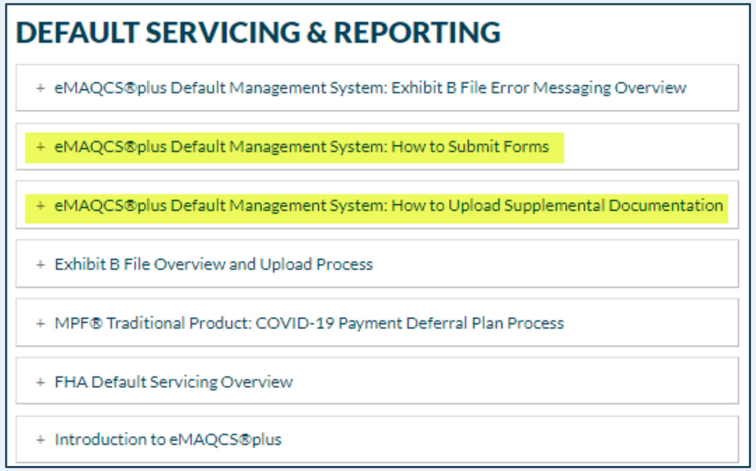
Phone Number: ____________________ Date Completed: ____________________

Submitting Documents via eMAQCSplus

All required documents must be submitted via eMAQCSplus

- The Workout Worksheet (SG354) is created and submitted from within the system.
- Other required supplemental documents are added/uploaded to eMAQCSplus.
- For more information on creating new forms and adding/uploading supplemental documentation, please review the short tutorials on the eMPF website:

https://www.fhlbmpf.com/education/on-demand-webinars



Determining the Loan Terms

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COVID-19 Modification Plan Terms

Servicers must determine the new modified mortgage terms by following these required steps:

- **A property evaluation must be obtained.** One of the following is acceptable:
  - ✓ An exterior broker's price opinion (BPO)
  - ✓ An appraisal
  - ✓ A third-party AVM*
  - ✓ The Servicer's own internal AVM*, provided the Servicer is subject to supervision by a federal regulatory agency and the model has been reviewed by the Servicer's primary federal regulatory agency.
- The property evaluation should be used to determine the **post-modification mark-to-market loan-to-value (MTMLTV)**
- **The MTMLTV is defined as the unpaid principal balance (UPB) of the mortgage plus capitalized arrearages, eligible advances and third party fees divided by the current value of the property.**

*If an AVM does not provide a reliable confidence score, Servicers must obtain either a BPO, appraisal or a property evaluation method that has been documented as acceptable by the Servicer's federal regulatory supervisor.

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Step 1:
Capitalize the Eligible Arrearages

The following amounts may be added to the outstanding principal balance of the loan to arrive at the gross UPB:

- Accrued interest
- Out of pocket escrow advances to third parties paid prior to the effective date of the COVID-19 Modification Plan.
- Servicing advances made in the ordinary course of business that are not retained by the servicer provided they were paid prior to the effective date of the modification and allowed by state laws.

Step 1:
Capitalize the Eligible Arrearages

Notes about arrearages

- If applicable state law prohibits capitalization of any of the eligible amounts, the funds must be collected from the borrower over a period not to exceed 60 months unless the borrower opts to pay the amount up-front.
- Late charges may not be capitalized and must be waived if the borrower successfully completes the **Trial Period Plan**.
- Refer to the MPF Traditional Servicing Guide for guidelines on maintaining and handling escrow accounts.

Step 2:
Calculating the New Payment

The goal of the COVID-19 Loan Modification Plan is to provide the borrower with an affordable monthly payment. This can be done by:

- Setting the new interest to the lower of 3% or the borrower's current Note rate and
- Extending the loan term to 480 months from the Loan Modification Plan effective date.
  - ✓ If the property is a leasehold estate, the term of the lease must extend at least 5 years beyond the loan maturity date. If that is not the case, the lease must be renegotiated to satisfy this requirement.

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New Payment Scenario

Current situation

Unpaid principal balance: $178,277 (4.500% interest rate)
Current P&I: $1,014.00 per month
Current value per BPO: $240,000

Capitalized arrearages

Accrued interest: $9,024
Portion of real estate taxes paid by Servicer on behalf of the borrower: $3,000
Insurance paid by Servicer on behalf of the borrower: $480
Credit Report and Property Valuation: $350

Add the UPB to the arrearages: <u>$191,131</u> This is your gross UPB (80% MTMLTV)

New interest rate of 3.000% over 480 months equals a new P&I payment of **$684** (drops the P&I by $330)

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MTMLTV Considerations

If the MTMLTV ratio is greater than 100%, forbear the excess principal to the lesser of:

1. An amount that would create a MTMLTV ratio of 100%

Example: If the gross UPB is $110,000 and the current value is of the property is $105,000
Forbear $5,000 to meet the MTMLTV ratio of 100%.
OR

2. Use 30% of the gross UPB
30% of $110,000 is equal to a forbearance amount of up to $33,000

In this case, <u>option 1</u> should be utilized because it is the <u>lesser</u> of the two amounts.

Additional Payment Reduction

Servicers may provide or increase a principal forbearance until a 20% P&I payment reduction is achieved; however, the servicer must not forbear more than:

- An amount that would create a MTMLTV ratio of less than 80%

  and

- 30% of the gross UPB.

Interest must not accrue on any principal forbearance. Any principal forbearance is payable either when the loan modification matures or the property is sold, refinanced or transferred, whichever is earlier.

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Forbearance Scenario

Your borrowers have a current UPB of **$200,000** with a P&I payment of **$921.22**

- **The capital arrearages are as follows:**
  Interest owed: **$12,000**
  Advances for real estate taxes: **$7,000**
  Advances for insurance: **$900**
  Third party fees: **$400**

- **Total amount capitalized: $20,300. The gross UPB is $220,300**

- **The BPO came in at $205,000 which results in a MTMLTV over 100%**

- **The new P&I calculated at 3.000% over 480 months is $788.64 (a 14% reduction)**

continued…

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Forbearance Scenario (continued)

Because the MTMLTV is over 100%, the gross UPB must be reduced to equal a 100% MTMLTV

- **Check that the forbearance amount is the lesser of:**
  - ✓ The amount needed to create a MTMLTV ratio of 100% ($15,300) **or**
  - ✓ 30% of the gross UPB (up to $66,090)

In this case, forbear **$15,300** which is the amount needed to bring the MTMLTV to 100%

ALSO:

- Recalculate the P&I using a $205,000 loan amount (480 months at 3.000%)
- The new P&I after forbearing principal is $734
- The new payment results in a 20% reduction from their current payment
  - ✓ If the principal reduction does not result in a 20% reduction, additional principal may be added to the total forbearance amount until a P&I reduction of 20% is met.
  - ✓ The total forbearance amount cannot exceed an amount that would result in a MTMLTV less than 80% or equal more than 30% of the gross UPB

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Payment Reductions

20% P&I reductions aren't always guaranteed and may not be possible
Here's an example:

- The borrower's original loan amount was **$300,000** with an interest rate of **3.000%**.
  - ✓ Their monthly P&I payment is **$1,265**.
- The loan is relatively new, having only one year's worth of payments made before entering into a forbearance plan one year ago.
  - ✓ The principal owed after making 12 payments is **$293,737**
  - ✓ The current property value is **$400,000**
  - ✓ There's roughly $20,000 in accrued interest and advances, bringing the gross UPB to **$313,737**
- The MTMLTV ratio is **78%** which does not allow for the forbearance of any principal.
- The interest rate stays the same and the new term is 480 months which reduces the borrower's payment to **$1,123** per month, an **11%** reduction in payment.

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Trial Period Plan

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Offering a Trial Period Plan

Borrowers must successfully complete a three-month Trial Period Plan before a COVID-19 Modification Plan can be granted

- Servicers must utilize the **COVID-19 Trial Period Plan Notice (Appendix D)** or the equivalent, making any changes to comply with applicable law.
- **Appendix D** represents the minimum level of information that the Servicer must communicate to the borrower to comply with the MPF Program requirements.
- **Servicers are responsible for determining the borrower's eligibility for the plan before offering a Trial Period Plan.**

Offering a Trial Period Plan

If all eligibility requirements for the Loan Modification Plan are met, the Servicer does not need to obtain approval from the MPF Provider prior to providing the borrower with Appendix D.

- Any requests for eligibility exceptions must be submitted via eMAQCSplus for approval prior to communicating the terms of the plan to the borrower.
  - ✓ Requests will be escalated to the applicable FHLB for consideration.

- Exceptions are also required for those borrowers who had been in an active repayment plan or COVID-19 deferral plan but due to reasons related to COVID-19, have fallen back into a forbearance plan.

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Appendix D

The **COVID-19 Trial Period Plan Notice (Appendix D)** is attached to **MPF Announcement 2022-12**

Borrower instructions are also included with the Notice (not shown).

NEW

APPENDIX D

COVID-19 TRIAL PERIOD PLAN NOTICE

[DATE]

Dear [BORROWER NAME(S)]:
[SUBJECT PROPERTY ADDRESS 1]
[SUBJECT PROPERTY ADDRESS 2]
[CITY, STATE ZIP CODE]
REFERENCE: [MPF LOAN NUMBER] [PFI LOAN NUMBER]

Subject: Loss Mitigation Offer Enclosed

Dear [BORROWER NAME(S)]:

Thank you for contacting us about your mortgage. Based on careful review of the information you provided, we are offering you an opportunity to enter into a loan modification trial period plan. This is the first step toward qualifying for a permanent loan modification. If you satisfy all the requirements set forth below, we will sign the loan modification agreement and your loan will be permanently modified.

Accepting the offer

To accept this offer to modify your mortgage, you must do one of the following by [14 CALENDAR DAYS FROM THE DATE OF THIS LETTER]:

- Contact us by phone or in writing to let us know if you intend to accept this offer, **OR**

  [SERVICER NAME
  MAILING ADDRESS]
  Phone: [8XX-XXX-XXXX]; Email Address: [SERVICER'S EMAIL]

- Send your first trial period plan payment of $[FIRST PAYMENT AMOUNT].

Failure to contact us or send your first trial period plan payment by such date, may result in your loan being considered delinquent.

Completing the trial period plan

In order to successfully complete the trial period plan, you must make the trial period plan payments below.

Trial Period Plan Payment	Amount Due	Due Date
FIRST*		
SECOND		
THIRD		

MPF Announcement 2021- , 2021

*If you submit your first trial period plan payment by [14 CALENDAR DAYS FROM THE DATE OF THIS LETTER], follow this schedule for your second and third trial period plan payments only.

We must receive each trial period plan payment in the month in which it is due. If we do not receive a trial period payment by the last day of the month in which it is due, this offer is revoked and we may refer your mortgage to foreclosure. If your mortgage has already been referred to foreclosure, foreclosure related expenses may have been incurred, foreclosure proceedings may continue, and a foreclosure sale may occur.

Permanent Modification

Your modified terms will take effect only after:

- You have signed and submitted your loan modification agreement (which we will send you near the completion of the trial period plan);
- We have signed the loan modification agreement and returned a copy to you upon completion of the trial period plan; **AND**
- The modification effective date set forth in the loan modification agreement has occurred.

LOAN MODIFICATION TERMS

The table below compares your current mortgage terms to the **estimated** modified terms.

	Current Terms	Modification Terms
Payment*		
Interest Rate		
Term		
Maturity Date		
Deferred Principal**		

*Payment includes principal, interest, and escrow payment, if applicable. For more information on the estimated modification payment amount, review the **Additional Information** below.

For more information on deferred principal, review the **Additional Information below.

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Trial Period Plan Timing

Trial Period start dates vary depending upon when Appendix D was sent to the borrower

- **If *Appendix D* was sent on or before the 15^{th} calendar day of the month, then the first day of the following month should be used as the first Trial Period Plan payment due date:**

  Example: Appendix D was sent on April 7^{th}, the first payment is due by May 1^{st}.

- **If *Appendix D* was sent after the 15^{th} calendar day of the month, the first Trial Period Plan payment is due one month later:**

  Example: Appendix D was sent on April 21^{st}, the first payment is due by June 1^{st}.

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Trial Period Plan Considerations

- If a borrower fails to make a Trial Period Plan payment by the last day of the month in which it is due, the borrower is considered to have failed the Trial Period Plan and the Servicer cannot grant a COVID-19 Loan Modification Plan

- The Servicer must ensure compliance with any and all applicable “dual tracking” restrictions.

- The modified mortgage must retain first lien position.

- Electronic signatures and notarizations are acceptable and long as the electronic record complies with MPF Program requirements.

COVID-19 Permanent Loan Modification

The COVID-19 Permanent Loan Modification

Upon successful completion of the Trial Period Plan, the Servicer may begin processing the Permanent Loan Modification

- Documentation required by the MPF Provider should be submitted via eMAQCSplus after the borrower successfully completes the Trial Period Plan.
  - ✓ It is suggested that Servicers begin gathering the required documentation during the Trial Period Plan so everything is ready to be submitted immediately after the borrower makes their final Trial Period Plan payment.
  - ✓ This will also ensure that the first permanent payment can be made in the month immediately following the last trial payment.

eMAQCSplus

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Preparing the Loan Modification Agreement

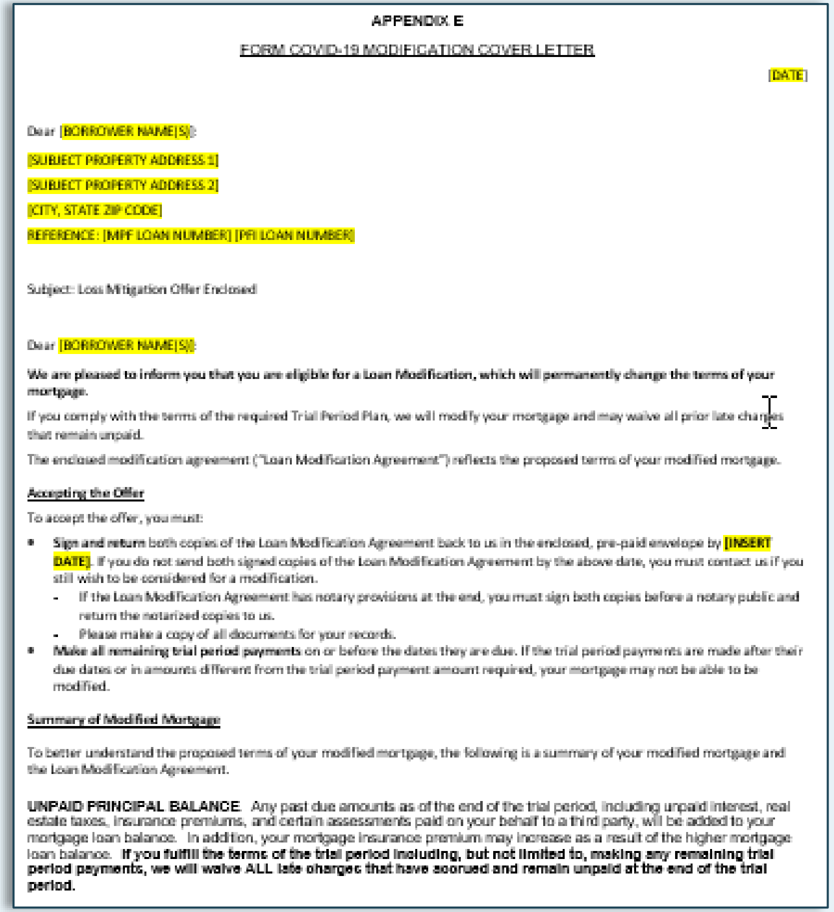
- Servicers must utilize the **COVID-19 Modification Cover Letter (Appendix E)** or the equivalent.
  - ✓ **Appendix E** communicates the borrower's eligibility for a COVID-19 Permanent Loan Modification.
- **Appendix E** should accompany a completed **Loan Modification Agreement (Fannie Mae Form 3179).**

Delivering the Loan Modification Agreement

Servicers must send two originals of the Loan Modification Agreement to the borrower(s) for signature

- After the borrower returns the 2 signed forms and successfully completes the Trail Period Plan, the Servicer signs one copy and returns it to the borrower.
- The loan modification agreement documents do not need to be sent to the MPF Provider for prior approval if the borrower and the loan modification meets all eligibility requirements of the Loan Modification Plan.

Appendix E and Fannie Mae Form 3179



APPENDIX E

FORM COVID-19 MODIFICATION COVER LETTER

[DATE]

Dear [BORROWER NAME(S)]:

[SUBJECT PROPERTY ADDRESS 1]
[SUBJECT PROPERTY ADDRESS 2]
[CITY, STATE ZIP CODE]
REFERENCE: [MPF LOAN NUMBER] [PFI LOAN NUMBER]

Subject: Loss Mitigation Offer Enclosed

Dear [BORROWER NAME(S)]:

We are pleased to inform you that you are eligible for a Loan Modification, which will permanently change the terms of your mortgage.

If you comply with the terms of the required Trial Period Plan, we will modify your mortgage and may waive all prior late charges that remain unpaid.

The enclosed modification agreement ("Loan Modification Agreement") reflects the proposed terms of your modified mortgage.

Accepting the Offer

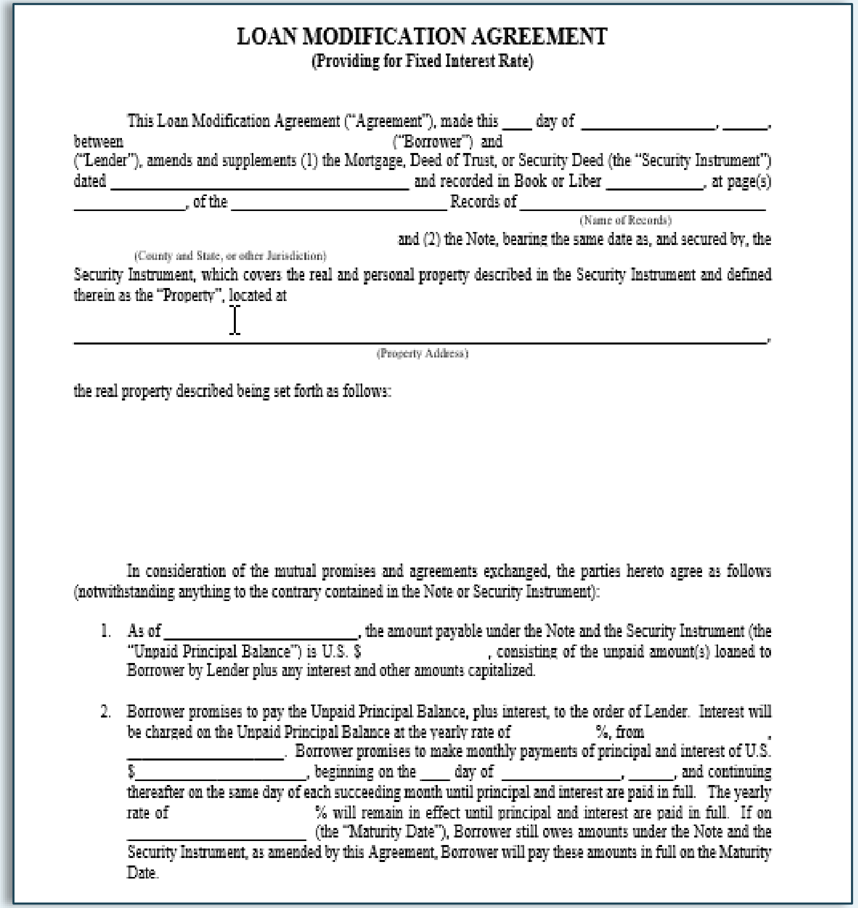
To accept the offer, you must:

- **Sign and return** both copies of the Loan Modification Agreement back to us in the enclosed, pre-paid envelope by **[INSERT DATE]**. If you do not send both signed copies of the Loan Modification Agreement by the above date, you must contact us if you still wish to be considered for a modification.
  - If the Loan Modification Agreement has notary provisions at the end, you must sign both copies before a notary public and return the notarized copies to us.
  - Please make a copy of all documents for your records.
- **Make all remaining trial period payments** on or before the dates they are due. If the trial period payments are made after their due dates or in amounts different from the trial period payment amount required, your mortgage may not be able to be modified.

Summary of Modified Mortgage

To better understand the proposed terms of your modified mortgage, the following is a summary of your modified mortgage and the Loan Modification Agreement.

UNPAID PRINCIPAL BALANCE. Any past due amounts as of the end of the trial period, including unpaid interest, real estate taxes, insurance premiums, and certain assessments paid on your behalf to a third party, will be added to your mortgage loan balance. In addition, your mortgage insurance premium may increase as a result of the higher mortgage loan balance. **If you fulfill the terms of the trial period including, but not limited to, making any remaining trial period payments, we will waive ALL late charges that have accrued and remain unpaid at the end of the trial period.**



LOAN MODIFICATION AGREEMENT
(Providing for Fixed Interest Rate)

This Loan Modification Agreement ("Agreement"), made this ____ day of ________________, _____, between ("Borrower") and ("Lender"), amends and supplements (1) the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") dated ______________________________ and recorded in Book or Liber ___________, at page(s) ____________, of the ______________________ Records of ____________________________
(Name of Records)
(County and State, or other Jurisdiction)
and (2) the Note, bearing the same date as, and secured by, the Security Instrument, which covers the real and personal property described in the Security Instrument and defined therein as the "Property", located at

____,
(Property Address)

the real property described being set forth as follows:

In consideration of the mutual promises and agreements exchanged, the parties hereto agree as follows (notwithstanding anything to the contrary contained in the Note or Security Instrument):

1. As of ____________________, the amount payable under the Note and the Security Instrument (the "Unpaid Principal Balance") is U.S. $, consisting of the unpaid amount(s) loaned to Borrower by Lender plus any interest and other amounts capitalized.

2. Borrower promises to pay the Unpaid Principal Balance, plus interest, to the order of Lender. Interest will be charged on the Unpaid Principal Balance at the yearly rate of %, from , __________________. Borrower promises to make monthly payments of principal and interest of U.S. $__________________, beginning on the ____ day of ______________, _____, and continuing thereafter on the same day of each succeeding month until principal and interest are paid in full. The yearly rate of % will remain in effect until principal and interest are paid in full. If on __________________ (the "Maturity Date"), Borrower still owes amounts under the Note and the Security Instrument, as amended by this Agreement, Borrower will pay these amounts in full on the Maturity Date.

Preparing the Loan Modification Agreement

- **Fannie Mae Form 3179** should be completed early enough in the Trial Period Plan to allow enough processing time so that the mortgage loan modification becomes effective on the first day of the month following the Trial Period plan.

- Servicers may at their discretion complete the Loan Modification Agreement to become effective on the first day of the *second* month after completion of the Trial Period Plan.
  - ✓ If this option is selected, the Servicer must treat all borrowers the same in applying it.

Executing the Loan Modification Agreement

The modified mortgage must retain first lien position and be fully enforceable

- The same borrower(s) signing the modification should match those on the original Note unless there was an eligible transfer that was exempt from the due-on-sale clause.
- Ensure that all real estate taxes and assessments that could become a first lien are current.
- If the loan modification is recorded, obtain a title endorsement or similar title insurance product.
- If the current loan is covered by mortgage insurance, obtain approval from the MI company (and/or SMI company if applicable).

Recording the Loan Modification Agreement

The Loan Modification Agreement must be recorded if:

- Recordation is necessary to ensure the mortgage retains first lien position and is enforceable.
- The Loan Modification Agreement includes assignment of leases and rents provisions.
- Servicers may charge the borrower for any recording or similar costs associated with the loan modification.
- Subordination agreements must be obtained from other lien holders when applicable.
- Please refer to **MPF Announcement 2022-12** for recording details related to loans on manufactured homes.

Delivering the Loan Modification Agreement

A fully executed original Loan Modification Agreement must be sent to the MPF Program Custodian within 25 days of receipt from the borrower.

- **If recording is required:**
  - ✓ Send a certified copy of the fully executed Loan Modification Agreement to the MPF Program Custodian within 25 days of receipt from the borrower.
  - ✓ Once received from the recorder's office, send the original Loan Modification Agreement to the MPF Program Custodian within 5 business days.

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Fees and Late Charges

- Servicers must not charge the borrower administrative fees.
- Servicers may charge the borrower for any recording or similar costs (i.e. title charges if applicable).
- The Servicer may assess late fee charges during the Trial Period Plan but must waive any charges, penalties or similar charges incurred when converted to the COVID-19 Loan Modification.
  - ✓ If the Trial Period Plan fails, no late fees are waived.

Reporting COVID-19 Loan Modifications

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Reporting COVID-19 Loan Modifications

Every month, Servicers must continue to report modified loans on the Delinquent Mortgage and Bankruptcy Status Report (Exhibit B)

- **Exhibit B** must be uploaded into eMAQCSplus by the 5th business day of each month.
- Use **Action Code 12**
- Use **Delinquency Status Code BF** during the Trial Period Plan and **28** after successful completion of the Trail Period Plan payment period.
- Use **Delinquency Reason Code 22**
- **Loss Mitigation Type:** Use **Temporary Modification**
  - ✓ Include the Loss Mitigation Approval Date and Loss Mitigation Estimated or Actual Completion date as applicable.

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Summary

- The COVID-19 Loan Modification Plan is intended for borrowers exiting a COVID-19 forbearance plan who are experiencing a long-term hardship and cannot afford a:
  - ✓ Reinstatement
  - ✓ Repayment Plan
  - ✓ Resumption of regular payments

- Borrowers must successfully complete a three-month Trial Period Plan before entering into the COVID-19 Permanent Loan Modification Plan.

- Servicers are responsible for determining eligibility and the terms of the plan.
  - ✓ Servicers have delegated authority. No prior approval from the MPF Provider is required.

- The COVID-19 Permanent Loan Modification is not binding until the borrower successfully completes the Trial Period Plan, signs two copies of Fannie Mae Form 3179 (COVID-19 Loan Modification Agreement), and the Agreement is signed and dated by the Servicer.

MPF Program Contacts

MPF Service Center

Phone - 877-345-2673

Email - MPF-Help@FHLBC.com

Hours - 8:30 AM to 4:30 PM CST

MPF Program Default Team

MPFDefaultServicing@fhlbc.com

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