mpf Mortgage Partnership Finance™

MPF® Traditional Product
Permanent Loan Modification Examples

January 2024

FHLBANKS
A NATION OF LOCAL LENDERS

About this Material

The following material is based upon recently announced information relative to the MPF® Traditional Product Servicing Guide. These materials should not be used in place of the MPF Traditional Product Servicing Guide and the associated MPF announcement. The official versions of all MPF Guides and recent announcements are available through www.fhlbmpf.com and AllRegs®.

Please note that PFIs and Servicers are expected to abide by any/all federal or state laws that may apply.

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Borrower's Current Scenario

Unpaid Principal Balance
$33,680.52

Current Property Value
$34,000

Interest Rate
4.00%

Principal and Interest Payment
$362.45

Total Contractual Payment (PITIAS)
$561.17

Last Payment Made
4/1/2023

Trial Payment Due Dates
10/1/2023
11/1/2023
12/1/2023

Proposed Effective Date (first payment due date for the permanent modification):
1/1/2024

Proposed dates to begin the trial payments and permanent modification

Step 1: Capitalize Arrearages

Accrued (delinquent) Interest
$874.64
(interest portion of 5/2023-12/2023 payments)

Escrow Advances
$1,021.20

Servicing Advances
$0

Prior COVID 19 Deferral Amount
$5,000.00

Less Borrower Suspense/Contribution
- $422.57

Total Capitalized Arrearages:
$6,473.27

Pre-Trial UPB
+
Capitalized Arrearages
=
$40,153.79

Pre-Trial UPB **+** Arrearages
÷
Current Property Value
118% MTMLTV

Steps 2 and 3: Set the Interest Rate and Extend the Term

- MTMLTV: **118%**
- Total Capitalized UPB: **$40,153.79**
- The MPF Traditional Modification Interest Rate at the time of evaluation: **6.75%**
- Borrower's contractual interest rate: **4.00%**
- Use the lower of the two interest rates: **4.00%**
- Extend the term to **480 months**

Modification Term: **480 months**

Modified Principal and Interest Payment: **$167.82**

+ Escrow Payment: **$198.72**

+ Escrow Shortage Payment: **$8.64**

= Trial Payment Amount: **$375.18**

To determine the post-trial plan modified UPB, we need to calculate how many contractual payments can be applied if the borrower makes these trial payments as expected.

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Step 4 Example: Principal Forbearance

Forbear Principal if the Post Modification MTMLTV ratio is greater than 100%, in the amount that is the lesser of:

An amount that would create a post-modification MTMLTV ratio of **100%**

Subtract the current value from the total post-trial plan total UPB: **$39,425.69 - $34,000 = $5,425.69**

OR

30% of the total post-trial plan

30% of $39,425.69 = $11,827.71

- **In this scenario, forbear $5,425.69 into a non-interest-bearing balloon payment due at maturity or pay-off (whichever is earlier).**
- **The interest-bearing UPB becomes $34,000** (MTMLTV =100%)
- **The P&I payment is recalculated based on the following:**
  - **UPB of $34,000 at 4.00% amortized over 480 months = P&I payment of $142.10**
  - **Taxes, insurance ($198.72), and escrow shortage ($8.64) = $207.36**
  - **Total post-trial plan modified payment = $349.46**
- ***NOTE:*** *The new P&I payment of $142.10 has achieved a **greater than 20% reduction** from the contractual P&I amount of $362.45. If the P&I payment was not reduced by 20%, we would continue to Step 5. Step 5 allows for an increased principal forbearance until a reduction of 20% is achieved.* ***The next scenario will outline how to calculate the additional forbearance.***

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Steps 5 and 6

Forbearance of Additional Principal

Note: A different borrower scenario is being used for these examples

Step 5: Borrower P&I Scenario

Existing Rate and P&I

3.000%

Existing P&I Payment

$921.22

Modified P&I

3.00% over 480 months

$788.64

(14% reduction)

Capitalized Arrearages Post-Trial Plan

Gross post-trial UPB: $200,000

BPO Value: $231,895

Accrued (delinquent) Interest: $12,000

Escrow Advances: $7,000 taxes, $900 insurance **= $7,900 total**

Third party fees $400

Total Capitalized arrearages: $20,300

Add the **post-trial UPB** to the **total capitalized arrearages = 220,300**

The **gross post-trial UPB** results in **a post-trail modification MTMLTV of 95%, which is below 100% but over 80%**

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Step 5: Achieve a 20% P&I Payment Reduction

The goal is to forbear principal to a point where the P&I is reduced by 20%

While doing this, make sure to not exceed the lesser of:

- The amount needed to create a MTMLTV ratio of 80% (**$34,784**) **or** ;
- 30% of the gross UPB (up to **$66,090**)

Determine the payment that will result in a 20% P&I reduction

80% of $921.22 = $736.98

Using a 3.00% interest rate over a 480-month term, reduce the principal balance until reaching the goal P&I amount

A loan amount of $205,870 will result in a P&I payment of $736.98
In this case, forbear $14,425 to bring the loan amount down to $205,870

The new P&I payment is now 20% less than the current P&I payment and does not:

- Result in a post-trial plan MTMLTV ratio less than 80% **or** a forbearance amount that is greater than 30% of the gross post-trial plan UPB.

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Step 5: 20% Reductions Aren't Always Possible

Your borrower has a relatively new loan and had made only 12 payments before entering into a forbearance plan one year ago

- The original loan amount was **$300,000** with an interest rate of **3.000%**
- Their monthly P&I payment is **$1,265**
- Current property value is **$400,000**
- Current UPB is **$293,737**
- Accrued interest and advances brings the gross UPB up 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, equal to an **11%** reduction in payment.

Step 6

Used when a loan is less then 90 days past due when the borrower submits their Workout Request Package

Step 6 Example (when applicable)

In those cases where a loan is less than 90 days delinquent when the borrow submits their complete Workout Request Package, you can continue to forbear principal until a 40% HTI ratio is achieved

Borrower's Current Status
UPB of **$200,000**
P&I = **$921.22**
PITI = **$1,500**
Gross monthly income **$3,000**

Arrearages:
Interest owed: **$12,000**
Advances for insurance: **$900**
Third party fees: **$400**
Total capitalized: $20,300

BPO came in at $205,000 which results in a MTMLTV over 100% (107%)

First achieve a 100% MTMLVT, forbear $15,300

- The new P&I based on a UPB of $205,000 calculated at 3.00% over a 480-month term is **$733.87**
- The new PITIA is **$1,312.65** resulting in a HTI ratio of **43.7%** **(too high, you can keep going)**
- Forbear an additional **$31,468** to lower the monthly P&I to **$621.22** per month (PITIA is **$1,200**)
- The new UPB is **$173,532** and the HTI ratio is now **40%**
- The MTMLTV is **84.65%***
- The total amount forborne is **$46,768 (27% of $173,532**)**

***The MTMLTV ratio cannot be less than 80%**
**** The amount forborne cannot be more than 30% of the post-trial plan UPB.**

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Applying the Trial Period Plan Payments

Note: This example uses the figures from the first borrower scenario

Calculating the Post-Trial Plan UPB

To determine the post-trial plan UPB, we need to determine how many contractual payments can be applied if the borrower makes the trial payments as expected

3 trial plan payments of $375.18 = **$1,125.54**

This satisfies **2** contractual payments of $561.17 with $3.20 remaining

Applying the 2 contractual payments advances the loan to a **post-trial UPB** of **$33,179.32**

The Last Paid Installment date is now 6/1/2023

Capitalized Arrearages Post-Trial Plan

Accrued (delinquent) Interest: $650.94 (interest portion of 7/2023-12/2023 payments)

Less Borrower Suspense/Contribution: -$425.77
($422.57 + $3.20 difference in trial pmts. made vs. contractual payments applied)

Escrow Advances: $710 Taxes, $311.20 Insurance $1,021.20 **total**

Servicing Advances: $0

Prior COVID 19 Deferral Amount $5,000.00

Total Capitalized arrearages: $6,246.37

Add the **post-trial UPB** to the **total capitalized arrearages =** $39,425.69

This is your **gross post-trial UPB** resulting in **a post-trial modification MTMLTV of** 116%

MPF Program Information

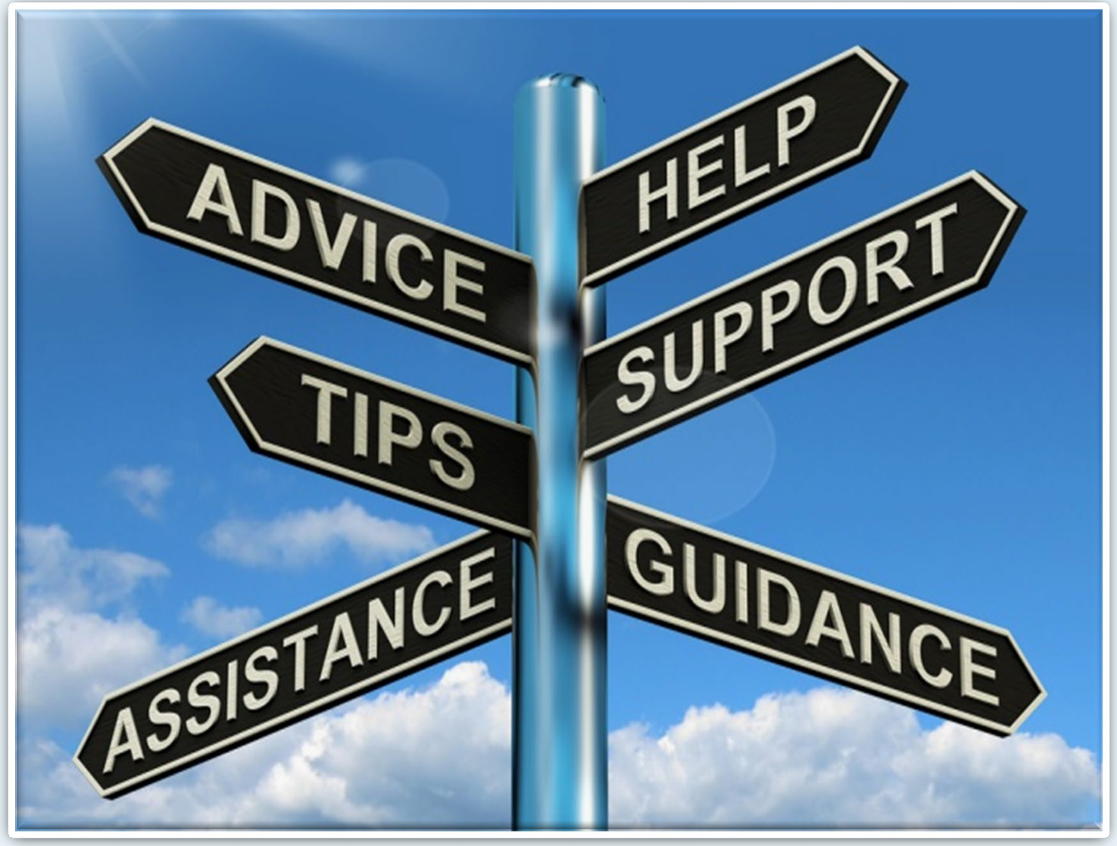
MPF Service Center

- Phone: 877-345-2673
- Email: MPF-Help@FHLBC.com
- Hours: 8:30 am to 4:30 pm CST

Assistance is also available via the MPF Program Customer Service Portal

MPF Program Default Team

mpfdefaultservicing@fhlbc.com



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