

### Instructions Page

#### Purpose

Near the end of a MPF® Traditional Permanent Loan Modification Trial Plan, the Servicer must use this Permanent Loan Modification Cover Letter, or an equivalent form, to communicate a borrower's eligibility for a permanent Loan Modification, which must be accompanied by a completed Form 3179.

#### Preparation

- **When:** Servicers are required to prepare this Permanent Loan Modification Cover Letter early enough in the Trial Period Plan to allow sufficient processing time so that the mortgage loan modification becomes effective on the first day of the month following the Trial Period Plan (modification effective date).
- **Who:** This form must be used to create a cover letter 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:** Servicer is responsible for creating the final cover letter and deliver it to Borrower in a manner compliant with applicable laws and MPF Program requirements.
- **Attachments:** 2 copies of the *Permanent Loan Modification Agreement* must be attached to the *Permanent Loan Modification Cover Letter* provided to Borrower.

#### Submission

- **When:** The Servicer should retain a copy of the completed form for their own records, and submit the completed form to the MPF Provider when required to do so by MPF Traditional Servicing Guide Chapter 9.
- **How:** The Servicer must submit the completed form and any supporting documentation as part of the SG354 submission through eMAQCS®plus at <https://eMAQCS.covius.com>.
- **To Whom:** The completed form must be submitted by Servicer to the MPF Provider.

**NOTE:** Any permanent loan modification extending the maturity date by more than 20 years from original maturity date, requires MPF Bank approval prior to offering to Borrower.

#### Additional Guidance

Please email the MPF Provider at [MPFdefaultservicing@fhlbc.com](mailto:MPFdefaultservicing@fhlbc.com) for any questions or assistance needed in completing or submitting the form.

#### Helpful Hints

- Any permanent loan modification extending the maturity date by more than 20 years from original maturity date, requires MPF Bank approval prior to offering to Borrower.
- The Servicer must use their own letterhead or blank letterhead for the Loan Modification Cover Letter. For borrowers with non-reaffirmed bankruptcy, Servicers must work with their counsel to ensure that all communications with the borrower and any loan modification offered to the borrower meet all applicable laws, including making changes to any template.

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# Loan Modification Cover Letter

## FORM LOAN MODIFICATION COVER LETTER

[DATE]

[Servicer Logo]

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.

# Loan Modification Cover Letter

## 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.**

**[INTEREST RATE.]** [If interest rate is changing: The interest rate on your modified loan will be adjusted as noted in the attached Loan Modification Agreement in **Section \_\_\_\_.**] [If interest rate is not changing: The interest rate on your modified loan will not be adjusted. As a result, the existing interest rate on your mortgage loan will be applied to your modified loan as noted in the attached Loan Modification Agreement.]

**TERM EXTENSION.** To reduce your mortgage payment, we may extend the term of your mortgage. If so, this means we will spread your payments over a longer period.

**[DEFERRAL OF PRINCIPAL.]** To further reduce your mortgage payment, we will defer collection of and not collect interest on **\$\_\_\_\_\_** of your outstanding principal. You will not be required to make monthly payments on that portion. This portion of principal will be due when you pay off the modified loan, which will be when you sell or transfer an interest in your house, refinance the loan, or when the last scheduled payment is due.]

**[ESCROW ACCOUNT.]** The terms of your Loan Modification Agreement require that you pay into an escrow account an amount sufficient to cover your property taxes, insurance premiums and other required fees. Any prior waiver of escrows by your lender is no longer in effect.

**[Servicer]** will draw on this account to pay your real estate taxes and insurance premiums as they come due. Please note that your escrow payment amount will adjust if your taxes, insurance premiums and/or assessment amounts change, so the amount of your monthly payment that **[Servicer]** must place in escrow will also adjust as permitted by law. This means that your monthly payment may change. Your initial monthly escrow payment will be **\$\_\_\_\_\_**. This amount is not included in the loan payment noted in **Section \_\_\_\_** of the enclosed Loan Modification Agreement; you must remit this amount separately.]

**[ESCROW SHORTAGE.]** Due to the timing of your tax and insurance payments, we have determined that there is a shortage of funds in your escrow account in the amount of **\$\_\_\_\_\_**. You may pay this amount over a **\_\_\_\_\_-year (\_\_\_\_ months)** period. This monthly payment has not been included in the monthly escrow payment stated above. **If you wish to pay the total shortage now in a lump sum, please contact us. Paying this amount now in a lump sum will reduce your new monthly mortgage payment.** [Servicer may include alternative provisions to deal with an escrow shortage in accordance with applicable law.]

# Loan Modification Cover Letter

**PAYMENT TERMS.** The enclosed Loan Modification Agreement includes your monthly principal and interest payment amount in **Section \_\_\_** showing your payment for the life of your modified loan after the trial period.

**FEES.** There are no fees or other charges for this modification.

**LOAN MODIFICATION AGREEMENT.** Please read the enclosed Loan Modification Agreement carefully and make sure that you understand it.

## **QUESTIONS?**

**CONTACT US [SERVICER'S NAME]**

**Phone: [8XX-XXX-XXXX]**

**Email Address: [SERVICER'S EMAIL]**

**Website: [SERVICER'S WEBSITE]**

We are here to help you with your mortgage.

*Attachments: Two copies of the Loan Modification Agreement*