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CHAPTER 1. GENERAL PROVISIONS

1.1 MPF Government MBS Overview

Under the MPF® Government MBS product, the Federal Home Loan Bank of Chicago ("MPF Provider") purchases eligible government insured and guaranteed mortgage loans from PFIs and holds the loans on its balance sheet for a period of time before issuing securities guaranteed by Ginnie Mae (GNMA), backed by a pool of MPF Government MBS mortgages. GNMA looks to the MPF Provider as the Issuer, to ensure all GNMA standards are met, including those pertaining to loan pooling eligibility, servicing and MBS bond administration, handling of funds, and reporting on loan performance. As a result, the MPF Provider requires PFIs and Servicers to ensure all applicable GNMA standards are met, as is more fully provided for in the applicable MPF Guides and Applicable Agreements.

1.2 Applicability of MPF Government MBS Guides

The MPF Government MBS Servicing Guide ("Servicing Guide"), the MPF Program Guide, the MPF Government MBS Selling Guide, product-specific manuals, forms, and exhibits, (together referred to herein as the "Guides"), and the Applicable Agreements apply to all PFIs and Servicers originating, or delivering, or servicing MPF Government MBS Mortgage Loans. This Servicing Guide outlines the requirements and/or processes Servicers must follow to service MPF Government MBS Mortgage Loans under the MPF Program.

Servicers must abide by the procedures, terms, and conditions set forth in this Servicing Guide, as it may be amended from time to time. In the event of a conflict between the Servicing Guide and applicable Government Agency requirements or Ginnie Mae MBS Guide requirements, the most restrictive requirement will apply.

For any topics not addressed in the Guides, including the MPF Program Guide, the MPF Government MBS Selling Guide, and the MPF Government MBS Servicing Guide, Servicers must follow the requirements of the applicable Government Agency Guides and the Ginnie Mae MBS Guides.

PFIs and Servicers are required to have policies and procedures that ensure they are aware of and timely implement any and all updates made by the MPF Program, applicable Government Agencies and GNMA to any applicable guides, guidance or agreements.

Failure of a Servicer to perform its obligations under either the Applicable Agreements or the Guides constitutes an Event of Default entitling the MPF Provider or MPF Bank to exercise all available remedies as provided in the Guides and Applicable Agreements, including but not limited to termination of its Servicing Rights.

1.3 The MPF Provider

This section addresses the role of the MPF Provider. Servicers are required to ensure they provide certain notices to MPF Provider and obtain MPF Provider's approval, when required, by submitting requests to the MPF Provider in the manner provided for in the Guides. When submitting requests to the MPF Provider, Servicers should assume the

MPF Provider needs a minimum of 5 business days to respond unless otherwise noted in the Guides. Servicers must ensure all required or relevant forms, information and documentation is submitted with requests to avoid delays.

1.3.1 Notifying the MPF Provider (12/20/24)[1]

Servicers are required to maintain accurate records and provide the MPF Provider certain notices, in the manner provided for in the Guides. Some notices are required to be made immediately, including but not limited to discovering any of the following:

- Deterioration of waste, or lack of repair to, any Mortgaged Property, including the presence of hazardous materials or conditions;
- Sale or transfer of any Mortgaged Property that was not in compliance with the Guides;
- Material litigation involving any Mortgaged Property;
- Vacancy or abandonment of any Mortgaged Property;
- Occupancy of the Mortgaged Property by a tenant, if the related Mortgage Loan documents indicate such property is to be owner-occupied;
- A material default under the terms of any Security Instrument, Note, condominium project or PUD constituent document or similar obligations of the Borrower (except in the case of a monetary default of the Borrower already addressed under the requirements for Delinquency management set forth in the Guides); or
- Any other situation that may materially and adversely affect any Mortgage Loan or Mortgaged Property.

Unless otherwise provided for in an MPF Guide, whenever PFIs/Servicers have any questions or concerns, or are directed in an MPF Guide to contact the MPF Provider, to notify MPF Provider, to submit something to MPF Provider, this should be done by contacting the MPF Service Center through the MPF Customer Service Portal or contacting MPF Service Center (MPF-Help@fhlbc.com or 877.345.2673). Contact information for the MPF Banks, MPF Provider, Master Servicer, MPF Program Custodian, and MPF Government MBS Custodian, can be found in the MPF Directory (Exhibit T).

1.4 The Master Servicer

This section addresses the role of the Master Servicer.

1.4.1 MPF Program Master Servicer (12/20/24)[2]

The terms and conditions of this Servicing Guide will be administered by the MPF Provider, or the Master Servicer acting on behalf of the MPF Provider. The Master Servicer is authorized to require the Servicer to perform its obligations hereunder and under the Applicable Agreement. Computershare Limited will serve as the Master Servicer. The MPF Provider may, at any time, without the Servicer's consent, direct in

[1] MPF Announcement 2024-78 (12/20/24)
[2] MPF Announcement 2024-78 (12/20/24)

writing that all or part of the functions of the Master Servicer be performed by another entity designated for such functions and time periods as the MPF Provider deems appropriate. The Servicer must comply with the instructions of such entity as if it were the Master Servicer.

Correspondence relating to the servicing and administration of the Mortgage Loans should be directed to the Master Servicer (See Exhibit T).

1.4.2 Master Servicer Prior Approvals

The Master Servicer may waive some requirements for prior approval in this Servicing Guide so long as the Servicer:

- Maintains Delinquency rates for Mortgage Loans at or below industry standards for mortgages of similar types in similar locations;
- Achieves Foreclosure time intervals at or below industry standards for the states in which the Mortgaged Properties are located; and
- Maintains Foreclosure losses at or below industry standards for mortgages of similar types in similar locations.

This waiver must be in writing and may be withdrawn at any time at the sole discretion of the MPF Provider or the Master Servicer.

1.5 Servicer’s Relationship with the MPF Program

This section describes the relationship between the Servicer and the MPF Program.

1.5.1 Servicer as Independent Contractor

The Servicer is an independent contractor of the MPF Provider for the purpose of collecting Mortgage Loan payments, processing and collecting insurance claims, foreclosing, and otherwise enforcing the terms of the Mortgage Loan documents after default.

The Servicer shall act on behalf of the MPF Provider for the purpose of disposing of real estate owned (“REO”) properties.

All services, duties and responsibilities of the Servicer under the Applicable Agreement and the Guides shall be performed and carried out by the Servicer as an independent contractor, and none of the provisions in the Guides (except where expressly provided) shall be deemed to make, authorize or appoint the Servicer as agent, partner, or representative of the MPF Provider or Master Servicer or any of their affiliates. Nothing in the Guides or in the Applicable Agreements shall be deemed or construed to create a partnership or joint venture between the parties hereto.

The Servicer’s authority as an independent contractor is strictly limited to those acts necessary to carry out its Servicing Responsibilities in accordance with the Guides and the Applicable Agreements. Except where express permission was received from the Master Servicer or MPF Provider in writing, the Servicer is not authorized to waive any right or remedy of the Mortgage Loan documents.

1.5.2 Servicer Performance

Upon breach of any requirement, including, without limitation, the occurrence of any Event of Default, or of any of the Servicer's representations, warranties or covenants contained in the Guides or in the Applicable Agreements, the Servicer must:

- Promptly notify the MPF Provider in writing of the nature of the breach, the date on which the breach occurred or began, and the Servicer's plans, if any, for curing the breach; and
- Effect a cure of the breach, if deemed curable by the MPF Provider, within thirty (30) days after the occurrence or onset of the breach.

If the breach is not deemed curable or if no complete cure has been effected, the MPF Provider may, in its sole discretion, require the Servicer to purchase or repurchase any Mortgage Loan which has been impaired or has suffered a material impairment of value.

1.5.3 Servicer Authority – Legal Representation

The Servicer has the full authority to do or cause to be done all things as may be necessary and appropriate to perform the Servicing responsibilities in its own name and right as if the Mortgage Loans were owned by it for its own account. In employing attorneys, filing claims in bankruptcy, probate, and other courts, or when appearance in any court is to be made, any such employment, filing, or appearance shall be done in the Servicer's name unless the Applicable Law, the Guides, Master Servicer, MPF Bank or MPF Provider authorize or direct the Servicer to take such action in the MPF Provider's or MPF Bank's name.

1.6 Repurchases (10/18/24) [3]

PFIs and Servicers are responsible for ensuring all loans they deliver to, or service for, the MPF Program are compliant with all MPF Guide requirements, including applicable Government Agency and Ginnie Mae MBS guide requirements, and with all Applicable Laws, which include without limitation, predatory lending laws.

When a PFI or Servicer fails to comply with the requirements of the PFI Agreement, Guides, Applicable Law or terms of Mortgage Loan documents, the PFI or Servicer may be required to repurchase Mortgage Loans which are impacted by such failure, in addition to covering any related costs or losses incurred by the MPF Provider as a result of holding the Mortgage Loans.

PFI and Servicers do not have a unilateral right to purchase or repurchase Mortgage Loans. The Guides provides specific instances where a PFI or Service may purchase or repurchase an MPF loan.

For Mortgage Loans that are being purchased or repurchased due to delinquency, Servicers should refer to Chapter 8 for additional information regarding the repurchase of delinquent loans.

Any other purchase or repurchase by a PFI or Servicer must be pre-approved by the MPF Provider, and no steps to initiate a purchase or repurchase should be taken without the

[3] MPF Announcement 2024-65 (10/18/24)

written approval or consent of the MPF Provider. The PFI/Servicer must submit requests for purchase or repurchase to the MPF Provider by contacting the Service Center. The MPF Provider reserves the right to refuse purchase or repurchase requests that are not specifically permitted in the Guides or Ginnie Mae MBS Guides.

Until the Mortgage Loan is purchased or repurchased, the PFI or Servicer remains obligated to make timely full monthly payments of principal and interest to the MPF Provider.

See additional purchase and repurchase requirements in MPF Program Guide Section 3.5 Purchase or Repurchase Requirements.

1.7 Indemnification

The Servicer shall indemnify and hold harmless: (a) the MPF Bank; (b) the MPF Provider; (c) the Master Servicer; (d) Ginnie Mae; and (e) the officers, directors, employees, agents and affiliates of the MPF Bank, MPF Provider, Master Servicer and Ginnie Mae from and against any and all claims, losses, damages, judgments, penalties and any other costs, fees, and expenses (including reasonable attorneys' fees and court costs) arising out of, based upon, or relating to: (i) a breach by the Servicer, its officers, directors, employees or agents of any representation, warranty or covenant contained in the Applicable Agreement and the Guides, or any failure to disclose any matter that makes any representation or warranty misleading or inaccurate, or any inaccuracy in material information furnished by the Servicer; (ii) a breach of any representation, warranty or covenant, failure to disclose, or inaccuracy in information furnished by the Servicer regarding itself; or (iii) a violation of Applicable Law or MPF Program requirements.

In addition, the Servicer shall provide legal representation on behalf of the indemnified parties in connection with any legal proceeding involving a Mortgage Loan. Neither an indemnified party nor the holder of a related security shall be liable for any attorneys' fees, court costs or other expenses incurred in connection with such litigation, except to the extent that the attorneys' fees, court costs or other expenses result from the negligence or wrongful misconduct of the party entitled to indemnification. Any judgment against the MPF Bank, MPF Provider, Master Servicer, Ginnie Mae or their officers, directors, employees, agents and affiliates shall be satisfied by the Servicer, as a recoverable advance, except to the extent that the judgment results from the negligence or wrongful misconduct of the party entitled to indemnification.

1.8 Servicing Standards (7/17/24)[4]

This section describes the general servicing standards the Servicer must follow when Servicing Mortgage Loans.

The Servicer is required to service Mortgage Loans in accordance with the requirements of this Guide, which includes payment of escrow items, safeguarding the Mortgaged Property, and adhering to reporting and remitting requirements through Liquidation or disposition of the Mortgaged Property. The Servicer is responsible for servicing each

[4] MPF Announcement 2024-50 (07/17/24)

Mortgage Loan until it receives express notice from the MPF Provider relieving the Servicer of its responsibilities in writing.

The Servicer must provide any records, information, data, or documents as requested by the MPF Bank, MPF Provider, Master Servicer, Ginnie Mae, or a designee of one of them, in a timely manner, within the time frame provided for in the Guides or in the request itself, as applicable. Such requests include quarterly quality control servicing review requests, the Servicer is required to address and resolve any deficiencies identified through any such request within the timeframe provided for by the requestor or their designee.

1.8.1 Applicable Standards

Notwithstanding the presence or absence of language in certain sections of the Servicing Guide or the Applicable Agreement that expressly requires compliance with Applicable Standards, the Servicer must service the Mortgage Loans and fulfill all other obligations under this Servicing Guide and the Applicable Agreement in strict conformance with the Applicable Standards, which are any requirements contained in:

- The Guides;
- The Applicable Agreements;
- Any requirements of any applicable Government Agency;
- Any applicable Ginnie Mae MBS Guide servicing obligations and requirements;
- Any other contractual obligation of the Servicer;
- The reasonable and customary practices of prudent mortgage lending institutions that service mortgage loans of the same type as the Mortgage Loans in the jurisdiction in which the relevant Mortgaged Properties are located;
- The terms of the Mortgage Loan documents; and
- All Applicable Laws (See also MPF Program Guide Chapter 7).

1.8.2 Servicing Files

The Servicer must maintain an individual Mortgage Loan File for each Mortgage Loan by either storage of:

- the physical documents; or
- images of the documents on:
    - optical disks;
    - microfilm;
    - micro-fiche; or
    - other electronic storage medium.

The storage medium must be marked in a way that clearly identifies the MPF loan numbers contained therein.

Any electronic storage of the documents must be in accordance with the Applicable Standards and must meet the following requirements:

- The process must accurately reproduce originals onto a durable medium;
- The MPF loan number and the Servicer loan number must be clearly marked;
- The contents of the media must be easily transferable to legible hard copies;
- The Servicer must retain the original recorded Mortgage, the original of any Assignments; the original Conventional mortgage insurance certificate, the Government Loan insurance certificate or guaranty certificate; and originals of any documents that change the mortgage terms, unless such documents are held by the MPF Government MBS Custodian; and
- The Servicer must make backup copies of the electronic files and retain the backup copies off-site to protect against fire and other hazard losses.

If the copies, optical storage or magnetic media become damaged or lost for any reason, the Servicer must bear the entire cost of restoring each Mortgage Loan File and any other related documents.

Mortgage Loan Files must be made available for review by the MPF Bank, the MPF Provider, the Master Servicer, Ginnie Mae or Government Agency, their representatives, agents, or examiners. If the requestor requires legible hard copies, the Servicer bears the cost for reproducing and delivering the hard copies.

Each Mortgage Loan File, at a minimum, must contain the following information/documents:

- Borrower correspondence letters and responses;
- Loan transaction/payment histories;
- Consolidated conversation notes and telephone contact attempts;
- Any assumption, modification, or other documents;
- Legal notices;
- Documentation of any modifications to the Mortgage Loan or releases of any collateral for the Mortgage Loan;
- A copy of the tax service contract;
- Routine form letters, all customer service/collection/bankruptcy/foreclosure/claims information, and full loan accounting history;
- Any documents required to be maintained in the Mortgage Loan File in accordance with the MPF Government MBS Selling Guide; including any data elements that were provided on the Supplemental Consumer Information Form (SCIF Form 1103) at origination maintained in a queryable format for each mortgage loan* ;
- Any approval required to have been obtained from the MPF Provider or applicable Government Agency, pursuant to the Guides, as to any of the items listed above; and

- All other documents customarily maintained in a Mortgage Loan File in accordance with Applicable Standards, including any applicable Investor or Government Agency requirements.

*Note: In the event of a future transfer of ownership or assumption of the mortgage loan, the Servicer is authorized, but not required, to update these data elements.

1.8.3 Mortgage Records

The Servicer must maintain records to show the payment history for each Mortgage Loan, including the date of each transaction, funds credited to the account, and disbursements made from the account.

1.8.4 Record Retention (10/1/25)[5]

For more convenient storage, the Servicer may scan (or otherwise condense, including the use of computer imaging) most of the papers required to document and service the Mortgage Loan.

Servicers must ensure any documents processed, stored, or transmitted electronically, comply with the requirements of the applicable Government Agency Guides and the Ginnie Mae MBS Guides, in addition to any requirements in the MPF Guides that do not conflict with Ginnie Mae or Government Agency requirements.

However, the Servicer shall retain a copy of the original recorded Security Instrument, the original of any Assignments (except for any original Assignment that the MPF Government MBS Custodian may be holding), the original PMI certificate or applicable Government Agency mortgage insurance certificate or loan guaranty, and originals of any documents that modify the loan terms (unless required that they be sent to the MPF Provider). When the Servicer uses any form of reduced (condensed) documents, it shall be able to promptly reproduce legible, exact duplications of the original documents if they are needed for any reason.

The Servicer is responsible for promptly delivering to the MPF Government MBS Custodian any documents that come into its possession which are required to be maintained in the Collateral File.

After a Security Instrument is re-conveyed or assigned, or a Mortgaged Property disposed of, the Servicer must keep the individual Mortgage Loan File for at least seven (7) years (from the date of payoff or the date of disposition).

1.8.5 Release of Documents

The Note and the Assignment must remain in the MPF Government MBS Custodian's possession, except as needed by the Servicer from time to time as appropriate for Servicing of a Mortgage Loan. When items from the Collateral File are needed, the Servicer must submit a Request for Release of Documents for Government MBS (Form SG340M) to the MPF Government MBS Custodian.

[5] MPF Announcement 2025-78 (10/1/25)

The MPF Government MBS Custodian will release the requested Collateral File upon receipt of a properly executed Request for Release of Documents form. The Servicer will be responsible for the Collateral File while it is in the Servicer's possession and will be deemed to hold such Collateral File in trust for the MPF Provider. The Servicer must safeguard the Collateral File until it is returned to the MPF Government MBS Custodian, which includes protecting it from external elements (such as fire), identifying it as an MPF Provider asset, and keeping it separate from other unrelated documents.

If the Mortgage Loan has not been paid in full or otherwise liquidated, the Servicer shall promptly return the Collateral File when it is no longer required by the Servicer.

The MPF Provider will notify Servicers on a monthly basis regarding Collateral Files that have been released for non-liquidation purposes for more than ninety (90) days.

Within one business day of receipt of notification from the MPF Provider, the Servicer must respond to the MPF Provider with the reason the Collateral File has not been returned to the document Custodian.

The Servicer's response must indicate one of the following:

- The Mortgage Loan has been paid in full, repurchased, or liquidated as a result of Foreclosure, short sale, or Mortgage Release. The Servicer must provide an updated Form SG340 with reason "1", "2", or "4" selected.
- The Servicer no longer needs the documents, and the Servicer will return the documents to the Custodian; or
- The Servicer still needs the released documents, and the reason for the continuing need of the documents.

1.8.6 Release of Lien (4/15/25)[6]

At payoff, liquidation or as otherwise necessary, the Servicer is responsible for releasing the lien of the Security Instrument, including executing the appropriate satisfaction, release, or reconveyance on behalf of the MPF Provider, and for complying with all Applicable Laws requiring timely release or reconveyance.

The Servicer must complete the appropriate Request for Release of Documents for Government MBS (Form SG340M) and submit it to the MPF Government MBS Custodian no later than the second business day of the month following payoff/liquidation (i.e. Request for Release of Documents for all January payoffs must be submitted by the 2nd business day of February). A separate SG340-M form must be submitted for each MPF Government MBS loan for which Servicer is requesting release of the Notes. Any Servicer failing to submit timely requests will be subject to a $10 monthly late fee. Such fee will be imposed every month a required release remains unsubmitted to the Custodian.

Any specific instructions pertaining to endorsement and/or disposition of the original Mortgage Loan documents must accompany the Request for Release of Documents form.

[6] MPF Announcement 2025-31 (4/15/25)

The MPF Government MBS Custodian shall return the original Note by UPS or FedEx (using account number provided by the PFI at onboarding) once the Mortgage Loan is paid in full or otherwise liquidated. The Servicer is responsible for complying with Applicable Law with respect to the Note being altered to indicate the Mortgage Loan has been paid in full.

The Mortgage Loan must also be deactivated on MERS if the Mortgage Loan is registered with MERS.

1.8.7 Disclosure of Servicer Information

The Servicer must furnish to the MPF Provider or Ginnie Mae upon request, and to keep up to date, a description of the Servicer and its activities, suitable, in the MPF Provider's or Ginnie Mae's discretion, for disclosure purposes related to securitization. The Servicer consents to the inclusion of such description in any prospectus, private placement memorandum, or offering circular. The Servicer recognizes that the MPF Provider and Ginnie Mae will rely upon the truthfulness and accuracy of such description, including when using Mortgage Loans as collateral for mortgage-backed securities or similar transactions.

1.8.8 Lien priority

The Servicer must take all such actions as are reasonably necessary to preserve the lien and its priority upon the Mortgaged Property securing each Mortgage Loan at all times.

1.8.9 Delinquency Ratio Exceeding MPF Program's Standard

The Servicer shall maintain monthly total portfolio Delinquency ratios at or below the maximum allowable total delinquent ratio as determined by its MPF Bank or MPF Provider.

A Servicer may be disqualified or suspended if the Servicer's 30-, 60-, or 90-day Delinquency rate or REO property rate for Mortgage Loans is more than 50% higher than the average 30-, 60-, or 90-day Delinquency rate or REO property rate for all Mortgage Loans owned by MPF Banks or delivered under the MPF Program nationally or for loans which are secured by Mortgaged Properties located in the same geographic area (which may include Standard Metropolitan Statistical Area, county, or state) as the loans being serviced by the Servicer and with similar mortgage and borrower characteristics (for example, origination year, loan to value ratio, documentation type, etc.)

1.8.10 Customer Contact

Servicers must promptly respond to all inquiries received from Borrowers about the terms of their Mortgage Loans, the status of their accounts, loss mitigation, or any actions the Servicer took (or did not take) in servicing their Mortgage Loans.

The Servicer's staff must be able to communicate with Borrowers in a manner reasonably expected to be understandable to the Borrower.

The Servicer shall not refer Borrowers to the MPF Bank, the MPF Provider or the Master Servicer for resolution of issues that are the Servicer's responsibility.

If Servicer requires information from Master Servicer, MPF Provider, or MPF Bank to respond to such Borrower inquiry, Servicer must allow at least 5 Business Days for the request to be processed, and to avoid delays, should ensure the request include at minimum the following information:

- MPF loan number;
- Borrower name(s);
- Who inquiry was received from and relationship to Borrower (Note that any request received related to inquiry from alleged successors in interests will be assumed to have been confirmed as a Successor in Interest by Servicer pursuant to its policies and procedures);
- Deadline for response to inquiry, and whether the deadline is regulatory;
- Copy of the original inquiry (if received in writing); and
- Any other relevant loan or borrower information that may be needed to provide response to Servicer's request.

1.8.11 Rescission Notices

The Servicer must immediately notify the MPF Provider when a rescission notice is received from or on behalf of a Borrower.

To avoid delays, the notification to the MPF Provider must include at minimum the following information:

- MPF loan number;
- Borrower name(s);
- Loan product, and any applicable Government Agency insuring or guaranteeing the Mortgage Loan;
- Who inquiry was received from and relationship to Borrower (Note that any request received related to inquiry from alleged successors in interests will be assumed to have been confirmed as a Successor in Interest by Servicer pursuant to its policies and procedures);
- Date and method notice of rescission was received by Servicer;
- Copy of the Notice of Rescission;
- Copy of any other communication received from Borrower or Borrower's representative related to the rescission;
- Status of loan (If loan is in foreclosure or bankruptcy: name and contact information of attorney representing Servicer and attorney representing Borrower); and
- Any other relevant loan or borrower information that may be needed to address the rescission demand.

1.8.12 Other Loan Inquiries

Servicers must promptly respond appropriately pursuant to Applicable Laws to all inquiries received regarding Mortgage Loans they service, including inquiries from non-authorized individuals, regulators, government representatives etc.

The Servicer shall not refer such individuals to the Master Servicer, MPF Bank, or MPF Provider for resolution of issues that are the Servicer's responsibility.

If Servicer requires information from the Master Servicer, MPF Bank, or MPF Provider to respond to such inquiry, Servicer must allow at least 5 Business Days for the request to be processed, and, to avoid delays, should ensure the request include at minimum the following information:

- MPF loan number;
- Borrower name(s);
- Who inquiry was received from and relationship to Borrower (Note that any request received related to inquiry from alleged successors in interests will be assumed to have been confirmed as a Successor in Interest by Servicer pursuant to its policies and procedures);
- Deadline for response to inquiry, and whether the deadline is regulatory;
- Copy of the original inquiry (if received in writing); and
- Any other relevant loan or borrower information that may be needed to provide response to Servicer's request.

1.8.13 Occupancy Status

The Servicer shall maintain accurate records of the occupancy status of Mortgaged Properties, including any changes in occupancy they have been made aware of. In addition, Servicers must immediately advise the MPF Provider via email, upon discovering that the Mortgaged Property is no longer owner-occupied, including when it is vacant or abandoned, or that it is occupied by a tenant, if the related Mortgage Loan documents require such property be owner-occupied. Included in the communication advising the MPF Provider of such status change, the Servicer must provide recommendations as to any actions that are to be taken as a result of the change in occupancy status.

1.8.14 MERS Registered Mortgage Loans

If the Servicer uses MERS or if the use of MERS is required under a particular servicing option, in addition to complying with the requirements of the MERS Membership Agreement, Servicers of MERS registered Mortgage Loans must check for electronic messages from MERS. If an unidentified notice related to a Mortgage Loan is received, the Servicer must take any appropriate and timely action based on the notice, and advise MERS that it is the Servicer of the Mortgage Loan.

1.8.15 Execution by MPF Provider

If the MPF Provider's signature is required on any document (e.g. for payment in full, Assumption, or Foreclosure), the Servicer must provide a written notice to the MPF Provider requesting the MPF Provider's execution and certifying the reason that the execution is required. Upon receipt of the executed documents, the Servicer must promptly record, file, or deliver the documents as applicable. Servicer must allow at least 5

Business Days for the request to be processed, and, to avoid delays, should ensure the request include at minimum the following information:

- MPF loan number;
- Borrower name(s);
- Explanation as to why request is being made, including any deadlines related to legal processes; and
- Any other supporting documentation or relevant loan or borrower information that may be needed to respond to Servicer's request.

1.8.16 Late Charges

The Servicer must collect late charges pursuant to the terms of the Note and in accordance with the Applicable Standards. However, the Servicer cannot collect a late charge that is more than five percent (5%) of the late Principal and Interest Payment and/or collect a late charge on a monthly payment received on or prior to the 15th calendar day of the month.

The Servicer should use discretion when considering a request for waiver of late charges, taking into consideration delinquency history, etc.

The Servicer must accept a late full monthly payment without the late charge included, unless Applicable Law states otherwise or acceptance of the payment would pose a risk to the Servicer during legal proceedings.

1.8.17 Property Address Change

When the Servicer has determined that the property address has changed, the Servicer must email the MPF Provider at MPF-Help@fhlbc.com with the following information:

- MPF loan number;
- Borrower name;
- Old property address;
- New property address; and
- Documentation reflecting the property address change.

1.8.18 Electronic Signatures

PFIs may use electronic signatures to execute servicing documents provided the document is permitted to be electronically signed by applicable laws and the MPF Program, including the requirements provided in MPF Program Guide Section "7.4 Electronic Signatures in Global and National Commerce Act (E-SIGN)".

In addition to the above requirements, PFIs must ensure that recording offices (if document is meant to be recorded), and all guarantor, insurer, Investor, or Government Agency (as applicable) permit electronic signatures and their requirements for the use of such electronic signatures are met.

1.8.19 Notarization Standards

Certain loan documents and instruments may require notarization under applicable laws to allow for either recognition, enforcement, or recordation of the loan document or instrument. PFIs must ensure the notarization complies with applicable laws, MPF Program requirements, recording offices (if document is meant to be recorded) requirements, and all guarantor, insurer, Investor, or Government Agency (as applicable) requirements.

For the MPF Program requirements refer to MPF Program Guide section – "7.4.2 Notarization Standards".

1.9 Military Indulgence

This section addresses compliance with the Servicemember's Civil Relief Act.

1.9.1 Servicemember's Civil Relief Act

The Servicemember's Civil Relief Act of 2003 ("SCRA") was enacted to support members of the military and certain other service personnel and their families during active duty. The SCRA applies to a Borrower who was a civilian when he or she became obligated under the Mortgage Loan documents and who is subsequently placed on active military status either voluntarily or involuntarily, and provides that the Borrower may have the loan interest rate reduced to six percent (6%) during the term of military service and for twelve (12) months thereafter, in the case of a mortgage, trust deed, or similar Security Instrument. A Servicer must attempt to ascertain the military status of the Borrower before initiating Foreclosure proceedings and must comply with specific state and local laws that address the effect of the SCRA upon the Foreclosure process, or that impose additional restrictions or limitations on foreclosing upon servicemembers. The Servicer is required to stay any Foreclosure proceedings started prior to his or her entry into active duty. The Servicer must also postpone the initiation of Foreclosure proceedings against an eligible servicemember while he or she is in active duty. The Servicer must also provide an extended stay of the Foreclosure and other legal proceedings for twelve (12) months from the end date of the servicemember's active duty. The reduced interest rate provisions of the SCRA apply unless a court finds that the servicemember's active service does not materially affect the servicemember's ability to pay interest on the debt at the higher contract rate. The Servicer is responsible for complying with the SCRA.

The request for SCRA relief and providing relief cannot be conditioned upon the servicemember's completion of a particular form, nor can a Servicer require that the written notice make an explicit request for benefits. Servicers should accept copies of the servicemembers' military order as written notice of eligibility, as well as the servicemember's written request for military deferment or forbearance as written notice. Servicemembers should be able to submit their requests by email, facsimile, mail, or overnight delivery. Servicemembers are eligible for protections if they provide the Servicer notice of their active military status 180 days or less after the date of the servicemember's termination or release from active military service. Upon receipt of the notice, the Servicer is required to retroactively reduce the interest rate on the servicemember's debt to the date on which the servicemember received his or her orders. This rate reduction can be granted to any eligible servicemember whose Mortgage Loan is secured by a single-family residence regardless of his or her occupancy status or percentage of ownership interest in the Mortgaged Property. The Servicer does not need to determine whether the servicemember's entry into active duty materially affects his or her ability to pay interest at the Note rate. If the servicemember needs additional relief, the Servicer will need to obtain more information about his or her financial capabilities.

If the Mortgage Loan has a delinquent status when the servicemember is told to report for duty, the past due payments will bear interest at the rate applicable on the date they became due, with any payments coming due after the servicemember's entry into active duty bearing interest at no more than six percent (6%). Certain eligible servicemembers are entitled to interest rate relief from the moment they receive their active-duty orders. Servicers must carefully review the servicemember's status and eligibility to ensure full compliance with the SCRA. The Servicer should note that interest in excess of six percent (6%) a year is forgiven and not deferred. Late charges should also be waived during this period.

The effective start date of the reduced six percent (6%) interest rate is the date on which the servicemember reports for active-duty service or receipt of active-duty orders, depending on the branch of the military in which the servicemember serves. Rather than change the mortgage interest rate during the current month, the Servicer should make the new interest rate effective with the first payment due after the servicemember's eligibility for interest rate relief begins. Since interest is paid in arrears, a servicemember will receive benefit of the lower interest rate for the entire month, including any part of the month that precedes the date of eligibility for interest rate relief. The Servicer should report the acceptance date of reduction of the interest rate under the SCRA by sending a copy of the military orders or other acceptable documentation to the attention of the MPF Provider.

The Servicer must continue to report and remit at the original Note terms but may submit a request for reimbursement for the interest difference to the MPF Provider either monthly or quarterly by submitting a copy of the Borrower's applicable orders or other acceptable documentation The interest rate subsidy continues through active-duty completion and then through the next twelve (12) months. Since interest is paid in arrears, a servicemember will receive the benefit of the six percent (6%) interest rate for the entire month he or she was released from active duty, plus an additional twelve (12) months under the SCRA.

Example: If active-duty service ends November 15, the next twelve (12) scheduled payments due for the following year are made at the reduced rate. On January 1 of the next year, the interest rate is changed to reflect the higher rate, so that the payment due on February 1 incorporates the restored interest rate prior to active duty.

The Servicer should notify the MPF Provider of the change of interest rate back to the full interest rate, and the MPF Provider will then reflect the change in interest rate on its records.

1.9.2 State or Jurisdictional Requirements

In addition to federal SCRA requirements, the Servicer must comply with any state or jurisdictional- specific SCRA requirements which expand protections or alter the Foreclosure requirements related to active duty servicemembers and other associated parties entitled to relief.

1.10 Delegation of Duties

This section covers the services the Servicer is permitted to delegate to another party.

The Servicer shall assure that each delegee retained to provide any permitted delegation of duties is fully licensed and holds all required federal, state, and local governmental franchises, certificates and permits, and that such person is reputable, knowledgeable, skilled, and experienced and has the necessary personnel, facilities, and equipment required to provide such services.

Any delegee shall be retained solely for the Servicer's account and at the Servicer's sole expense and shall not be deemed to be an agent or representative of the MPF Provider, the Master Servicer or its successors or assigns.

The Servicer shall remain liable to the MPF Provider and its successors and assigns for the performance of the Servicer's duties and obligations hereunder, regardless of the delegation of any Servicing function.

In addition, the Servicer will indemnify and hold harmless the MPF Bank and the MPF Provider, its successors and assigns from and against any and all claims, damages, losses liabilities, costs or expenses arising either directly or indirectly out of any acts or omissions of any person retained to provide the foregoing services, including but not limited to attorney's fees and court costs.

1.10.1 Subservicing

With the specific written consent of the MPF Provider, the Servicer may delegate all of its servicing responsibilities to an approved Subservicer. If Servicing is performed by a Subservicer, all financial transactions regarding this Servicing must take place through the PFI's DDA with the MPF Provider.

A subservicer must be either a Ginnie Mae approved Issuer, a PFI, or an affiliate of a PFI, prior to accepting the delegation of servicing responsibilities from the Servicer.

1.10.2 Delegations Not Requiring Consent

The Servicer may elect to delegate, by agency, subcontract or otherwise, only the following servicing duties without obtaining the written consent of the MPF Provider:

- Professional collection agencies to perform those duties and functions for the collection of delinquent amounts due on any mortgage loan that are customarily performed by such agencies in the locality where the related mortgaged property is located;
- Title insurance companies, escrow companies and trust companies to issue or provide reports reflecting the condition of title to any mortgaged property and services incidental to the foreclosure or acquisition in lieu of foreclosure of any

mortgaged property, or the sale or disposition of any mortgaged property acquired by the Servicer;

- Attorneys licensed to practice in the state in which the mortgaged property is located to perform customary legal services in connection with the foreclosure or acquisition of such mortgaged property or the sale or disposition of such mortgaged property acquired by the Servicer at or in lieu of foreclosure, or for the collection of delinquent sums owed on any mortgage loan;
- Professional property inspection companies and appraisers to conduct routine inspections of mortgaged property and to provide written inspection reports, as required hereunder;
- Title companies, escrow companies and real estate tax service companies to provide periodic reports of the amount of real estate taxes due on any mortgaged property and the due dates of each required installment, and the payment of taxes;
- Credit bureaus or credit reporting companies to provide credit reports on borrowers or persons who have applied to assume mortgage loans;
- Construction companies, contractors and laborers to provide labor, materials and supplies necessary to protect, preserve and repair mortgaged property, as required hereunder;
- Lockbox providers or payment processing administrators to provide payment processing services; and
- Property insurance servicing companies to provide periodic reports as to the amount of hazard insurance premiums due on any mortgaged property and the due date of each required premium payment.

1.11 Servicer Eligibility Standards

In addition to meeting all eligibility requirements in the Guides, Servicers of Government MBS Mortgage Loans must:

- Be a PFI or Servicer;
- Have the capability to service Mortgage Loans under the Scheduled/Scheduled remittance type;
- Be eligible to service loans for the Applicable Government Agency;
- Have experience servicing Government Mortgage Loans; and
- Execute the appropriate Applicable Agreements.

A Servicer interested in purchasing Servicing Rights for Government MBS Mortgage Loans from a PFI must:

- Be engaged in purchasing Government Mortgage Loan servicing rights under existing servicing sales arrangement for concurrent sale; and

- Be approved by the MPF Bank and MPF Provider as a Servicer to acquire Servicing Rights for Serviced Government MBS Mortgage Loans.

CHAPTER 2. ACCOUNTING AND FISCAL RESPONSIBILITIES

2.1 Maintenance of Loan Accounting Records

This section covers the requirements for maintaining accurate and detailed records for each Mortgage Loan.

2.1.1 General

Permanent accounting records shall be maintained for each Mortgage Loan. The records shall indicate MPF Provider ownership of each Mortgage Loan, the MPF loan number, and the Servicer loan number.

The Servicer shall maintain the accounting records in accordance with generally accepted accounting principles and Applicable Standards.

The Servicer's records system must be capable of producing for each Mortgage Loan an account transcript itemizing the following:

- Current unpaid Principal Balance;
- Scheduled Principal Balance;
- Interest paid to date;
- Principal and interest payment;
- Interest collected for each monthly payment;
- Principal collected for each monthly payment;
- Escrow Funds collected for each monthly payment;
- The date, amount, and distribution of each payment received;
- Curtailments;
- Current outstanding balances of principal and interest deposits, advances, taxes and insurance deposits, and unapplied payments;
- Due date of next payment;
- Amount and nature of each disbursement;
- Other transactions affecting the amounts due from or payable to the Borrower; and
- Any servicing reports or loan histories.

The system shall also provide for immediate disclosure of any overdraft and insufficiency in escrow balances.

2.1.2 Maintaining Outstanding Balances

The Servicer shall maintain accurate outstanding balances for each Mortgage Loan. Each scheduled payment, whether collected singly or together with all monthly payments on the same Mortgage Loan, shall be applied first to interest and then to principal according to an amortization schedule. Payments and/or delinquencies shall not be capitalized into the loan balance.

2.1.3 MPF Loan Number

All reports and correspondence submitted to the MPF Bank, MPF Provider, or Master Servicer regarding a particular Mortgage Loan shall reference the corresponding MPF loan number.

2.1.4 Release or Destruction of Records

The Servicer must retain canceled checks, bank statements, and all records and accounts in the Mortgage Loan File for the time period required by the applicable Government Agency or Applicable Law, but in no instance, for less than seven (7) years from the date the Mortgage Loan is paid in full, sold, foreclosed, or otherwise liquidated. Electronic copies are acceptable in lieu of hard copies.

2.2 Payment Collection and Accounting

The Servicer is responsible for the collection and accounting of the following amounts for each Mortgage Loan as further described in this Servicing Guide:

- Monthly principal and interest payments;
- Escrow amounts for taxes, assessments, hazard insurance, flood insurance, mortgage insurance premiums, and any other required escrowed amounts;
- Curtailments;
- Prepayments; and
- Payments made pursuant to a modification agreement or bankruptcy plan.

The accounting cycle cut-off date is the last Business Day of the month prior to the month for which a remittance is being calculated.

2.3 Establishing Custodial Accounts

This section covers the guidelines for establishing Custodial Accounts. The establishment and maintenance of the Custodial Accounts are at the Servicer’s expense.

2.3.1 Custodial Accounts

Any amounts held by the Servicer received in connection with or pertaining to the Mortgage Loans must be held in Custodial Accounts (and clearing accounts) established with one of the following:

- An FDIC-Insured Depository; or
- An NCUA-Insured Depository.

If the Servicer is insured by the FDIC or NCUA, the Custodial Accounts may be established with the Servicer.

The MPF Provider reserves the right to require a Servicer to transfer funds out of a depository institution if the MPF Provider determines that it is in its best interest to do so.

2.3.2 Interest-Bearing Accounts

P&I Custodial Accounts must be demand deposit accounts (DDAs), but cannot be interest-bearing accounts.

T&I Custodial Accounts at the Servicer may be a demand deposit account or may be an interest- bearing account, provided that the account complies with the Applicable Standards and provided that interest is paid separately to the Servicer and not deposited or co-mingled with funds in the T&I Custodial Account. Interest earnings must be disposed of in accordance with the requirements of the applicable Government Agency and Applicable Laws. Any interest paid with respect to the T&I Custodial Account will not be the property of the Federal Home Loan Bank of Chicago.

2.3.3 Clearing Accounts

The Servicer may utilize clearing accounts, subject to the following requirements:

- The clearing accounts must be established with an institution that meets the requirements for Custodial Accounts (see MPF Government MBS Servicing Guide section 2.3.1);
- The titles of such accounts must reflect that they are custodial in nature;
- A single clearing account must not be utilized both as a collection and disbursement clearing account;
- A check drawn on funds transferred from a P&I Custodial Account or T&I Custodial Account must be deposited to a disbursement clearing account before or at the same time as any checks on the clearing account are issued;
- The Servicer must maintain adequate records and audit trails to support all debits and credits of each Borrower's payment records and accounts; and
- Collections deposited to a clearing account must be credited to the appropriate Custodial Account no later than the next Business Day following receipt by the Servicer.

2.4 Custodial Account Maintenance

The Servicer is required to maintain separate Custodial Accounts for each remittance type under which a Servicer (or Subservicer) reports, for Principal and Interest Payments and Escrow Funds as outlined in this chapter. In addition, separate Custodial Accounts are required for each MPF Mortgage Product that is not an MPF Traditional Product. Any cash received related to a Mortgage Loan must be deposited into the appropriate Custodial Account within two (2) Business Days of receipt by the Servicer.

2.4.1 Custodial Account Location

For the MPF Government MBS Product, required Custodial Accounts are as follows:

Type of Account	Account Location
P&I Custodial Account (Non- Interest DDA only)	Servicer (or other acceptable depository institution as stated in Servicing Guide section 2.3.1)
T&I Custodial Account	Servicer (or other acceptable depository institution as stated in Servicing Guide section 2.3.1)
P&I Custodial Account	FHLBC

The Servicer must immediately notify the MPF Provider in writing of any change in the account number of a Custodial Account, the title of the account, or those individuals who are authorized signers on the account.

2.4.2 Principal & Interest Custodial Accounts

Custodial Accounts established for the deposit of principal and interest ("P&I") received in connection with the Mortgage Loans shall be titled as follows:

- P&I Custodial Account at Servicer: "[Servicer's name], as agent, trustee, and / or bailee for both the Federal Home Loan Bank of Chicago and Ginnie Mae."
- P&I Custodial Account at FHLBC: "[Servicer name], as agent, trustee, and / or bailee for Federal Home Loan Bank of Chicago/Ginnie Mae."

The record holder of the Mortgage Loans shall be the named party on the P&I Custodial Accounts for MPF Government MBS Mortgages. P&I Custodial Accounts shall not under any circumstance be held in the name of the Subservicer.

Required Deposits

The following funds must be deposited into the P&I Custodial Account:

- Principal collections from the Mortgage Loans, including payoffs and Curtailments, together with month-end Curtailment Interest, if applicable;
- Interest collections from Mortgage Loans (net of Servicing Fees);
- Liquidation and Insurance Proceeds (excluding funds held in the T&I Custodial Account or Escrow Account for the repair/restoration of the Mortgaged Property or for offsetting a deficit in the Escrow Account);
- Condemnation proceeds not used to repair the Mortgaged Property;
- Foreclosure or repossession sale proceeds;
- Any payment received in lieu of Foreclosure or repossession sale;
- Government Agency insurance/guaranty proceeds must be deposited directly into the appropriate Government MBS Mortgage P&I Custodial Account immediately upon receipt;
- Short sale proceeds;
- REO disposition proceeds;
- Proceeds from any sale, resale, or transfer of Mortgage Loans that are required to be passed through to the MPF Provider;
- Repayments of excess funds;
- Advances; and
- Other unscheduled recovers of principal.

P&I advances for Mortgage Loans with a scheduled/scheduled remittance option must be deposited into the appropriate P&I Custodial Account by the remittance date.

Optional Deposits

The following funds may, but are not required to, be deposited into the P&I Custodial Account:

- Late charges;
- Penalty interest;
- Assumption fees;
- Unapplied (suspense) funds, if the Borrower is not required to maintain an escrow account; and
- Servicing Fees (may be deposited but must be withdrawn by month-end).

The Servicer shall maintain separate accounting for each type of funds deposited into the P&I Custodial Account. The P&I Custodial Account may not be used as a collection clearing account.

Permissible Withdrawals

The Servicer may make withdrawals from a P&I Custodial Account solely for the following:

- Remittances to the Servicer's applicable DDA with the MPF Provider to fund monthly P&I drafts by the MPF Provider;
- Reimbursement to itself for advances permitted to be reimbursed from subsequent collections under the terms of the Guides;
- Removal of amounts deposited in error;
- Removal of Servicing Fees and optional deposits; or
- Termination of the Custodial Account.

Subservices are not allowed to make withdrawals from Government MBS Mortgages P&I Custodial Accounts under any circumstances.

2.4.3 Tax & Insurance Custodial Accounts

Custodial Accounts established for the deposit of taxes and insurance (“T&I”) received in connection with Mortgage Loans shall be titled as follows:

- “[Servicer's name], as agent and / or trustee for both the Federal Home Loan Bank of Chicago and Ginnie Mae and payments of various mortgagors, respectively.”

In instances where the Servicer engages a Subservicer, the Subservicer is required to establish a T&I Custodial Account specifically for Government MBS titled as follows:

- “[Servicer’s name], subserviced by [Subservicer’s name], as agent and/or trustee for both the Federal Home Loan Bank of Chicago and Ginnie Mae and payments of various mortgagors, respectively.”

The following funds must be deposited into the T&I Custodial Account:

- Escrow Funds;
- T&I advances;

- Remaining balance of property insurance loss drafts;
- Unapplied (suspense) funds;
- Insurance Proceeds held for the repair/restoration of the Mortgaged Property; and
- Liquidation Proceeds that offset a deficit in the Escrow Account.

The Servicer must maintain records for identifying the Escrow Funds deposited into the T&I Custodial Account for each Mortgage Loan

Permissible Withdrawals

The Servicer may make withdrawals from the T&I Custodial Account for the following reasons, provided the T&I Custodial Account for the Mortgage Loan is never overdrawn:

- Timely payment of the Borrower's escrow items;
- Refunds to the Borrower for excess Escrow Funds;
- Recovery of advances made by the Servicer for escrow items on Borrower's behalf;
- Payment of interest, if required, to the Borrower on his Escrow Funds;
- Removal of deposits made in error; or
- Termination of the Custodial Account.

2.4.4 Principal & Interest Advances

The Servicer must make P&I advances for Scheduled/Scheduled remittances unless a P&I advance is determined to be eventually nonrecoverable from any Insurance Proceeds, Liquidation Proceeds, or the Borrower. The Servicer must closely track corporate advances and pool advances. Servicers must ensure pool advances are repaid prior to corporate advances and maintain evidence of this account.

The Servicer must, from its own funds, advance and deposit to the P&I Custodial Account on or before each remittance date an amount equal to the difference between the total principal and interest due, and the total amount on deposit in the Servicer's P&I Custodial Account. P&I advances will be recoverable only from:

- Subsequent monthly payments;
- Insurance Proceeds; or
- Liquidation Proceeds.

The Servicer must continue to make monthly P&I advances during litigation, bankruptcy proceedings, Foreclosure proceedings pertaining to the Mortgage Loan, and through the REO property process, unless otherwise required in the Guides. Advances will terminate upon completion of the liquidation of a property from REO or Foreclosure sale to a third party.

The Servicer will be responsible for any P&I advances made by the MPF Provider.

2.4.5 Nonrecoverable Advances

If the Servicer determines an advance to be nonrecoverable from Insurance Proceeds, Liquidation Proceeds, or other payments with respect to a Mortgage Loan, the Servicer shall obtain confirmation from the MPF Provider to stop the advances by submitting a request via email to MPF-Help@fhlbc.com and including the following information:

- MPF Loan Number;
- Borrower Name(s); and
- Explanation as to why advances are non-recoverable and any supporting documentation.

The Servicer will be responsible for any Foreclosure related advances made by the MPF Provider.

2.4.6 Failure to Advance

The failure of the Servicer to advance the required funds is an Event of Default and cause for termination of the Servicer. If the Servicer fails to advance the required funds, the MPF Bank or MPF Provider may debit such amount from the Servicer's DDA in accordance with the terms of the Applicable Agreement for the payment of claims made against the Servicer.

2.4.7 Securitization

Any Government MBS Mortgage that is not securitized within 150 days of delivery under an MPF Government MBS Master Commitment or is removed from a Ginnie Mae security would require the PFI to immediately upon notification transfer any funds associated with the applicable Mortgage Loan from all Government MBS Custodial Accounts and remit the associated funds to Custodial Accounts specified by the MPF Provider. The PFI must service the Mortgage Loan in accordance with Government Mortgage Loan Master Commitment guidelines, which require the PFI to establish a P&I Custodial Account and T&I Custodial Account in accordance with the Guides. If the PFI is not currently servicing Government Mortgage Loans on a scheduled/scheduled basis, the PFI must remit the required principal and interest to the PFI's DDA.

2.5 Custodial Account Reconciliation (11/12/25)[7]

The Servicer and depository institution shall execute a custodial account agreement for each Custodial Account and submit the original to the MPF Bank or MFP Provider.

Custodial bank accounts must be reconciled monthly using the following forms:

- P&I Custodial Account Reconciliation (SG320: For Scheduled/Scheduled Master Commitments); and
- T&I Custodial Account Reconciliation (SG321: For Scheduled/Scheduled Master Commitments).

Bank account reconciliations must be completed, reviewed, and signed off within 30 calendar days of the cut-off date (i.e. last day of the month) for all MPF Government MBS

[7] MPF Announcement 2025-87 (11/12/25)

accounts, including but not limited to, the P&I Custodial Account, T&I Custodial Account, disbursement accounts, collection clearing accounts, buydown accounts, and any other special escrow custodial accounts containing MPF Government MBS funds. All adjusting items on a reconciliation must be completely resolved during the next two reporting months.

Reconciliations must include copies of the Custodial Account bank statement, proof of cash, and documentation supporting the reconciled items. The bank statement must show the balance of the account at the end of each day for the month requested. Upon request, the Servicer must complete all forms in eMAQCSplus and upload copies of all supporting documentation.

2.6 Use of Amortization Method of Accounting

The amortization method of individual loan accounting, with interest calculated in arrears, shall be used. In this method, allocation of an individual payment of principal and interest is determined by first calculating the interest portion and applying the balance of the payment as a principal reduction.

The interest at the Note Rate is calculated by using the Principal Balance after application of the preceding payment. The interest computed applies to the thirty (30) day period preceding the due date of the installment being applied. The interest must be calculated and adjusted for any Curtailments, payoffs, and Liquidations.

The calculated interest portion is subtracted from the monthly payment to obtain the principal portion to be applied to the unpaid Principal Balance of the Mortgage Loan.

Where computations involve multiple installments (such as for delinquent installments), each installment is calculated in succession using a Principal Balance resulting after the prior thirty (30) day calculation and principal application. Similarly, a method which strictly applies payments in accordance with an amortization schedule is also acceptable. All monthly calculations shall be made using a thirty (30) day month, and a three hundred and sixty (360) day year. The dollar amount of any interest payment shall be carried out to ten (10) decimal places.

The amortization of each Mortgage Loan must reduce the Principal Balance of such Mortgage Loan to zero at maturity pursuant to the terms of the Note. Capitalization of interest is not permitted.

2.7 Application of Mortgage Loan Payments

The Servicer will collect all monthly payments due under the terms of the Mortgage Loan. The monthly payments include payments toward interest, principal, and escrow items (if an escrow account is established for the Mortgage Loan). The Servicer shall apply as of the day of receipt all payments under each Mortgage Loan to respective interest, principal, escrow, and any late charges and other outstanding fees, in that order, unless otherwise provided for in the Mortgage Loan documents.

2.8 Partial Payments

The Servicer must hold partial payments as "unapplied funds" in the T&I Custodial Account, if permitted by Applicable Law and if holding such funds would not jeopardize any Foreclosure proceedings. Once sufficient "unapplied funds" have been received to equal the amount of a full principal, interest, taxes, and insurance ("PITI") payment, the Servicer must apply the funds as a payment against the Mortgage Loan.

The Servicer must only deposit full payments to the Servicer's DDA.

2.9 Escrow Payments

This section covers the guidelines for maintaining an Escrow Account and handling Escrow Funds.

2.9.1 Escrow Account Maintenance

Each Mortgage Loan must have an Escrow Account if required in the Mortgage Loan documents, unless the Servicer waives the escrow requirement, or unless Applicable Law prohibits the collection of Escrow Funds. Escrow items may include all regular, special assessments, or supplemental real estate taxes and assessments, mortgage insurance premium, property insurance premiums, and/or any other insurance premiums required when the loan was closed (e.g. earthquake, flood, etc.). Escrow Funds held for a Borrower may only be used to pay charges due and payable by that Borrower. The Servicer may not use T&I funds from one Borrower to make payments on behalf of another Borrower.

The Servicer must conduct an analysis of the Escrow Account at least annually to determine the required monthly Escrow Payment based upon reasonable projects of the expenses to be paid from the Escrow Account. An annual Escrow Account statement must be provided to the Borrower in accordance with Applicable Law. Any Escrow Account surplus or deficiency resulting from the analysis must be handled in accordance with Applicable Law. Subject to the Applicable Standards, the Escrow Account balance must be sufficient to effect the payment of all projected escrow items when due. The Servicer must pay interest to the Borrower on escrow deposits at, or above, the rate required by law.

In the event of late payment of any escrow items, any late interest, charges, or penalties caused by the Servicer will be paid from the Servicer's funds and not charged to the Borrower.

2.9.2 Escrow Waiver

Subject to the Applicable Standards, the Servicer may waive the requirement for an Escrow Account only if a Borrower has a savings history, credit history, and/or income to pay for the escrow items when due. The Servicer may not waive the requirement to escrow MI premiums.

The Servicer must monitor and require proof of payment of all taxes, ground rents, assessments, insurance premiums, and other items that could be considered escrow to ensure that the Borrower pays the items on time. If the Borrower fails to pay any item on time, the Servicer must advance its own funds to pay amounts due that would typically be considered escrow items.

The Servicer must retain the right to re-impose an Escrow Account for any Mortgage Loan if the Borrower fails to pay on a timely basis any items that were previously escrowed.

2.9.3 Deposit of Funds

All Escrow Funds collected by the Servicer shall be held in the T&I Custodial Account.

2.9.4 Escrow Account Records

The Servicer must maintain records to show the balance of the escrow account, funds credited to the account, disbursements made from the account, and the interest due on the account to the Borrower.

2.9.5 Advances by Servicer

The Servicer shall pay promptly to the proper entities premiums when due for property insurance and/or mortgage insurance, flood insurance, tax installments, and special assessments. The Servicer may not release such premiums to the Borrower or any other individual or party.

If the funds held in the Borrower's escrow account are insufficient to pay such items when due, the Servicer shall advance its own funds directly to the taxing authority or insurance company in an amount sufficient to make the full payment due. The Servicer may advance the funds by making payments from the T&I Custodial Account, but in that instance, the Servicer must advance its own funds for individual T&I Accounts on a loan-by-loan basis with one (1) Business Day after making the disbursement that caused a negative escrow balance for the Mortgage Loan. The Servicer may collect the deficiency from the Borrower as permitted under Applicable Law.

The advances may never be recovered from the Scheduled Principal or Scheduled Interest collections or from another Borrower's Escrow Funds. During litigation, bankruptcy proceedings, Foreclosure proceedings pertaining to a Mortgage Loan, or during the REO property process, the Servicer must continue to make required T&I advances until the Mortgage Loan or REO property is liquidated. Advances with respect to an REO property must be made as if the Security Instrument and Note remained in effect.

2.10 Prepayments

This section covers the guidelines for accepting prepayments.

2.10.1 General

A Borrower who is current on his or her payments may make any of the following two types of prepayments:

- Borrower may make a full monthly payment (or payment in multiples thereof) in advance of the due date to create a "cushion" against the possibility of missing future payments; and
- Borrower may make a payment to reduce the outstanding Principal Balance of the loan. In this alternative, the prepayment is applied to the Mortgage loan balance to reduce the term of the Mortgage Loan. Interest is then calculated on the basis of the new remaining unpaid Principal Balance.

The Servicer should contact the Borrower if there is a question as to how the Borrower wishes a prepayment to be applied.

2.10.2 Prepayment Penalties

Prepayment penalties are not permitted for any Mortgage Loans sold under the MPF Program.

2.10.3 Curtailments

The Servicer may accept Curtailments, which must be deposited into the P&I Custodial Account and must be available on the remittance date. If a Mortgage Loan is delinquent, funds received must first be applied to bring the Mortgage Loan current, and any excess funds may be applied as a Curtailment.

Except as provided in the Guides or unless for the purpose of correcting a prior error on the part of the Servicer, the Servicer may not reapply prior Curtailments for payment of subsequent installments. Payments made by the Borrower to satisfy future installments must be accounted for as prepaid installments of principal and interest.

A Curtailment may not be used to postpone the due date of any payment or reduce the monthly payment or the Note Rate for any Mortgage Loan, unless it meets the conditions in the Guides for re- amortization.

2.10.4 Re-amortization and Note Modification

MPF Government MBS Mortgage Loans are not eligible for re-amortizations or Note modifications.

2.10.5 Scheduled/Scheduled Mortgage Loans

For Mortgage Loans with a scheduled/scheduled remittance option, the Servicer must pay the MPF Provider Curtailment Interest for the month in which a Curtailment is applied in an amount equal to thirty (30) days' interest calculated on the amount of the Curtailment at the related Note Rate (Curtailment Interest). This requirement only applies when the Curtailment is received after the beginning of the first Scheduled Interest period. The payment of Curtailment Interest by the Servicer shall not be considered an advance and shall not be recoverable from the Liquidation Proceeds.

Curtailments received for Mortgage Loans with a scheduled/scheduled remittance option prior to the beginning of the first Scheduled Interest period may be:

- Reported to the Master Servicer with that month's normal month-end report on Curtailments, and remitted in the next scheduled remittance without Curtailment Interest; or
- Reported and remitted with the first scheduled payment and with Curtailment Interest.

2.10.6 Mortgage Loan Payoffs and Liquidation Proceeds

A Mortgage Loan may be paid in full by or on behalf of the Borrower (by someone other than the PFI or Servicer) at any time (for payoffs where the PFI or Servicer is the source of the payoff, see MPF Program Guide section “3.5 Purchase or Repurchase

Requirements" and MPF Government MBS Servicing Guide section "1.6 Repurchases."). Unlike purchase or repurchase situations, PFIs/Servicers are not required to obtain the MPF Provider's prior approval before processing a full payoff. The Servicer may not collect any prepayment penalties on any Mortgage Loan. The Servicer is responsible for calculating the amount required to pay off the Mortgage Loan, and all payoffs shall be calculated to the date the payoff is made. A partial month's interest and Servicing Fee will be pro-rated on a three hundred and sixty-five (365) day year per diem to the date of the payoff. A full month's payment will be based on a three hundred and sixty (360) day year calculation.

The Servicer must deposit all payoff funds or Liquidation Proceeds, including the funds from a short sale and the disposition of an REO property (sale and primary mortgage insurance proceeds), into the P&I Custodial Account within two (2) Business Days after receipt.

The Servicer is also required to notify the appropriate mortgage insurance carrier of the payoff within the timeframe required by the insurer. The Servicer will be responsible for including any unpaid mortgage insurance premiums in the Monthly Remittance.

For Mortgage Loans being purchased or repurchased by the PFI or Servicer, see MPF Program Guide section "3.5 Purchase or Repurchase Requirements" and MPF Government MBS Servicing Guide section "1.6 Repurchases."

2.11 Remittances

This section covers the requirements for remitting funds to the MPF Provider.

2.11.1 General

The Servicer is required to make the following funds available for the MPF Provider to initiate a withdrawal (Monthly Remittance) from the Servicer's DDA by the eighteenth (18^{th}) calendar day of each month, or on the preceding Business Day if the eighteenth (18^{th}) is not a Business Day:

- All payments of principal (including prepayments of principal) and interest;
- All net Liquidation Proceeds and Insurance Proceeds, other than any portion of Insurance Proceeds to be applied to the restoration or repair of the Mortgaged Property or to be released to the Borrower in accordance with Applicable Standards;
- All P&I advances made by the Servicer and Curtailment Interest;
- Funds the Servicer must pay to repurchase a Mortgage Loan; and
- All other required funds.

2.11.2 Payoff and Liquidation Remittances

The Servicer must deposit all payoff and Liquidation Proceeds into the P&I Custodial Account within two (2) Business Day of receipt. Servicers must ensure that all payoff and Liquidation Proceeds, including the funds from a short sale and the disposition of an REO, are in the Servicer's DDA by the remittance date.

The Liquidation interest payable to the MPF Provider must be calculated as follows:

- Scheduled Interest due on the Mortgage Loan through the end of the month of Liquidation (30/ 360 day basis).

Any remaining Escrow Funds must be refunded to the Borrower within thirty (30) days of the payoff date.

For Mortgage Loans being purchased or repurchased by the PFI/Servicer, see MPF Program Guide section "3.5 Purchase or Repurchase Requirements" and MPF Government MBS Servicing Guide section "1.6 Repurchases."

2.11.3 Modification Agreement Remittances

Remittance of modification agreement payments shall be made per the regular remittance schedule.

2.12 Short Payoffs (Pre-Foreclosure/Short Sale)

This section covers the requirements for accepting a short payoff.

2.12.1 Government Insured Loans

For Government MBS Mortgage Loans, the Servicer shall make the MPF Provider whole, paying all principal and interest through the payoff date. No deduction for mortgage insurance premiums, or any other debits or charges may be excluded from the one hundred percent (100%) payoff amount due the MPF Provider.

The Servicer will not be required to obtain the MPF Provider's approval to proceed with a short sale even though it may result in a short payoff as the short sale will not reduce the payoff amount due the MPF Bank.

If the Servicer determines the Borrower is eligible for a short sale under criteria established by the respective Government Agency and the Borrower elects to pursue this option, the Servicer must report the status change on the monthly Delinquent Mortgage & Bankruptcy Status Report (Servicing Guide Exhibit B). The Servicer is also required to notify the MPF Provider of the sale within two (2) Business Days of the settlement date by emailing a copy of the buyer and seller's Settlement Statements, closing statements or escrow instructions, and an estimate of total advances made to date.

The Servicer must ensure that the steps required by the Government Agency are followed prior to filing a claim, including assignments and notifications. The Servicer shall then file a mortgage insurance claim with the applicable Government Agency ensuring all proper parties are identified pursuant to the applicable Government Agency's guidelines. If the remaining Principal Balance of a Mortgage Loan has not been recovered by the MPF Provider at the time of the short sale, then the Servicer must remit from its own funds an amount which will reduce the remaining balance of the Mortgage Loan to zero within the appropriate time frames, regardless of Servicer's receipt of the mortgage insurance claim payment.

2.12.2 Short Payoff Reporting (IRS Form 1099)

The Servicer must comply with all applicable Internal Revenue Service reporting requirements, including IRS 1099 reporting requirements, on all short sales. The Servicer filing must show the Servicer's loan number and the MPF Provider loan number for identification purposes.

The Servicer should carefully review and follow IRS instructions for completing and filing the applicable forms. Servicers who fail to timely file the correct IRS form(s) must pay any penalties the IRS may assess.

2.13 Reporting Requirements

This section covers the investor reporting requirements.

2.13.1 Monthly Accounting Reports (5/27/25)[8]

The Monthly Accounting Reports for the MPF Government MBS product cover a mandatory thirty (30) calendar day reporting period.

All Monthly Accounting Reports must be completed and forwarded to the Master Servicer no later than 5:00pm Eastern Time on the first (1st) Business Day of the month following the reporting month (See the Government MBS Mortgage Loan Investor Reporting Calendar – Exhibit A-M).

Servicers must submit the Monthly Accounting Reports (with correct naming convention) by uploading them to https://www.servicerconnect.com. Servicers should contact the Master Servicer for assistance with preparing and/or submitting the reports.

The Servicer must complete and forward to the Master Servicer all forms and reports provided for in this Servicing Guide, and such additional forms or reports reasonably requested by the Master

Servicer.

The Monthly Accounting Report forms include, but are not limited to, the following:

- Monthly Summary Report and Remittance Report (Form SG300); and
- Any other report that impacts the Monthly Remittance.

2.13.2 Electronic Format

The format for electronic reporting of monthly data must be in one of the following single, complete, usable and loadable loan level data file formats which are acceptable to the Master Servicer:

- ASCII File Format (Exhibit C); or
- Excel File Format (Exhibit C).

Electronic reports can be uploaded directly to the Master Servicer's website (https://www.servicerconnect.com). Servicers should contact the Master Servicer for assistance with the preparation of electronic reports.

8 MPF Announcement 2025-45 (5/27/25)
MPF Announcement 2024-80 (12/20/24)

2.13.3 Late Reporting Fee (12/20/24)[9]

Monthly Investor Reporting, Monthly Accounting Reports and Delinquent Mortgage & Bankruptcy Status Report filed incomplete or not filed by the applicable Investor Reporting Calendar due date (see Servicing Guide Exhibit A) are considered late.

Each occurrence of late Monthly Investor Reporting, or incomplete Monthly Accounting Reports or a late or incomplete Delinquent Mortgage & Bankruptcy Status Reports will be subject to a late reporting fee.

A written notice of noncompliance will be sent to the Servicer for all instances of Investor Reporting, late Monthly Accounting Reports or Delinquent Mortgage & Bankruptcy Status Reports. In addition to the monetary late fees, beginning with the third late and/or incomplete report or transmission, as applicable, the MPF Provider reserves the right to invoke additional remedies, which may include declaring an Event of Default as grounds for termination of the Servicer.

Late fees for Monthly Accounting Reports and late or incomplete Delinquent Mortgage & Bankruptcy Status Reports are assessed using an escalating scale that is based on the number of late and / or incomplete reports or transmissions in the most recent consecutive twelve (12) month period:

- One-hundred dollars ($100) for the first occurrence of a late and / or incomplete report or transmission;
- Two-hundred-fifty dollars ($250) for the second occurrence of a late and / or incomplete report or transmission; and
- Five-hundred dollars ($500) for the third and all subsequent occurrences of a late and / or incomplete report or transmission during the remainder of the consecutive twelve (12) month period beginning with the first occurrence.

The MPF Provider reserve the right to change the late reporting fees at any time and at their sole discretion.

2.13.4 Other Reports

When applicable, the Servicer must also complete the following forms and either retain the forms in the Mortgage Loan File or submit them in accordance with the specific instructions on each form:

- Notice of Acquired Property (Form SG334);
- Request for Release of Documents for Government MBS (Form SG340M);
- Property Insurance Loss Draft Notification (Form SG342).

2.14 IRS Reporting Requirements

The Servicer shall comply with all applicable Internal Revenue Service (IRS) reporting requirements, including as applicable, a Statement for Recipients of Miscellaneous Income

[9] MPF Announcement 2024-80 (12/20/24)

(IRS Form 1099-MISC), Mortgage Interest Statement (IRS Form 1098), and reports related to foreclosure and abandonment (Section 6050J of the Internal Revenue Code).

2.15 Reporting to Credit Bureaus (07/11/25)[10]

The Servicer must provide a “full-file” credit status report to the three major credit bureaus each month (Equifax, Experian, and TransUnion), indicating the exact status of each Mortgage Loan.

2.16 Annual Statements to Borrowers

This section covers annual statements that must be provided to the Borrower.

2.16.1 Escrow Account and Interest Payment Summary

The Servicer will provide Borrowers, without charge, an annual statement in summary form of the Borrower’s escrow account, which must include:

- Beginning and ending balances;
- Deposits made on the account; and
- Disbursements made on the account.

In addition, the Servicer will provide Borrowers, without charge, a statement at calendar year end as to the total amount of interest and real estate taxes paid by the Borrower during the year.

2.16.2 Detailed Ledger Analysis

In addition, at least annually, the Servicer will provide Borrowers, without charge, a detailed ledger analysis to determine the adequacy of monthly escrow contributions. Following the review of such ledger, the Servicer should make any necessary adjustments in the monthly contribution to assure the accumulation of sufficient funds to meet anticipated expenses.

2.16.3 Borrower Disclosures

Servicers are required to provide Borrowers with any and all disclosures required by Applicable Law, including, but not limited to, disclosures required by the Homeowners Protection Act of 1998 and CFPB regulations.

[10] MPF Announcement 2025-55 (07/11/2025)

CHAPTER 3. SERVICING COMPENSATION

3.1 Servicing Fees

This section covers the Servicing Fees the Servicer is entitled to collect.

3.1.1 Amount of Compensation

In consideration for the Servicing of the Mortgage Loans in accordance with this Servicing Guide and the Applicable Agreement, absent an Event of default by the Servicer, the Servicer shall be entitled to retain the Servicing Fee for each Mortgage Loan as specified in the associated Master Commitment from the interest actually collected with respect to such Mortgage Loan.

The Servicing Fee for each Mortgage Loan shall be based on, and only payable solely from, the interest portion of each monthly installment of principal and interest actually collected by the Servicer on the Mortgage Loan. The Servicing Fee is based on the Note Rate and is computed on the same principal amount and for the same period as the interest portion of the monthly installment paid. The Servicing Fee may be withheld by the Servicer prior to depositing the collected amount into the Government MBS Mortgage P&I Custodial Account at the Servicer. All collections must be deposited directly to the P&I Custodial Account with the option of the Servicing Fee being deducted prior to deposit. The Servicing Fee may then be withdrawn from the P&I Custodial Account. The table below shows Servicing Fee rates:

Note Rate	Servicing Fee Rate
X.000%	0.440%
X.125%	0.565%
X.250%	0.190%
X.375%	0.315%
X.500%	0.440%
X.625%	0.565%
X.750%	0.190%
X.875%	0.315%

Absent an Event of default by the Servicer, subject to the Applicable Standards, the Servicer shall also be entitled to retain as additional compensation any late charges, penalty interest, assumption fees paid by the Borrower, or any other similar amounts not required pursuant to the Guides to be deposited into the P&I Custodial Account.

The Servicer shall pay all expenses incurred by it in connection with its servicing activities and shall not be entitled to reimbursement except as specifically provided for in the Guides or Applicable Agreements.

CHAPTER 4. INSURANCE REQUIREMENTS

4.1 Property Insurance

This section covers the property insurance requirements for each Mortgage Loan.

4.1.1 General

Servicers must ensure that insurance requirements established by the applicable Government Agency are met for Government MBS Mortgage Loans.

The Servicer shall monitor the insurance coverage which the Borrower is required to maintain for each Government MBS Mortgage Loan. If the Servicer discovers that a Borrower does not have adequate insurance coverage, the Servicer must obtain and maintain at its own expense the required insurance coverage on the related Mortgaged Property. To the extent permitted by Applicable

Standards, the Servicer may initiate forced placed coverage with respect to such Mortgaged Property and thereafter attempt to recover such expenses from the related Borrower.

The Servicer must ensure that the Mortgaged Property is adequately covered when vacant and obtain a vacancy permit endorsement, where available. If the Servicer determines that the Mortgaged Property is abandoned, the Servicer must take all necessary actions to protect the property from waste, damage, and vandalism.

For all Government MBS Mortgage Loans, the Servicer shall during the period any Mortgaged Property is "Real Estate Owned" or "REO" (property is vested in the Servicer's name on behalf of the MPF Provider), keep in force fire and extended coverage insurance, of the type that provides for claims to be settled on a replacement cost basis, upon the Mortgaged Property regardless of whether the Mortgaged Property is vacant or occupied. Property insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that are normally included under an extended coverage endorsement are not acceptable.

4.1.2 Insurer Qualifications

All insurers (and reinsurers, if applicable) must be licensed or authorized to do business in the jurisdiction where the Mortgaged Property is located and must meet one of the following requirements:

1. The insurer meets any of the following ratings:
   - A.M. Best
     - Financial Performance Index of 6 or higher per Insurance Reports—Property/Casualty or Key Rating Guide—Property/Casualty;
     - Rating of B/III or higher per Insurance Reports—Property/Casualty or Key Rating Guide;

       Property/Casualty; or
     - Rating of A/VIII or higher per Insurance Reports—International;

- Demotech, Inc;
  - Rating of a minimum of "A" per First Rate/P&C Financial Stability Ratings;
- S&P Global Ratings;
  - Rating of BBBq per Insurer Solvency Review—Property/Casualty Edition;
  - Rating of BBB or higher per Insurer Solvency Review—Property/Casualty Edition; or
  - Rating of AAisi or higher per International Confidential Rating Service or International Solvency Report Service.

2. The insurer's coverage is guaranteed by another company ("reinsurer") that meets all of the following requirements:
   - The reinsurer has a minimum rating of;
     - A. M. Best — B/III or (for non–U.S. insurers) A/VIII; or
     - S&P Global Ratings — BBB or AAisi.
   - Both the insurer and the reinsurer execute an Assumption of Liability endorsement or equivalent endorsement that provides for:
     - One hundred percent (100%) reinsurance of the primary insurer's liability for any covered loss payable but unpaid by the insurer for reasons of insolvency;
     - The reinsurer to give ninety (90) days written notice to the policyholder and the Originator before canceling or terminating the guarantee; and
     - The above endorsements are attached to each property insurance policy accepted by the Originator on account of the endorsements.
3. The insurer is Lloyd's of London;
4. A non-admitted insurance company whose current rating is at least one of the following:
   - A. M. Best – A; or
   - S&P Global Ratings – AA-.
5. A carrier whose coverage is guaranteed under the National Flood Insurance Program (NFIP).

Insurance underwritten by any of the following is acceptable, provided it is the only insurance coverage available for the Mortgaged Property:

- A state's Fair Access to Insurance Requirements (FAIR) plan; or
- State insurance plans covering specific geographic areas.

If any insurer's rating decreases below the minimum requirement after a policy is issued or is subsequently renewed, the Servicer must ensure that an acceptable replacement policy from an eligible insurer is obtained, unless the Servicer maintains mortgage impairment or mortgagee interest insurance.

4.1.3 Property Insurance Coverage Requirements

An All Risk Coverage property insurance policy is required for any properties maintaining an individually held insurance policy. If any hazards normally covered under the All Risk Coverage policy are limited or excluded, then a supplemental insurance policy for the limited/excluded hazard is required.

The property insurance policy must meet the minimum amount required, which is the lower of:

- One hundred percent (100%) of the replacement cost of the insurable improvements; or
- The unpaid Principal Balance of the Mortgage Loan, provided that it is at least equal to 80% of the insurable value of the improvements.

The amount of coverage must be sufficient to prevent the application of any co-insurance contribution or prevent any loss.

4.1.4 Deductibles

The maximum permitted deductible is five percent (5%) of the applicable amount of coverage of the insurance policy. The deductible clause may apply to either fire, extended coverage, or both. This limit also applies to each blanket or master policy maintained by a PUD or condominium homeowners association (HOA), each supplemental policy maintained, and deductibles for damage to the insured improvements (“building”).

4.1.5 Mortgagee Clause

All insurance policies obtained must include the insurance industry's standard mortgagee clause and must name the Servicer as the Mortgagee. Neither the MPF Provider nor the Master Servicer should appear as the Mortgagee unless the policy coverage would be impaired. The mortgagee clause must contain an endorsement to fully protect the named Mortgagee’s interest and the interest of the Servicer where applicable.

The mortgagee clause must include the Servicer’s name, the Servicer’s street address or box number, and the Servicer’s city, state, and zip code. The Servicer's name should be followed by the phrase "its successors and/or assigns." The mortgagee clause must provide that the insurer will notify the named Mortgagee at least ten (10) days prior to any reduction in coverage or cancellation of the policy.

In deed-of-trust jurisdictions, the Mortgagee should be designated as "(Name of Servicer), its successors and/or assigns, beneficiary."

When a mortgagee clause is not appropriate (e.g., in a separate comprehensive general liability policy), the insurer must provide a certificate of insurance to the Servicer. This certificate must contain the information required for certificates or other evidence of insurance.

The Servicer must arrange for all insurance drafts, notices, policies, invoices, or other correspondence to be delivered directly to the Servicer. The Servicer should have procedures in place to ensure the most updated contact information is provided to the insurer and/or HOA.

4.1.6 Evidence of Insurance

Evidence of all required property insurance coverage must be maintained in the Mortgage Loan File. Evidence of insurance coverage must be in one of the following forms:

- An original or copy of the property insurance policy and any related endorsements (including the PUD or condominium HOA's master or blanket policy), except if a mortgage impairment or mortgagee interest insurance policy is maintained in lieu of maintaining individual loan insurance; or
- A certificate of insurance or evidence or declarations of insurance that contains the following information:
  - Named insured and Mortgagee (for PUD or condominium units, the named insured association, unit owner, and unit owner Mortgagee);
  - Address of the Mortgaged Property;
  - Type of coverage;
  - Amount of coverage;
  - Effective dates of coverage;
  - Deductible amount and coverage to which each deductible applies;
  - Any endorsement or optional coverage obtained and made part of the original policy;
  - Insurer's agreement to provide written notice to the Mortgagee and Borrower (or applicable unit owner Mortgagee if for a PUD or condominium unit) at least ten (10) days prior to any reduction in coverage or cancellation of the policy; and
  - Signature of an authorized representative of the insurer, if required by Applicable Law.

4.1.7 Data Files

In lieu of an original insurance policy, the insurer may provide a data file. Data files are acceptable, provided they meet the following requirements:

- The data file contains sufficient information about the insurance policy, the Mortgaged Property, and the Borrower to allow the Servicer to monitor and maintain property insurance in accordance with MPF Program requirements;
- The Servicer's errors and omissions insurance policy must provide coverage for electronic data transfers and provide full protection for the Servicer and the MPF Provider against losses incurred as the result of erroneous data files or transfers;
- The insurance carrier must provide the Servicer written confirmation that the data file is equivalent to a printed policy;

- The Servicer must have adequate procedures in place to mitigate risk exposure associated with not having an original hard copy of the policy. These procedures may include requiring the insurer to certify to the accuracy of the information; and
- The Servicer must be able to produce legible hard copies of the actual insurance policies and proof of premium payments if requested by the MPF Provider.

4.1.8 Mortgage Impairment or Mortgagee Interest Insurance

If the Servicer elects not to maintain the required property or flood insurance documentation, it must carry mortgage impairment or mortgagee interest insurance that meets the following requirements:

- The policy is underwritten by an insurer currently rated B / IV or better in Best's Insurance Reports. Policies issued by Lloyd's of London are also acceptable. The insurer is licensed or otherwise authorized by law to do business in the jurisdiction where the Mortgaged Property is located;
- The policy provides coverage for the MPF Provider and / or the Servicer;
- The policy provides coverage in scope and amounts no less than those required by the MPF Program for fidelity and E&O insurance;
- The policy provides for written notice to the MPF Provider and the Servicer, no less than one hundred and eighty (180) days prior to canceling or terminating the coverage; and
- The policy is approved by any regulatory authority to which the Servicer is subject, if such approval is required.

In addition to all other remedies of the MPF Bank provided for in the Applicable Agreement, the Servicer will indemnify the MPF Provider for any loss the MPF Provider incurs due to the Servicer's failure to substantiate that the required insurance is in force on the Mortgaged Property. This indemnification obligation of the Servicer shall not be limited to the amount of coverage in force under a mortgage impairment or mortgagee interest policy.

4.2 Additional Insurance Requirements for Condos and PUDs

In addition to the insurance requirements for single family residences, units in condominiums or PUDs must maintain additional property insurance as described in this section.

Premiums for any insurance policies required to be maintained by the HOA must be paid by the HOA as a common expense. The HOA must have funds in its reserves specifically designated for each deductible.

The HOA for all condominium and PUD projects must maintain a blanket or master policy that provides for All Risk Coverage to protect the buildings, common elements, fixtures, equipment, and common personal property owned by the HOA. Self-insurance for the subject condominium project or an insurance policy covering unaffiliated condominium associations or projects is not permitted.

Unless acceptable mortgage impairment or mortgagee interest insurance is provided, the Servicer must verify that the Mortgaged Property is covered at all times by a blanket fire insurance policy that provides coverage for the individual units in the condominium or PUD project. The blanket fire policy must have extended coverage insuring against hazard losses.

The blanket or master policy maintained by the condo or PUD HOA must provide coverage at least equal to the lesser of:

- The aggregate of the unpaid Principal Balances of all mortgages secured by units in the condominium or PUD project; or
- One hundred percent (100%) of the insurable value of the project improvements, including all individual units.

The HOA must be the named insured on the blanket or master policy. An exception is made for condominium projects where the legal documents allow the policy to designate an authorized representative of the HOA, including the insurance trustee, as the named insured. The named insured for each policy maintained by the HOA must be similar in form and substance to the following:

- "Association of Owners of the [Name of Condominium Project or PUD] for use and benefit of the individual Condominium or PUD Unit owners" (designated by name, if required).

Each insurance policy must contain the standard mortgagee clause endorsed to provide that any disbursements will be paid to the HOA for the use and benefit of Mortgagees as their interests may appear, or otherwise endorsed to fully protect the interest of the MPF Provider.

The blanket or master policy must require that the insurer provide written notice to the HOA and each Mortgagee at least ten (10) days prior to cancelling or reducing the insurance coverage.

The following special endorsements are also required for the condominium project:

- An Inflation Guard Endorsement, when it can be obtained;
- Building Ordinance or Law Endorsement;
- Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. (This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of two million dollars ($2,000,000) or the insurable value of the boiler or machinery and building(s) housing the boiler or machinery); and
- Special Condominium Endorsement, which must provide that any Insurance Trust Agreement will be recognized, the right of subrogation against unit owners will be waived, the insurance will not be prejudiced by any acts or omissions of individual unit owners that are not under the control of the owners' association, and the policy will be primary, even if a unit owner has other insurance that covers the same loss.

If there is a construction code provision that would require changes to undamaged portions of the building in which a Mortgaged Property is located even when only part of a building is destroyed by an insured hazard, the Servicer must ensure that each insurance policy contains the necessary construction code endorsements.

If the PUD project's blanket or master policy does not provide coverage for each unit, then the Borrower must maintain an individual property insurance policy.

If the condominium blanket or master policy does not cover the individual condominium units (including interior improvements), then the Borrower must maintain an HO-6 policy with sufficient coverage to fully restore the condo to its prior condition in the event of a hazard loss.

4.3 Other Insurance

This section covers the guidelines for flood and other special property insurance.

4.3.1 General

Servicers must have procedures in place to confirm that the required property insurance coverage is in place at all times on the Mortgaged Property. Where the Servicer is aware that a Mortgaged Property is exposed to any recognizable hazard against which All Risk Coverage or fire and extended coverage insurance does not afford protection, the Servicer must obtain appropriate additional coverage. The MPF Provider may require at its discretion that the Servicer obtain appropriate additional coverage.

4.3.2 Flood Insurance

Flood insurance is required for any Mortgaged Property where any part of the principal structure is located in a Special Flood Hazard Area ("SFHA"), as delineated on flood maps issued by the Federal Emergency Management Agency ("FEMA"). In addition, flood insurance is required for any residential detached structure that is located in an SFHA and serves as part of the security for the Mortgage Loan. If detached non-residential buildings—such as standalone garages, sheds, or greenhouses—are located in an SFHA, but the principal structure is not in an SFHA, then flood insurance is not required.

The Servicer must comply with all provisions of the National Flood Insurance Program, as authorized by the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 and the 1994 National Flood Insurance Reform Act. During the term of the Mortgage Loan, the Servicer must ensure that flood insurance is maintained, or added if the Servicer becomes aware that the Mortgaged Property subsequently becomes part of an SFHA. The Servicer must have procedures to monitor all Mortgaged Properties annually to determine if any Mortgaged Property is located in an SFHA. If the Servicer determines that the Mortgaged Property is located in an SFHA, the Servicer must notify the Borrower of the flood insurance requirements in accordance with the provisions of the Guides. If the Servicer does not receive proof of flood insurance after forty-five (45) days from the original notification to the Borrower, the Servicer must force-place the flood insurance coverage.

Flood insurance should be in the form of the standard policy issued under the National Flood Insurance Program (NFIP). A Policy Declaration page is acceptable evidence of flood insurance coverage.

The Servicer must maintain in the Mortgage Loan File all flood insurance documents necessary to comply with Applicable Law.

4.3.3 Flood Insurance for One- to Four-Unit Properties

The minimum amount of flood insurance required for one- to four-unit properties is the lowest of:

- 100% of the replacement cost of the insurable improvements;
- The maximum insurance available under the National Flood Insurance Program; or
- The unpaid Principal Balance of the Mortgage Loan.

The minimum coverage requirements for one- to four-unit properties also apply to individual PUDs and detached condominium units.

Refer to the National Flood Insurance Program for current limits. The deductible for coverage on a single-family property must not exceed the maximum deductible amount permitted under the NFIP.

4.3.4 Flood Insurance for Condos

Separate flood insurance policies are not required for the individual units in a condominium project. The HOA is required to obtain appropriate flood insurance for each building that is located in an SFHA. The flood insurance policy maintained by the HOA association must be at least equal to the lowest of:

- One hundred percent (100%) of the full replacement cost of the insurable improvements;
- The maximum insurance available from the NFIP; or
- The aggregate of the unpaid Principal Balances of all Mortgage Loans secured by units within the condominium project.

If the unpaid Principal Balance is the lowest of the three options, the flood insurance policy must equal at least eighty percent (80%) of the replacement costs of the insurable improvements.

If the minimum coverage requirements for the master policy are met, but the master policy does not meet the minimum coverage requirements for one- to four-unit residences, then the unit owner may obtain a flood insurance policy to cover the difference.

The HOA must maintain contents coverage for the building, which must equal 100% of the insurable value of the contents that HOA members own in common.

Unless a higher maximum deductible amount is required by state law, the deductible amount for policies covering condominium common areas and condominium common elements must not exceed the maximum deductible amount permitted under the NFIP.

Funds to cover this deductible amount should be included in the HOA's operating reserve account.

4.3.5 Flood Insurance for PUDs

The policy for a PUD project should cover any common element buildings and any other common property located in an SHFA. Flood insurance for individual PUD units (attached and detached) must meet the flood insurance coverage requirements for one- to four-unit properties (as described above).

Unless a higher maximum deductible amount is required by state law, the deductible amount for policies covering PUD common areas must not exceed the maximum deductible amount permitted under the NFIP. Funds to cover this deductible amount should be included in the homeowners association's operating reserve account.

4.3.6 Coastal Barrier Resources System or Otherwise Protected Area

Properties located in the Coastal Barrier Resources System or an Otherwise Protected Area must maintain flood insurance. If the community does not participate in the Costal Barrier Resources System or Other Wise Protected Area, flood insurance coverage in accordance with MPF Program Guidelines must be maintained for the Mortgaged Property. The flood insurance coverage may be a private policy or an NFIP policy.

4.4 Liability Insurance

The HOA association for a PUD or condominium project must maintain a comprehensive general liability insurance policy covering the entire project including all common areas, public ways, commercial space that is owned by the HOA, even if they are leased to others, and any other areas that are under the supervision or control of the HOA. The commercial general liability insurance policy should provide coverage for bodily injury and property damage that result from the operation, maintenance, or use of the project's common areas and elements.

The amount of coverage should be at least one million dollars ($1,000,000) for bodily injury and property damage for any single occurrence.

The policy must contain a severability of interest endorsement preventing the insurer from denying the claim of a condominium or PUD unit owner because of negligent acts of the HOA or other unit owners. The policy must include any other coverage or endorsement generally required by Applicable Standards.

The policy should provide for at least ten (10) days' written notice to the HOA before the insurer can cancel or substantially modify it.

4.5 Fidelity Insurance

All condominium projects and PUD projects consisting of more than twenty (20) units that contain only attached dwellings must have blanket fidelity insurance coverage for anyone who handles (or is responsible for) funds held or administered by the homeowners association, whether or not that individual receives compensation for services. The insurance policy should name the homeowners association as the insured and the premiums should be paid as a common expense by the homeowners association. The policy for a condominium project must include a provision that calls for ten (10) days' written notice to the homeowners association before the policy can be canceled or substantially modified for any reason.

A management agent that handles funds for the homeowners association should be covered by its own fidelity insurance policy, which must provide the same coverage required of the homeowners association. The management agent must furnish proof of such coverage to the homeowners association.

The fidelity insurance policy should cover the maximum funds that will be in the custody of the homeowners association or its management agent at any time while the policy is in force. Where the condominium or PUD project's legal documents require that it or its management agent adhere to at least one of the following financial controls, the minimum amount of fidelity insurance coverage only needs to be equal to the sum of three (3) months of assessments on all units in the project:

- Separate depository accounts are maintained by the homeowners association or management agent for the association's working account and the reserve account(s), each with appropriate access controls, and the homeowners association receives copies of the monthly account statements directly from the institution where the accounts are maintained;
- The management agent maintains separate records and depository accounts for each homeowners association using its services, and does not have authority to draw checks on, or to transfer funds from, the reserve account(s) of the owners' association; or
- Two or more members of the Board of Directors are required to sign any checks written on the reserve account(s).

In a state that has statutory fidelity insurance requirements, the MPF Program will accept the state's requirements in place of the MPF Program's.

4.6 Property Loss Events and Insurance Loss Settlements

This section covers the guidelines for handling property loss events and insurance loss settlements. PFIs must comply with all requirements of the applicable Government Agency.

4.6.1 General Property Loss Requirements

The Servicer shall promptly take appropriate action to protect the MPF Provider's interest in the event of a hazard, flood, or other property damage loss, obtaining details of the damage, confirming that the Borrower is filing timely claims, monitoring timely completion of repairs, controlling disbursements of settlement funds, and documenting actions and the basis for its decisions in the Mortgage Loan File.

More specifically, the Servicer's responsibilities include the following:

- As required for within this Guide, Servicers are required to notify the MPF Provider of the loss and recommending appropriate action;
- Performing a property inspection and providing the results of the inspection to

the MPF Provider upon request;

- Notifying the MPF Provider, if the property is abandoned or vacant, and securing it from vandalism and the elements;
- Complying with the provisions in the Security Instrument relating to insurance settlements;
- Receiving reports of property damage insurance losses, ensuring that proof of loss statements are properly filed, helping the Borrower determine needed repairs, obtaining necessary bids, reviewing and approving final plans for repair, and being named as payee on all insurance loss drafts (subject to Applicable Standards);
- If the Servicer is unable to contact the Borrower (or it appears that the Mortgaged Property has been abandoned), the Servicer should determine the general extent of the damage and the required repairs, take appropriate measures to protect the Mortgaged Property from further damage, and contact the insurance carrier to determine whether the Borrower has submitted a claim. If the Borrower has not filed a claim, the Servicer should file a proof of loss under the standard mortgagee clause and collect the Insurance Proceeds and apply such payments as provided in the Security Instrument and this Servicing Guide;
- Collecting, endorsing, and disbursing the Insurance Proceeds, providing progress inspections and payment, as necessary, and assuring that repairs are completed in a workmanship like manner according to final plans and that the pre-loss value of the Mortgaged Property is restored, as necessary;
- Any funds not disbursed to the Borrower should be escrowed in an interest-bearing account for the Borrower's benefit. The account must yield an amount of interest that is equivalent to the interest that the Borrower could expect to obtain from a passbook savings account or a money market account, and must be in a depository institution that meets the MPF Program's eligibility criteria for custodial depositories. The depository account also must provide for all interest earned on the funds to be credited to the account at least quarterly. The Servicer must pay the accumulated interest to the Borrower at the end of the property reconstruction period, unless the Borrower requests an earlier disbursement;
- Complying with all applicable mortgage insurer/guarantor requirements pertaining to the filing of claims and the settlement of insurance losses so that the mortgage insurance or guaranty is not jeopardized, including filing all required notices and making a part of the individual loan record any mortgage insurer/guarantor letter of assurance that the insurance or guaranty will continue in full force and effect;
- Ensuring that the priority of the lien of the Security Instrument is preserved by complying with all lien laws. Such precautions should include arranging for and authorizing the restoration or rehabilitation work, assuring through the receipt of Borrower affidavits, repair contract copies, and lien waivers that the priority lien of the Mortgage Loan is maintained, and that all other actions necessary to avoid

materials or mechanics' liens being filed against the Mortgaged Property are done;

- Applying the Insurance Proceeds to reduce the outstanding Principal Balance of the Mortgage Loan with the excess, if any, paid to the Borrower, if restoration or repair is not economically feasible or if the security of the Mortgage Loan would be impaired; and
- Causing the insurance companies to deliver all insurance loss drafts, notices, policies, billings, and other documents directly to Servicer.

The Servicer shall not enter into, nor incur legal expenses for litigation, with regard to a claim without written direction received from the MPF Provider.

If the Servicer fails to discover loss or damage that reasonably should have been discovered and fails to act in a timely manner, it will be liable for any resulting additional damage or loss.

4.6.2 Personal Property Losses

Insurance Proceeds obtained as a result of a claim for the loss of personal property, when no damage has been sustained to the Mortgaged Property, should be forwarded directly to the Borrower.

4.6.3 Release of Insurance Proceeds

Generally, property damage Insurance Proceeds should be applied to the restoration and repair the damaged Mortgaged Property, and the Insurance Proceeds balance should be deposited into one or more separate Escrow Accounts, so that the balance on deposit in such accounts is fully insured at all times. If the Insurance Proceeds will not be applied to the repair and restoration of the Mortgaged Property, then the Insurance Proceeds must be deposited into the respective P&I Custodial Account. When required in this Guide, the Servicer shall report settlements to the MPF Provider on a Property Insurance Loss Draft Notification Form (Form SG342), together with a summary of the disposition of the proceeds.

Servicers should assess the extent and impact of the damage and after consult with the Borrower to ensure that the damage will be appropriately repaired, and take into account whether:

- the Mortgaged Property is occupied,
- the loss is a total or near total loss,
- the insured improvements are repairable,
- the security has been lessened.

The amount of the Insurance Proceeds, the contractor's estimate, the prevailing down payment amount being requested by contractors, and the length of time for repairs to be completed, should all be considered by the Servicer in deciding whether to disburse the proceeds for the repairs and restoration in a single payment or in a series of progress payments as work is completed. The Servicer must monitor the progress of the repair work through periodic property inspections and conduct final inspections to ensure all repairs are completed. All actions must be properly documented in the Mortgage Loan file.

In addition, decisions regarding the amount and timing of disbursements must be made based on the status of the Mortgage Loan at the time of the loss event, as is more fully described in below subsections.

If the Borrower has made advance payments to the contractor and/or to purchase materials, then the Servicer is authorized to reimburse the Borrower by releasing insurance loss proceeds as evidenced by paid receipts. Receipts are not necessary if the loss proceeds are less than or equal to $40,000.

4.6.3.1 Mortgage Loans Current or Less Than 31 Days Delinquent (10/28/25)[11]

If the Mortgage Loan status is current or less than 31 days delinquent at the time of the loss event the Servicer must follow the requirements below when disbursing Insurance Proceeds:

- When the Insurance Proceeds are less than or equal to $40,000, the Servicer:
    - is authorized to release such proceeds directly to the Borrower without obtaining prior approval from the MPF Provider.
- If the Insurance Proceeds are greater than $40,000, the Servicer:
    - is authorized to release cumulative disbursements up to the greater of:
        - $40,000;
        - 33% of the Insurance Proceeds; or
        - the amount by which the release funds exceed the sum of the UPB, accrued interest, and advances on the Mortgage Loan.
    - Once the Servicer has disbursed up to the greater of the amounts listed above, the Servicer is required to obtain written approval prior to disbursing any additional funds by submitting a Property Insurance Loss Draft Notification Form (Form SG342) via eMAQCSplus to the MPF Provider and must include the following supporting documentation:
        - insurance Adjuster's Report,
        - copy of the Settlement Check (front and back),
        - contract for repairs, and
        - inspection showing completion of the repairs to date (pictures and an attestation of completion of the work from the PFI or the contractor on the PFIs letterhead).
    - Once the Servicer receives approval from the MPF Provider, the Servicer is authorized to disburse any remaining funds based on periodic inspections of the progress of the repairs.

[11] MPF Announcement 2025-85 (10/28/25)

4.6.3.2 Mortgage Loans 31 or more Days Delinquent

If the Mortgage Loan status is 31 days or more delinquent at the time of the loss event the Servicer is authorized to disburse Insurance Proceeds without obtaining prior approval if the Insurance Proceeds are disbursed as follows:

- less than or equal to $5,000: in one payment.
- greater than $5,000, in:
  - an initial disbursement of 25% of the total Insurance Proceeds but no more than $10,000, and
  - remaining funds in increments not to exceed 25% of the Insurance Proceeds following inspection of the repairs.

Servicer must report settlements to the MPF Provider on a Property Insurance Loss Draft Notification Form (Form SG342), and must include the insurance Adjuster's Report, copy of the Settlement Check (front and back), together with a summary of the disposition of the proceeds. Servicers should also evaluate Borrower for applicable loss mitigation options.

4.6.4 Total or Near Total Loss

After discussing with the Borrower plans for repairing the Mortgaged Property, the damage should be reported to the MPF Provider on the Hazard Insurance Loss Draft Notification form (Form SG342), including the Servicer's recommendation to either initiate repair of the Mortgaged Property or apply the proceeds to reduce the Mortgage Loan. If the Borrower is willing to repair the Mortgaged Property and the restoration or repair is economically feasible, the Servicer must follow either option (1) or (2) below:

1. If the Insurance Proceeds exceed the total amount due on the Mortgage Loan (including unpaid principal, accrued interest and any advances), the excess should be disbursed to the Borrower; or
2. If the Insurance Proceeds do not exceed the total amount due on the loan (including unpaid principal, accrued interest and any advances), the Servicer may release insurance proceeds to the Borrower based on the status of the Mortgage Loan at the time of the loss as provided for above.

In both instances the contractor's estimate should be reviewed to determine the method of disbursement for the remaining funds. Progress and completion of the repair work should be monitored through property inspections, including a final inspection to confirm that all repairs are completed. The final disbursement should be made payable to both the Borrower and the contractor.

However, the Servicer must recommend to the MPF Provider an appropriate action and provide any applicable supporting documentation, if the Mortgage Loan is in Foreclosure or the Mortgaged Property has been abandoned.

In most cases, the Servicer should disburse the Insurance Proceeds to the Borrower and the repair contractor when the restoration or repairs have been completed and inspected, although progress payments can be made as portions of the work have been completed and inspected. All actions should be properly documented in the Mortgage Loan File.

If the improvements on the Mortgaged Property have been completely destroyed and the Insurance Proceeds equal or exceed the unpaid Principal Balance of the Mortgage Loan, the Servicer shall obtain permission from the MPF Provider to liquidate the Mortgage Loan. If the Note or Security Instrument for the Mortgage Loan requires the Insurance Proceeds to be used to repair, restore, or reconstruct the improvements on the Mortgaged Property, then the Servicer must liquidate the Mortgage Loan by purchasing or repurchasing it.

4.6.5 Major Disasters (10/28/25)[12]

In the event that a Mortgaged Property is located in an area affected by a Major Disaster, the Servicer must not take any action that would jeopardize the full recovery of a property, flood, or other insurance settlement. Servicer must report settlements to the MPF Provider on a Property Insurance Loss Draft Notification Form (Form SG342), via eMAQCSplus and must include the insurance Adjuster's Report, copy of the Settlement Check (front and back), together with a summary of the disposition of the proceeds.

Servicers are required to follow the applicable Government Agency requirements for providing Major Disaster assistance.

4.6.6 Uninsured Disaster or Vandalism Losses

When a disaster or Borrower vandalism results in uninsured losses, the Servicer shall take action to protect the MPF Provider's interest as follows:

- Promptly ascertain the extent of the damage to the Mortgaged Property and whether value still exists;
- Protect abandoned property against vandalism and the elements when value still exists;
- Forward a completed report of its findings and send by email to the MPF Provider along with recommendations as to any action that should be taken to protect the interest of the MPF Provider and the Borrower;
- Closely communicate with the Borrower(s), counsel them, provide assistance through forbearance or modification where warranted, and familiarize them with any disaster relief programs

  available; and
- For Government MBS Mortgage Loans, comply with all requirements of the applicable Government Agency.

If the Servicer receives a "notice of intent" letter from a mortgage insurer regarding the insurer's intent to reduce a claim due to damage or general condition of the Mortgaged

[12] MPF Announcement 2025-85 (10/28/25)

Property, the Servicer must promptly notify the MPF Provider and provide the following items to the MPF Provider:

- A copy of the mortgage insurer's letter indicating notice of intent to curtail or reduce the claim;
- A copy of the property inspection report indicating damage;
- A copy of a recent broker's price opinion indicating damage (if available);
- A copy of repair bids (supplied by mortgage insurer);
- A copy of the mortgage insurer checklist (if applicable);
- A copy of the original Appraisal;
- A copy of the hazard claim;
- A copy of the hazard claim results (if available);
- A copy of the collection efforts for the past twelve (12) months; and
- A payment history for the past twelve (12) months.

Written permission must be obtained from the MPF Provider prior to accepting a claim reduction. The mortgage insurer will stop paying interest on the claim after ten (10) days from the date the notice of intent was issued and will not resume paying interest until they have received the decision regarding the claim reduction. Any interest lost due to the Servicer's negligence or delay in forwarding hazard loss information to the MPF Provider will result in such loss being borne by the Servicer.

Once the Servicer receives permission from the MPF Provider, the Servicer is responsible for communicating the decision to the mortgage insurer. Acceptance of the claim reduction by the MPF Provider does not represent approval for the hazard loss.

4.7 Mortgage/Guaranty Insurance

This section describes the requirements for servicing Loans with mortgage/guaranty insurance.

4.7.1 Required Coverage

The Servicer must ensure that the mortgage/guaranty insurance coverage required when the Mortgage Loan was purchased remains in effect for as long as required under the MPF Program by paying all renewal premiums when due.

For Government MBS Loans, the Servicer shall require each Borrower to keep in force mortgage insurance or guaranty provided by the applicable Government Agency. The Servicer must follow the applicable Government Agency's guidelines for notifying them of the sale of the loan to the MPF Provider.

4.7.2 Mortgage Insurance Claims

See Servicing Guide Chapter 10.6 for MI claim filing procedures.

The Servicer is required to provide the MPF Provider with copies of all notices, mortgage insurance explanation of benefits forms, claims forms, and any other documents received from or sent to any mortgage insurer or guarantor.

4.7.3 Loss Due to Untimely Claim

The Servicer shall indemnify the MPF Provider against losses resulting from the Servicer's failure to submit a Notice of Delinquency claim to the applicable mortgage insurer within the time limits specified in the mortgage insurance policy.

4.7.4 Loss Due to Insufficient Coverage

The Servicer shall indemnify the MPF Provider against any uninsured loss resulting from Servicer's maintenance of insurance in an amount less than the amount required in the Guides. Alternatively, the Servicer may be required to repurchase the Mortgage Loan.

4.7.5 Loss Due to Lapsed, Cancelled, or Contested Policy

The Servicer shall indemnify the MPF Provider against any uninsured loss resulting from failure of the Servicer to comply with the terms and conditions of an MI policy or to maintain or cause to be maintained mortgage insurance as required by the Guides. Alternatively, the Servicer may be required to repurchase the Mortgage Loan at its outstanding principal balance and all interest due to date of repurchase.

4.7.6 Claim Adjustments by Mortgage Insurer

The amount by which any Mortgage insurance claims have been adjusted (i.e. the claim amount has been reduced) by the insurer by reason of a servicing deficiency will be paid by the Servicer to make the MPF Provider whole. The Servicer shall pay the amount of the reduced or adjusted claim to the MPF Provider within sixty (60) days of demand.

4.8 Title Insurance

The Servicer must ensure the title policy for each Mortgage Loan is maintained until the loan is paid in full. The Servicer shall not reduce the amount or change the scope of coverage under any title insurance policy, or otherwise do or authorize any act or omission that would affect the coverage of any title insurance policy, unless the Servicer has received written direction from the MPF Provider specifying the amount(s) or scope to which the coverage is to be changed.

The Servicer must perform and comply with all requirements and conditions of each title insurance policy for each Mortgage Loan and the related Mortgaged Property that are to be performed or observed by the "insured" or obligee as a condition to maintaining and keeping it in force or making a claim.

The Servicer must notify the MPF Provider simultaneously with the making of any title claim. The Servicer shall be named as a payee on all title insurance loss drafts. Upon receipt of funds, the Servicer shall credit the funds to the P&I Custodial Account up to an amount equal to the sum of:

- The unpaid Principal Balance of the Mortgage Loan and any accrued interest;
- Any outstanding advances; and

- Any expenses owed by the Borrower.

Any remaining funds shall then be deposited into the T&I Custodial Account. The Servicer must disburse the proceeds of any settlement in accordance with the MPF Provider's instructions.

CHAPTER 5. ASSUMPTIONS AND UNAUTHORIZED TRANSFERS

5.1 General (12/3/25)[13]

Mortgage Loans may be assumed only by individuals meeting the current MPF Program eligibility and underwriting requirements. The Servicer may permit the Assumption of a defaulted Mortgage Loan to prevent a Foreclosure or Deed-in-Lieu of Foreclosure if the Servicer believes the default is unlikely to be cured with a loss mitigation workout option.

Mortgage insurer approval is required on all assumptions as outlined below. The liability of the original Borrower(s) is not released except where the Note requires same. When release of liability is required by the Note, the respective mortgage insurance release in writing is required, as applicable.

All Assumptions must be reported to the MPF Provider by submitting the Form SG341: Release of Security via eMAQCSplus..

If the Security Instrument has MERS as nominee for the lender, as the named beneficiary, and a Borrower is added and assumes the outstanding mortgage debt, the Borrower would sign the MERS Assumption Agreement. The Servicer is responsible for entering the new Borrower information on the MERS system.

5.2 Unauthorized Assumptions

When a Servicer becomes aware of an unauthorized assumption, the Servicer must notify the MPF Provider via email at MPF-Help@fhlbc.com and applicable mortgage insurer or guarantor immediately and include any relevant information. Upon receiving written permission from the MPF Provider and the applicable mortgage insurer or guarantor, the Servicer shall accelerate the Mortgage Loan pursuant to the Due-on-Sale clause of the Security Instrument.

5.3 Junior Lien Assumption

Non-qualifying junior lien holders are not authorized to assume any Mortgage Loans, or hold title subject to any Mortgage Loan after Foreclosure of the junior lien. The Servicer shall require payment in full of any Mortgage Loan within ten (10) days of the junior lien holder's Foreclosure sale. Failure by the junior lien holder to pay the Mortgage Loan in full is a transfer without the Servicer's consent. The Servicer shall accelerate the Mortgage Loan upon notification that a junior lien holder has acquired the Mortgaged Property. In the event the foreclosing junior lienholder is a nonprofit or government entity, the Servicer shall inform the MPF Provider within three (3) days of the junior lienholder's Foreclosure sale for direction on how to proceed.

5.4 Permitted Fees and Charges

Servicers are permitted to charge the Borrower an assumption fee.

5.5 Approval Process

[13] MPF Announcement 2025-94 (12/3/25)

The Servicer will process the request for an assumption by underwriting the Mortgage Loan according to that loan's qualifying requirements, as set out in the Selling Guide, the Security Instrument, and by the mortgage insurer.

All other qualifying documents necessary to protect the Mortgage Loan's lien, including the updated mortgage insurance certificate, are the responsibility of the Servicer.

CHAPTER 6. AMENDMENT OF SECURITY INSTRUMENTS

6.1 General

The Servicer is responsible for ensuring the instruments used in connection with changes affecting Mortgage Loans are in proper form, and that all requirements under Applicable Laws are met.

Any monies received and applied to the Mortgage Loan for a release, easement, or other amendment or modification shall be set forth in the Mortgage Loan File. If appropriate, the Servicer should inform the taxing authority of the release of real property and request an adjustment of any taxes levied or to be levied. A certified copy of the instrument used to complete the transaction must be sent to the appropriate mortgage insurer.

6.1.1 Notification of the MPF Provider (12/3/25)[14]

Servicers must process Borrower requests in accordance with Government Agency requirements and must have prior written approval from the applicable Government Agency. For each request, Servicers must gather the required documentation pursuant to the applicable Government Agency requirements, retain the documentation in the mortgage loan file, and notify the MPF Provider once the request has been processed by submitting the Form SG341: Release of Security via eMAQCSplus.

6.2 Removal of a Co-Borrower

Generally, no requests to remove a co-Borrower will be considered within twelve (12) months of the loan Closing date. Thereafter, requests will be considered on a case-by-case basis, if the requirements in this section are met.

Release agreements must be prepared by the Servicer and executed by all parties. The Servicer is responsible for ensuring the statements in the release are accurate, and that the release complies with Applicable Laws.

6.2.1 Release of Liability

The removal of a Borrower with a release of liability is acceptable if the following conditions are met:

- The transfer of ownership of the Mortgaged Property is exempt from enforcement of the due-on- sale-clause;
- Supporting documentation for the release of liability is provided by the Borrower;
- The current market value of the Mortgaged Property has not decreased from the property value at origination. Depending on the original loan-to-value ratio, the age of the Mortgage Loan, and other circumstances, the Servicer may require a complete new Appraisal report (cost paid by the remaining Borrower);
- The remaining Borrower has been deemed creditworthy in accordance with underwriting requirements in the Selling Guide;

[14] MPF Announcement 2025-94 (12/3/25)

- The security will not be impaired by the release of liability;
- The remaining Borrower was a signer on the original Note;
- Pre-approval by the mortgage insurer has been obtained;
- Copies of any agreement between Borrowers is retained in the Mortgage Loan File;
- The terms of the Security Instrument and the Note will remain the same, other than removing the liability of a co-borrower;
- The Servicer follows all Applicable Laws related to executing a release agreement or other transfer of ownership;
- The Servicer advises the property insurance company, tax authorities, and if applicable, the flood insurance company and other interested parties; and
- If the Security Instrument has MERS as the nominee for the lender, as the named beneficiary, the Servicer must remove the one Borrower and enter the remaining Borrower information on the MERS system.

6.2.2 No Release of Liability

The removal of a Borrower without a release of liability is acceptable if the following conditions are met:

- The specific reason for the removal is provided by the Borrower;
- Copies of any agreement between Borrowers are retained in the Mortgage Loan File;
- A Copy of instrument transferring title is retained in the Mortgage Loan File; and
- A Copy of notification to the mortgage insurer is retained in the Mortgage Loan File.

If the Security Instrument has MERS as nominee for the lender, as the named beneficiary, and a Borrower is removed, the Servicer is responsible for removing the one Borrower and entering the remaining co-Borrower information on the MERS system.

6.3 Addition of Co-Owner

Generally, no requests for partial transfers of any right, title, or interest in a Mortgaged Property will be considered within twelve (12) months of the loan Closing date. Thereafter, requests will be considered on a case-by-case basis. Partial transfers are generally allowed only to a new spouse of the Borrower who will hold title either as a joint tenant or as community property.

6.4 Unauthorized Transfers

When a Servicer becomes aware of an unauthorized transfer, the Servicer shall notify the MPF Provider and applicable mortgage insurer or guarantor immediately. Upon written authorization by the MPF Provider and the applicable mortgage insurer or guarantor, the Servicer shall accelerate the Mortgage Loan pursuant to the Due-on-Sale clause of the Security Instrument.

6.5 Transactions Exempt from Due-On-Sale Clause

Under the Garn-St. Germain Depository Institutions Act of 1982, the Servicer shall not enforce the Due-On-Sale clause for certain types of transfers or related transactions. In the following cases when the Mortgaged Property is occupied or is to be occupied by the Borrower or transferee, the Servicer shall not enforce the Due-On-Sale clause:

- A transfer of the Mortgaged Property to a relative as a result of the Borrower's death;
- A transfer of the Mortgaged Property to the Borrower's spouse or child/children;
- A transfer of the Mortgaged Property by devise, descent, or operation of law on the death of a Borrower who is a joint tenant or tenant by the entirety;
- A transfer of the Mortgaged Property to a spouse under a divorce decree or legal separation agreement or from an incidental property settlement agreement;
- A transfer of the Mortgaged Property into an inter vivos trust, as long as the Borrower will be the beneficiary of the trust and will remain the occupant of the Mortgaged Property;
- The creation of a subordinate lien, as long as it does not relate to a transfer of rights of occupancy in the Mortgaged Property;
- The creation of a purchase money security interest for household appliances; and
- The granting of a leasehold interest in the Mortgaged Property with a term of three (3) years or less, that does not provide an option to purchase.

6.6 Partial Property Releases

This section addresses the requirements for processing partial release requests.

6.6.1 General

All partial releases of the Mortgaged Property, easements, requests to substantially alter the Mortgaged Property, and any other changes affecting the Mortgaged Property must have prior written approval from the applicable mortgage insurer or Government Agency.

The Servicer must review applicable legal documents for the proposed partial release and ensure that any requirements specified in the Security Instrument related to granting a partial release or easement are met.

The Servicer may decline a partial release request without obtaining the MPF Provider's prior approval if it is determined that the partial release would adversely affect the value or use of the Mortgaged Property.

Prior approval from the MPF Provider is required for processing a partial release unless the following conditions are met:

- The Borrower's monthly Mortgage Loan payment is current and has not been over thirty (30) days past due more than once in the last twelve (12) month period;
- The Mortgage lien will remain in first lien position and not be affected by any claims of subordinate lien holders;

- The reduction in the value of the remaining Mortgaged Property is not greater than the amount of cash consideration, and the remaining Mortgaged Property adequately secures the unpaid Principal Balance of the Mortgage Loan;
- The portion of the Mortgaged Property to be released does not contain any improvements that are material to the residential improvements on the remaining Mortgaged Property; and
- The remaining LTV after release will not exceed sixty percent (60%).

If any of the following apply, a new interior/exterior inspection Appraisal is required and must show separate values for the land and for the improvements, and must indicate the market value of the Mortgaged Property before and after the proposed release:

- The current LTV of the Mortgage Loan, based on the original value, is greater than sixty percent (60%);
- The value of the released property is estimated by the Servicer to be ten thousand dollars ($10,000) or greater;
- The Borrower receives a consideration greater than five percent (5%) of the original value of the Mortgaged Property, or there is no consideration received; or
- The transaction is not at arm's length.

If the current LTV exceeds sixty percent (60%) and/or the Borrower receives a consideration greater than five percent (5%) of the original value, the full amount of the consideration must be applied to the unpaid Principal Balance.

6.6.2 Mortgage Electronic Registration System (MERS)

If the Security Instrument has MERS as the nominee for the lender and as the named beneficiary, the appropriate information on the Mortgage Electronic Registration System (MERS) should be updated.

6.7 Condemnation or Eminent Domain

The Servicer shall immediately notify the MPF Provider and the mortgage insurer upon learning of any planned or impending taking by condemnation or eminent domain of any property securing a loan. Notice to the MPF Provider must include:

- MPF Loan Number;
- Borrower name(s);
- Who inquiry was received from;
- Deadline for response; and
- Any other relevant information or documents.

The Servicer is instructed to take the necessary steps to prevent the loss of mortgage insurance by reason of eminent domain.

6.8 Release of Oil, Gas, or Mineral Rights

The Servicer may process requests for release of oil, gas, or mineral rights, provided the granting of such rights meets the general requirements under 6.6.1 and the following requirements:

- The request is of the type commonly granted by private institutional mortgage investors and lenders in the area of the Mortgaged Property, and it will not jeopardize the mortgage insurance coverage;
- The exercise of such rights will not result in damage to the Mortgaged Property or impairment of the use or marketability of the Mortgaged Property for residential purposes; and
- At least one (1) of the following conditions is met and documented in the Mortgage Loan File:
    - There is no right of surface or subsurface entry within two-hundred (200) feet of the residential structure;
    - There is a comprehensive endorsement to the title insurance policy that affirmatively insures the MPF Provider against damage or loss due to the exercise of oil, gas, or mineral rights; or
    - The Mortgaged Property is insured by a homeowners insurance policy that affirmatively insures the MPF Provider against damage or loss due to the exercise of oil, gas, and mineral rights.

If the above requirements are not met and the Servicer processes a release of oil, gas, or rights, then the Servicer must either repurchase the Mortgage Loan or indemnify the MPF Provider for any loss incurred by the MPF Provider that can be attributed to the exercise of oil, gas, or mineral rights.

CHAPTER 7. BANKRUPTCY PROCEEDINGS

7.1 Bankruptcy Proceedings

The Servicer must handle all bankruptcy notifications in a timely manner, in accordance with the federal bankruptcy code. When a bankruptcy notification has been received and confirmed, all collection and foreclosure actions must cease immediately. Collection actions include any outbound phone calls, default related notices or letters, monthly billing statements, and other attempts to collect the debt. In the event a Borrower calls in, the Servicer is permitted to respond to Borrower inquiries, but no collection efforts may be made.

Borrowers may voluntarily continue to make regular mortgage payments in accordance with the terms of the Mortgage Loan or as required by a bankruptcy repayment plan.

A bankruptcy notification (Chapter 7, 11, 12, or 13) can be received through one of the following sources:

- Electronically, from Electronic Bankruptcy Noticing (EBN) or Public Access to Court Electronic Records (PACER®);
- By mail; or
- Verbally from either the Borrower or the Borrower's attorney.

Once notification of a bankruptcy has been received, the Servicer must verify the information using PACER and send the matter to the bankruptcy attorney firm. The Servicer must also provide written notice of the bankruptcy to the MPF Provider, including the following information:

- MPF Loan Number;
- Borrower name(s);
- Bankruptcy type/chapter;
- Date of filing;
- Any court deadlines; and
- Any other relevant loan or borrower information (i.e. loan status, payment history).

If the Mortgage Loan was in Foreclosure prior to the bankruptcy filing and/or there is a Foreclosure Sale pending, the Servicer must notify the Foreclosure attorney/trustee and stop the sale, unless or until relief from the automatic stay has been obtained.

The loan servicing system should be updated with the appropriate bankruptcy status code, chapter filing information, etc. The Servicer must submit to the MPF Provider, by the fifth (5th) Business Day of each month, a Delinquent Mortgage & Bankruptcy Status Report (Servicing Guide Exhibit B uploaded to eMAQCS®Plus) reporting the status of the bankruptcy regardless if the loan is current/delinquent.

When a Chapter 7 bankruptcy is filed during Foreclosure, the bankruptcy attorney must immediately file a Motion for Relief from Stay. Coordination with the Foreclosure attorney/trustee is necessary.

In accordance with the Bankruptcy Code, Servicers may keep bankrupt customers informed as to the status of their Mortgage Loan. Monthly information statements and other legally required communications, with clear language approved by the Servicer's Legal Counsel communicating that the communication is not an effort to collect on their Mortgage Loan, must be provided to customers.

Borrowers in Chapter 7 bankruptcy proceedings have the option to reaffirm their Mortgage Loan debt with a documented reaffirmation agreement. Once the reaffirmation agreement is executed and filed with the bankruptcy trustee, normal servicing routines, including collection calls, billing statements, etc., may resume.

7.2 Selection of Bankruptcy Attorneys

The Servicer must retain licensed attorneys experienced to handle bankruptcy cases in the applicable jurisdiction.

In all cases, the Servicer must advise the attorney to whom the referral is made if the MPF Provider owns or securitized the Mortgage Loan being referred.

The Servicer may not enter into or participate in any arrangements with an outsourcing company or third-party vendor pursuant to which the Servicer receives a direct or indirect benefit of any kind (e.g., a lower charge for services or a payment) for referring a bankruptcy matter to a particular attorney. Outsourcing companies or third-party vendors must not be permitted to directly or indirectly select (or influence the selection of) the attorneys.

7.3 Bankruptcy Management

This section covers the guidelines for managing bankruptcy cases.

7.3.1 Procedures

The Servicer must have established bankruptcy management procedures to address at a minimum:

- Proactively monitoring bankruptcy filings in order to identify bankruptcies at the time Borrowers actually file them;
- Establishing a case status and portfolio performance tracking system to permit the proper reporting and analysis of activity for individual cases and to monitor the overall bankruptcy management process;
- Maintaining an individual case file for each Mortgage Loan that is involved in bankruptcy proceedings;
- Referring the case to the bankruptcy attorney promptly;
- Filing a proof of claim—the circumstances under which it is required, how to prepare it, time frame for filing, etc.;
- Reviewing proposed payment plans and analyzing the results of the bankruptcy attorney's;

- negotiations to determine whether they represent adequate bankruptcy resolution provisions;
- Pursuing legal action to obtain early dismissal of the case, stay relief, plan objection, or other relevant proceedings if negotiations have failed;
- Determining when the prerequisites for filing motions for bankruptcy relief have been met;
- Establishing and maintaining a legal events record to define the status of a case at various times throughout the bankruptcy proceedings and to identify when conditions for additional legal proceedings have been met;
- Establishing procedures to ensure that the bankruptcy court and the Chapter 13 bankruptcy trustee are promptly and appropriately notified when a Mortgage Loan for which a Chapter 13 bankruptcy has been filed is included in a servicing transfer;
- Establishing and maintaining a payment compliance record to define the Borrower's and/or bankruptcy trustee's compliance with any payment plan or other court-ordered arrangement, to identify when conditions for additional legal proceedings have been met, and to take appropriate action if the Borrower fails to make payments under the plan (including filing a motion to have the automatic stay lifted when the Borrower becomes sixty (60) days delinquent under the plan);
- Ensuring that the debtor's counsel and bankruptcy trustee are notified upon a change in payment amount due an escrow analysis when necessary or appropriate;
- Initiating Foreclosure proceedings or finalizing a Foreclosure prevention alternative, if appropriate, promptly following the completion of the bankruptcy proceedings; and
- Ensuring compliance with the automatic stay and the co-debtor stay.

7.3.2 Filing Proof of Claim

The Proof of Claim (POC) establishes the claim against the Borrower and includes a right to payment and claims against the Borrower's property in a bankruptcy proceeding. The POC must be filed within the deadlines set by the court, which is usually noted on the bankruptcy notice.

Amended POCs (APOCs) must be filed promptly when needed.

The Servicer is responsible for the following:

- Referring Mortgage Loans to the appropriate attorney once bankruptcy has been filed;
- Working with the assigned attorney firm to ensure POCs are filed in accordance with timelines set by the bankruptcy court; and
- Monitoring the attorney firm to ensure all POCs are completed within the required timeline.

7.3.3 POC Amendments

A POC may require an amendment due to one or more of the following reasons:

- Incorrect or missing fees, costs, escrowed amounts, and/or loan documents;
- Compliance with Borrower, trustee, or court requests; and
- Mutual agreement by both parties to adjust the prepetition claim amounts.

When it has been determined that an APOC is required, the Servicer must request that the attorney firm file the APOC. Once the APOC is filed, the attorney firm will provide the Servicer with appropriate information to update the Servicing File.

The Servicer is responsible for the following:

- Requesting an APOC from the approved attorney firm;
- Monitoring the request to ensure the attorney firm processes the APOC within the required time frame; and
- Updating the Mortgage Loan File.

7.3.4 Challenging Bankruptcy Reductions

If the bankruptcy debtor or trustee proposes to:

- Reduce the Principal Balance of a Note;
- Reduce the related Note Rate;
- Extend the final maturity of the Note;
- Bifurcate of the claim into "secured" and "unsecured" portions (with the "unsecured" portion equal to the difference between the Principal Balance and the value of the Mortgaged Property); or
- Reduce the level of any monthly payment on the Note.

The Servicer must:

- Challenge any such modification on a timely basis;
- Refer the case to a bankruptcy attorney competent to handle such cases;
- Notify the MPF Provider immediately; and
- Follow instructions provided by the MPF Provider regarding the bankruptcy proceedings, and in the absence of explicit instructions, exercise reasonable judgment to protect the interests of the owner of the Mortgage Loan.

7.3.5 Bankruptcy Adjustments

If the action of any court results in a deficient valuation or reduced monthly payment, the Servicer must calculate the effects of such modification and notify the MPF Provider of the new Principal Balance, interest rate, final maturity, or monthly payment of the Mortgage Loan. The Servicer must verify that payments are being made in accordance with the plan approved in the related bankruptcy proceedings.

7.3.6 Cramdowns

Applicable Government Agency requirements regarding notification and reporting must be followed. Cramdowns for MPF Government MBS Loans that are not covered by Government Agency insurance or guaranty become part of the Servicer's Unreimbursed Servicing Expenses.

Any loss resulting from a cramdown that was not objected to by the Servicer will be the responsibility of the Servicer.

7.4 Bankruptcy Plan Payments

The Servicer shall hold payments made on arrearage pursuant to a plan in bankruptcy until an entire regular monthly PITI payment has accrued.

CHAPTER 8. DELINQUENCIES

8.1 General

Servicers are expected to assist all Borrowers who are facing default or are in default in avoiding Foreclosure on their home in the shortest possible time, by providing them with the most appropriate, long term home retention or Liquidation option that is available under the MPF Program.

The Servicer's collection staff must be sufficiently skilled in financial counseling and mortgage servicing techniques to assist a Borrower while at the same time protecting the interest of the MPF Provider.

Servicers are required to abide by all requirements of Applicable Laws, including CFPB Servicing Rules, when dealing with Delinquent Mortgages.

8.2 Delinquent Government MBS Loans

The Servicer must comply with applicable Government Agency requirements for Delinquency, collection efforts, loss mitigation, and required approvals.

The Servicer or its designee, may request repurchase any Government MBS Mortgage Loan where no payment is made for three (3) consecutive months for an amount equal to one hundred percent (100%) of the Mortgage's then current scheduled Principal Balance plus interest as follows:

- For all Government MBS Mortgage Loans, Scheduled Interest due on the Mortgage Loan through the end of the month of Liquidation for Scheduled/Scheduled remittance.

The principal amount of the repurchased Mortgage Loan must be reported to the Master Servicer for the reporting month of the repurchase, and remitted by the remittance date of the subsequent month. Refer to Servicing Guide Chapter 10.4.2 for Servicing and Liquidation requirements of Government MBS Mortgage Loans repurchased after reaching REO status.

For Mortgaged Properties located in federally designated disaster areas, the MPF Provider may authorize the Servicer to repurchase Government MBS Mortgage Loans secured by Mortgaged Properties that have been directly damaged by the disaster. Such Mortgage Loans have to be delinquent before they can be repurchased. Repurchases will be for an amount equal to one hundred percent (100%) of the Mortgage Loan's then current outstanding scheduled Principal Balance. If the MPF Provider does issue such an authorization, the Servicer must request written permission from the Master Servicer to purchase such Mortgage Loans and submit such request within six (6) months from the date the MPF Provider issues its authorization to repurchase.

8.3 Servicing Requirements

This section describes the guidelines for servicing Delinquent Mortgage Loans.

8.3.1 Collection Efforts

The Servicer should treat each Mortgage Loan as an individual case, based upon the Servicer's knowledge of the Borrower, the location and type of Mortgaged Property, and the extent of the Delinquency. The Servicer should make use of notices, letters, emails, telephone and personal contacts, and in general all collection methods normally employed by the industry and as required and permitted under Applicable Law, including CFPB Servicing Rules.

8.3.2 Contacting Borrowers

The Servicer must contact Borrowers with Delinquent Mortgage Loans as soon as required or permitted under Applicable Laws. Specifically, the Servicer shall establish contact with the Borrower as permitted by Applicable Law by establishing or making a good faith effort to establish live contact with Borrowers by the thirty-sixth (36^{th}) day of Delinquency to determine the cause of the Delinquency and to promptly inform Borrowers, where appropriate, that loss mitigation options are available. By the forty-fifth (45^{th}) day of Delinquency, the Servicer is also expected to provide such Borrowers with written notice of information about loss mitigation options.

The Servicer is expected to continue to contact the Borrower as permitted by Applicable Laws, until either the Mortgage Loan is brought current or the Servicer provides written notice to the MPF Provider stating that the Servicer intends to begin Foreclosure on the related Mortgaged Property.

The Servicer must maintain policies and procedures that ensure that on or before the 45th day of Delinquency, a single point of contact (SPOC) is assigned and made available to the Borrower to assist with any loss mitigation options.

The Servicer must send a Borrower a written notice on or before the forty-fifth (45^{th}) day of Delinquency that encourages the Borrower to contact the Servicer, provides the Servicer's telephone number and address to access the assigned APOC, describes examples of loss mitigation options that may be available (if applicable), provides loss mitigation application instructions or advises how to obtain more information about loss mitigation options such as contact the Servicer (if applicable), and lists either the CFPB's or HUD's website to access a list of homeownership counselors or counseling organizations and HUD's toll-free number to access homeownership counselors or counseling organizations.

8.3.3 Notices and Disclosures

The Servicer shall send all the required statements and notices regarding Delinquency and loss mitigation options, including Late Notices, Notices of Default, and Breach Letters, as required by the Applicable Standards, including the CFPB Servicing Rules. If the Servicer fails to provide the proper notices or disclosures to the Borrower and such failure results in a delay to initiate Foreclosure, the Servicer shall reimburse the MPF Provider all interest lost by reason of not being covered under any mortgage insurance/guaranty, or at the MPF Provider's option, repurchase the Mortgage Loan.

8.3.4 Records

The Servicer is required to maintain all collection related records for the period of time required by Applicable Law.

8.3.5 Property Inspections

If there have been no satisfactory arrangements made to cure the Delinquency, the Servicer shall inspect the Mortgaged Property on or before the sixtieth (60th) day of Delinquency to determine occupancy and the condition of the Mortgaged Property and to secure it as necessary. The Servicer is required to continue inspecting the Mortgaged Property monthly until the Delinquency is cured or the Mortgage Loan is liquidated. All required property inspections are at the Servicer's expense. The Servicer shall retain all property inspection reports and forward to the MPF Provider upon request. In addition, the Servicer must comply with all applicable mortgage insurer or guarantor requirements concerning property inspections.

If a Mortgaged Property is found to be unoccupied, the Servicer must immediately attempt to contact the Borrower to determine the reason for the vacancy. If the Servicer determines that the Mortgaged Property has been abandoned, the Servicer must take all actions necessary to protect the Mortgaged Property from waste, damage, and vandalism. The Servicer is responsible for advancing funds for the protection and preservation of the Mortgaged Property.

If a Mortgaged Property is vacant, abandoned, or non-owner occupied, or if evidence of hazardous waste is found on the Mortgaged Property, the Servicer shall immediately report the results of the inspection in writing to the MPF Provider. In addition, if a property inspection indicates emergency repairs are required to protect the Mortgaged Property, the Servicer should immediately contact the MPF Provider.

The Servicer is responsible for complying with all Applicable Laws when a Mortgage Property is determined to be vacant or abandoned, these actions may include, but are not limited to, registering the property with the municipality or securing the property in a specified manner.

Where the Mortgaged Property has been abandoned and a loss is caused by vandalism, or where damage caused by fire or other hazard is not covered by the required property insurance, the Servicer shall indemnify the MPF Provider for all loss arising from the failure of the Servicer to comply with the Applicable Standards.

Fines or penalties imposed as a result of the Servicer's failure to comply with Applicable Laws regarding inspecting properties or securing vacant or abandoned properties shall be the sole responsibility of the Servicer.

8.3.6 Costs and Expenses

Unless a cost is reimbursable pursuant to the Guides, all expenses related to Servicing and collection of the Mortgage Loans shall be borne solely by the Servicer and shall not be recoverable by the Servicer from the MPF Provider or from Liquidation Proceeds, Insurance Proceeds, payments on the Mortgage Loan, or any other source relating to the Mortgage Loan or the related Mortgaged Property. In addition, the Servicer may, subject to the Applicable Standards, recover such expenses, including legal expenses, recording or similar costs or expenses, from the Borrower.

The Servicer shall absorb any expenses it incurs which are not reimbursed by the insurer (called Unreimbursed Servicing Expenses in the Applicable Agreements). Unreimbursed Servicing Expenses are all advances made by the Servicer pursuant to the Guides or advances the Servicer is required to make to obtain the benefit of the applicable Government Agency's insurance or guaranty. Such expenses may include property maintenance and rehabilitation expenses, legal fees, reconveyance expenses and losses, "no-bids", certain interest advances, and losses with respect to repurchased Government MBS Mortgage Loans.

Regardless of any contrary provisions in the Guides, PFIs that sell Mortgage Loans to the Federal Home Loan Bank of Chicago while concurrently selling the Servicing Rights to Nationstar Mortgage, LLC. will be responsible for any unreimbursed servicing expenses paid by Nationstar at any time the Mortgage Loan is owned by the MPF Provider and is not part of a pool backing any securities guaranteed by Ginnie Mae. If the PFI fails to reimburse Nationstar for Unreimbursed Servicing Expenses, the PFI will be responsible to the MPF Bank and the MPF Provider.

8.3.7 Advances

For delinquent scheduled/scheduled remittance Mortgage Loans, the Servicer must advance its own funds to cover the full amount of the scheduled Monthly Remittance. This requirement applies even if the Servicer and the Borrower have agreed to a Forbearance Plan.

8.3.8 Escrow Items

The Servicer is responsible for ensuring that all escrow items are paid when due until Liquidation of the Mortgage Loan.

8.4 Delinquency Reporting

This section covers the requirements for reporting Delinquent Mortgage Loans to the MPF Provider and applicable insurer.

8.4.1 Reporting to the MPF Provider

The Servicer must submit to the MPF Provider, by the first (1st) Business Day of each month, a Delinquent Mortgage & Bankruptcy Status Report (Servicing Guide Exhibit B submitted via eMAQCS Plus) containing the status of:

- all Delinquent Mortgage Loans that are thirty (30)* or more days delinquent as of the last day of the preceding month; and
- all Borrowers who are in Bankruptcy status must be reported regardless of the status of lean (current/delinquent).

* If the payment is not made in the month in which it is due the mortgage loan is considered delinquent and must be included in the Delinquent Mortgage & Bankruptcy Status Report (Exhibit B) as if it was 30 days or more delinquent, even if the month has less than 30 days.

Exhibit B must be uploaded with the following additional provisions:

- The "Delinq_Status_Code" field of the Standard File Layout is to be completed using the Delinquency Status Codes provided in Appendix 1 of Exhibit B; and
- The "Delinq_Reason_Code" field of the Standard File Layout is to be completed using the Delinquency Reason Codes provided in Appendix 2 of Exhibit B.

If the Delinquent Mortgage Loan is a Government MBS Loan, the Servicer must also follow the applicable Government Agency's requirements for reporting Delinquencies.

8.4.2 Reporting to Insurers

The Servicer must provide notice of Delinquency to the applicable mortgage insurer within the time frames and using the methods required by the insurer. The Servicers shall furnish to the insurer all reports requested by the insurer and/or as required in the insurance policy.

8.5 Loss Mitigation

The Servicer must comply with the applicable mortgage insurer/guarantor's requirements for loss mitigation.

8.5.1 General Loss Mitigation Requirements

Servicers are required to comply with all Applicable Laws, including CFPB regulations, insurer requirements, and the requirements of this Servicing Guide as they pertain to loss mitigation alternatives and efforts.

The Servicer must maintain policies and procedures to ensure compliance with any and all applicable "dual tracking" restrictions.

8.5.2 MPF Government MBS Mortgage Loan Modifications (10/21/25)[15]

Pursuant to Ginnie Mae requirements Servicers are prohibited from modifying the terms of loans held in Ginnie Mae pools that affect the amount or duration of loan payments.

If an MPF Government MBS Mortgage Loan is subject to a trial modification period, the Servicer shall be permitted to repurchase the Mortgage Loan pursuant to Section 1.6 Repurchases, if the Borrower is approved for a trial modification and the Mortgage Loan is in a continuous period of default for ninety (90) days or more.

Until the Mortgage Loan is repurchased, the Servicer remains obligated to make timely full monthly payments of principal and interest to the MPF Provider.

Servicers may offer certain loss mitigation strategies, such as Special Forbearance and Partial Claim options described in FHA loss mitigation guidance do not alter the terms of the loan. These loss mitigation strategies may be accomplished without repurchasing the delinquent Mortgage Loan from the pool.

[15] MPF Announcement 2024-65 (10/18/24)
MPF Announcement 2025-82 (10/21/25)

Note: Prior to processing an FHA Partial Claim, Servicers must contact the MPF Provider to ensure the Holding Mortgagee in FHA connection is updated and reflects the Servicer is as the holder.

8.6 Alternative Solutions

This section describes additional solutions for Delinquent Mortgage Loans.

8.6.1 Short Sale

Occasionally, when none of the Servicer's efforts to cure a Delinquency are successful, the use of relief provisions may not be feasible, and a short sale may be appropriate. A short sale is a sale of Mortgaged Property prior to Foreclosure, where the sale may result in insufficient proceeds to pay the total indebtedness. A short sale should be considered if the sale would reduce the loss that would otherwise be incurred from foreclosing on the Mortgaged Property.

The Servicer shall not agree to a short sale unless the Servicer has obtained the mortgage insurer or guarantor's written approval.

If the proceeds from a short sale and the mortgage insurance or guaranty settlement are greater than or equal to the total indebtedness, resulting in the MPF Provider being made whole, the Servicer may negotiate and complete the sale without seeking prior approval. However, if the proceeds from the short sale and the mortgage insurance or guaranty settlement will be less than the total indebtedness, the Servicer must obtain approval prior to agreeing to the short sale.

The Servicer is required to deposit all short sale proceeds into the appropriate P&I Custodial Account within one (1) Business Day of receipt. Within two (2) Business Days of receipt, the Servicer must submit to the MPF Provider copies of the buyer and seller's Settlement Statements, closing statements or escrow instructions, and an estimate of total advances made to date.

For insured Mortgage Loans, the Servicer shall file a mortgage insurance or guaranty claim with the applicable Government Agency. The Servicer shall simultaneously provide the MPF Provider with a copy of any claim filed.

All other refunds for overpayment of taxes or hazard insurance, received by the Servicer after completion of the short sale, are to be forwarded to the MPF Provider.

8.6.2 Deed-in-Lieu of Foreclosure

The Servicer must obtain applicable insurer or guarantor's written authorization and receive written approval from the MPF Provider prior to accepting a voluntary Deed-in-Lieu of Foreclosure.

The Servicer may consider a Deed-in-Lieu of Foreclosure from a delinquent Borrower who is experiencing financial hardship, assuming all other relief measures or loss mitigation alternatives have been explored and proven unworkable. However, the Servicer should always make every effort to collect some portion of the delinquent installments from the Borrower in order to reduce the loss. The Servicer shall require the Borrower to submit a letter requesting a Deed-in-Lieu, along with documentation of the Borrower's financial hardship. In addition, the Servicer should consider the results from any property inspections in determining whether a Deed-in-Lieu of Foreclosure should be accepted.

The Servicer may accept a Deed-in-Lieu of Foreclosure if:

- There are legal impediments to pursuing a routine Foreclosure;
- The Deed-in-Lieu complies with all the requirements of the applicable mortgage insurer or guarantor and does not and will not violate or contravene any restriction or prohibition of the applicable mortgage insurance/guaranty policies, or otherwise result in any loss of benefits or reduction in the coverage under either policy;
- Borrower can convey clear, marketable, and insurable title (a title commitment and insurance policy will be required) to:
    - The Servicer or its approved designee for REO for all RHS Section 502 Mortgage Loans;
    - The Secretary of HUD for FHA Loans; and
    - The Secretary of the VA for VA Mortgage Loans.
- Borrower receives no cash consideration;
- The Mortgaged Property is in good condition (reasonable wear and tear excepted);
- The Mortgaged Property is vacant, or if the property is occupied, the mortgage insurer or guarantor have agreed to accept an occupied property. If the Mortgaged Property is occupied by a renter, Borrower must provide an assignment of rents;
- The Servicer has obtained written acknowledgement from the Borrower accepting the Deed-in- Lieu of Foreclosure; and
- The Mortgaged Property is not subject to liens (subordinate or otherwise) held by others, judgments, attachments, affordability covenants, resale restrictions, claims, encumbrances, attachments, reservations, or any other restrictive agreements affecting marketability, unless such restrictions were already in effect at the time the Security Instrument's lien was placed on the property.

Within 24 hours of acquiring such Mortgaged Property, the Servicer shall notify the MPF Provider using the Notice of Acquired Property Form (Form SG334 submitted via eMAQCS Plus) and shall notify the applicable mortgage insurer/guarantor. Title shall be conveyed directly from the Borrower to the Servicer or applicable Government Agency.

8.7 Major Disaster Assistance

This section covers the guidelines for offering assistance to Borrowers affected by natural disasters.

8.7.1 Statement of Policy

As soon as the Servicer learns of the identification of a Declared Disaster Area which may impact any Mortgage Loans it is servicing, it should make every effort to work with Borrowers whose income was affected by a disaster, or whose property is located in a Declared Disaster Area to prevent Delinquencies and to avoid Foreclosures.

Servicers must obtain information on each affected Borrower's situation, including determining the extent of the Borrower's loss of income, assessment on all property damage and working with the Borrower on the assessment of all property insurance claims

The Servicer must inform the MPF Provider of any affected Mortgage Loan and recommend appropriate action to protect the Mortgaged Property and assist the Borrower.

The Servicer must not take any action that would jeopardize the full recovery of a property, flood, or other insurance settlement or take any action in contravention of the applicable Government Agency requirements and guidance.

8.7.2 Offering Assistance to the Borrower

Servicers should follow the disaster relief policies and guidance issued by the applicable Government Agency.

8.7.3 Mortgage Insurer Prior Approval

The Servicer shall ensure that any action it takes to enter into relief provisions or to postpone Foreclosure proceedings will not affect its right to file a mortgage insurance or guaranty claim in the future. Specifically, the Servicer shall obtain the prior written approval of the applicable Government Agency before delaying any Foreclosure proceedings. The Servicer shall document the Mortgage Loan File regarding all Servicing actions taken during this time to ensure that any future insurance or guaranty claims will not be adversely affected.

8.7.4 Foreclosure Action

Servicers should follow the disaster relief polices and guidance issued by the applicable Government Agency.

8.8 Early Payment Default (EPD)

If any of the first three (3) monthly payments due after a Government MBS Mortgage Loans is delivered into the MPF Program becomes Delinquent and is not paid on or before the next scheduled due date of the monthly payment, the MPF Provider or the MPF Provider may require the PFI or Servicer to repurchase the related Mortgage Loan within (7) Business Days after receipt of written notice of the Early Payment Default. This repurchase obligation only applies where the Mortgage Loan is delivered into the MPF Program within one year of its origination date.

CHAPTER 9. FORECLOSURE PROCEDURE

9.1 General

This section describes the Servicer's responsibilities when foreclosing on a Mortgage Loan.

9.1.1 Servicer Responsibility

The Servicer must process Foreclosures in accordance with the provisions of the Security Instrument, federal and state law, the requirements of the mortgage insurer or guarantor, and the requirements as set out in the Guides. The Servicer must provide written notification to the MPF Provider no later than ten (10) days after the start of Foreclosure proceedings, including:

- MPF loan number;
- Borrower(s) name;
- Date of initiation of foreclosure; and
- Any other relevant information or documentation.

The Servicer is expected to administer Foreclosure proceedings on behalf of the MPF Provider in a competent, highly professional manner and be diligent in monitoring its vendors and contractors to assure the same standard of professional conduct and competency.

The Servicer is required to provide written notification to the applicable mortgage insurer/guarantor no later than ten (10) days after the start of Foreclosure proceedings. The Servicer must know and comply with the procedures established by the applicable mortgage insurer or guarantor. In case of conflict between the mortgage insurer's procedures or guarantor's procedures, and the MPF Guides, the more restrictive procedures should be followed.

The Servicer is responsible for ensuring Foreclosures are initiated and completed within the allowable time frames. The Servicer must be aware of and follow any specific requirements the applicable Government Agency has for the Foreclosure process, including timelines and required approvals.

9.1.2 Federal and State Law

The Servicer is required to follow all applicable provisions of federal and state laws, including applicable CFPB rules.

9.1.3 Foreclosing in Proper Name

Foreclosures should be initiated in the name of the Servicer. However, the jurisdiction in which the property is located will dictate the name in which the Foreclosure must be brought and the Foreclosure proceeding is to be conducted. The Servicer and its Foreclosure law firm must determine the proper name in which to foreclose in each jurisdiction.

The Servicer must ensure its law firm obtains title to any foreclosed property vested in the MPF Provider's name in a manner that will not result in the imposition of a transfer tax.

On Mortgage Electronic Registration System (MERS) loans, MERS will show as the beneficiary or mortgagee of record. The Servicer is responsible for obtaining an Assignment of the Security Instrument from MERS to the proper entity prior to initiating foreclosure process. The Assignment obtained must be recorded if the Mortgaged Property is located in a state that requires assignments be recorded. The MERS online system must be updated to reflect against the Mortgage Identification Number (MIN) that the MIN has been deactivated and that the status is “Deactivation Assigned from MERS for Default or Bankruptcy.” The Servicer should consult its Foreclosure attorney to determine if any other legal requirements apply when conducting Foreclosures on Mortgage Loans in which MERS is the prior beneficiary or mortgagee of record.

The Servicer must provide written notification to the MPF Provider and applicable primary and supplemental mortgage insurers no later than ten (10) days after the start of the Foreclosure proceedings including:

- MPF loan number;
- Borrower(s) name;
- Date of initiation of foreclosure; and
- Any other relevant information of documentation.

The MPF Provider may direct the Servicer to stop the Foreclosure action.

The Servicer is also required to provide the MPF Provider with an electronically transmitted copy of the Deed or Trustee’s Deed Upon Sale (TDUS), to include county recording information no later than thirty (30) calendar days following the Foreclosure sale date. The Servicer or its trustee will submit a copy of the recorded TDUS to the MPF Provider.

9.1.4 Servicemember’s Civil Relief Act

Foreclosure proceedings cannot be commenced (or continued) against an eligible servicemember unless he or she has given written consent to the proceedings, a court authorizes commencement of proceedings, or a court authorizes the re-commencement of proceedings that were authorized previously. A Servicer must attempt to ascertain the military status of the Borrower before initiating Foreclosure proceedings on any loan to make sure it does not begin proceedings against a servicemember who is eligible for relief under the Servicemember’s Civil Relief Act of 2003 (“SCRA”) or state laws providing similar protections, without the servicemember’s written permission. The Servicer is responsible for complying with the SCRA and any similar state or local laws.

9.2 Repurchase Requirement

At the MPF Provider’s option, the Servicer may be required to repurchase any loan regardless of insurer/guarantor, if a Foreclosure is prevented, delayed, or judicially denied because of any defect in the Security Instrument or Note. This repurchase requirement is binding, should the MPF Provider exercise its option herein, even if the defect was caused by the Servicer’s predecessor or the loan originator.

9.3 Foreclosure Referral

This section describes the requirements for referring a Mortgage Loan to Foreclosure.

9.3.1 Attorney/Trustee Referral

When commencing a Foreclosure proceeding, the Servicer shall submit a complete referral package to a qualified, experienced attorney/trustee who will perform in accordance with Applicable Law, and professional standards of conduct. The Servicer is expected to monitor the attorney/trustee it chooses to retain to ensure the Foreclosure is completed in a timely and cost-effective manner.

The Servicer is required to keep the attorney/trustee advised of any significant negotiations for modifications, repayment plans or workout agreements under consideration, so as not to impair or impede the Foreclosure process in the event the plan fails and Foreclosure must be resumed.

9.3.2 Allowable Time Frames

The Servicer must begin the Foreclosure process the day after the Mortgage Loan reaches the 120th day of Delinquency, unless a greater timeframe is required by Applicable Law.

9.3.3 Expense Limitations

During the Foreclosure process, the Servicer shall advance funds to cover Foreclosure costs and related expenses, some of which may be recovered through the mortgage insurance claims process after the Foreclosure has been completed.

All Foreclosure fees and expenses shall be consistent with mortgage industry standards and shall not exceed those permitted under the applicable mortgage insurance or guaranty policy.

If a Foreclosure is stopped before completion (as a result of reinstatement, bankruptcy filing, or workout agreement), the attorney/trustee's fee should be pro-rated to directly reflect the actual work performed up to that point. Excess fees and non-customary fees must receive prior, written approval by submitting a request to the MPF Provider and applicable insurer or guarantor.

The Servicer is responsible for all fees incurred during the Foreclosure process, unless such fees are reimbursable under any applicable mortgage insurance or guaranty policy.

9.4 Demand Letter

All demand letters and other required notices must be sent in accordance with the CFPB Servicing Rules and other Applicable Laws.

9.5 Partial Payments

Unless otherwise required by law or prior approval has been received, no partial payments may be accepted after a Demand Letter has been sent. Servicers must submit request to accept such payments to the MPF Provider and include all relevant loan information and allow 5 business days for processing.

9.6 Postponements of Foreclosure Sale

If the Borrower is pursuing any loss mitigation or Foreclosure prevention alternatives, the Servicer shall postpone the Foreclosure sale per Applicable Laws (e.g., CFPB) and shall immediately notify the MPF Provider. Where the postponements is not pursuant to an Applicable Law or a court ordered stay, the Servicer must submit a request for approval to the MPF Provider by submitting an explanation of the reason and allowing 5 business days for the request to be processed.

9.7 Reinstatements

The Servicer can accept full reinstatement of a loan, even if Foreclosure proceedings have already begun, up to and including the scheduled Foreclosure sale date. A full reinstatement includes payment of:

- All delinquent loan payments (bearing interest at the rate applicable on the date they became due);
- Late charges on the delinquent payments;
- Any funds the Servicer advanced for protection of the security or to pay taxes, insurance premiums, etc.;
- The costs of performing the pre-foreclosure property inspections, if permitted under the terms of the Security Instrument; and
- All legal fees (including attorney or trustee fees) that were actually incurred in connection with the Foreclosure proceedings.

Except as otherwise required by the Applicable Standards, the Servicer may not accept less than the full amount from a Borrower without the prior written approval from the applicable mortgage insurer(s). Servicer must receive approval, prior to accepting the reinstatement, by submitting a request to the MPF Provider, and allowing 5 business days for the request to be processed. The request must include the following:

- The MPF Loan Number;
- Borrower name(s);
- explanation as to why request is being made; and
- any other supporting documentation or relevant loan information including authorization from the applicable mortgage insurer.

Upon accepting the reinstatement, the Servicer must immediately notify the appropriate Foreclosure attorney or trustee to avoid incurring additional costs or fees.

Upon receipt of reinstatement funds from a Borrower, the Servicer must:

- Notify the MPF Provider and, if applicable, the primary and/or secondary mortgage insurer of the reinstatement;
- Return the Note and other related Mortgage Loan documents to the MPF Government MBS Custodian to be returned to the Collateral File; and
- Immediately apply the reinstatement funds to pay the expenses enumerated above.

If an Assignment has been recorded from MERS to the Servicer and the Borrower reinstates the Mortgage Loan prior to completion of the Foreclosure proceedings, the Servicer need not re-assign the Mortgage to MERS nor re-register it with MERS. Any such action will be at the discretion and expense of the Servicer.

9.8 Foreclosure Sale

This section addresses the guidelines for Servicing a Mortgage Loan that has gone to a Foreclosure sale.

9.8.1 Setting Foreclosure Sale Date

State law will dictate whether non-judicial Foreclosure is authorized in any jurisdiction. If the Servicer is judicially foreclosing, after the Servicer obtains a judgment for possession or sale, the presiding court will issue a writ (authorization) to sell the real property, and will direct the levying official (often the county sheriff) to conduct the sale. The levying official will then give a notice of sale within the mandated time before the sale. The amount of time between the date of the notice of sale and the sale date varies by state law.

If the Foreclosure is in a non-judicial state, the Foreclosure sale shall be scheduled not later than thirty-five (35) days following the end of the applicable pre-publication period, or one hundred and twenty-five (125) days following the recording of the demand letter, if permitted under applicable state and federal law. The Servicer will indemnify the MPF Provider against any uninsured loss (including loss of interest) resulting from the Servicer's or its sub-contractor's failure to schedule the trustee sale within the thirty-five (35) day allowable period.

It is the Servicer's responsibility to ensure that the party conducting the sale correctly forecloses, and if the Servicer is the successful bidder at the sale, issues the Foreclosure Deed in the name of Servicer. After the Foreclosure sale, the Foreclosure Deed is to be recorded in the name of the Servicer. The Servicer shall also provide the MPF Provider and applicable mortgage insurer/guarantor of appropriate advance notice of pending Foreclosure sales. Such notice must include the date, location, and time of the Foreclosure sale. The Servicer shall instruct its foreclosing attorney, trustee, or other responsible party to provide direct and separate mailing of the Foreclosure sale to the MPF Provider and any applicable mortgage insurer/guarantor.

9.8.2 Bidding Instructions

Servicers must follow the applicable Government Agency's guidelines for bidding instructions.

9.8.3 Foreclosure Sale Results

The Servicer is required to notify the MPF Provider of Foreclosure sale results within twenty-four (24) hours of conducting the public sale.

9.8.4 Rescission of Foreclosure Sale

The Servicer must notify the MPF Provider as soon as they receive notice that the Foreclosure sale may be rescinded. The Servicer is to provide the MPF Provider the following information when requesting approval of a rescission of a Foreclosure sale:

- The date and time Foreclosure sale was cried;
- If a bankruptcy was filed the same day as the Foreclosure sale was held, the bankruptcy filing with the date and time. if the party filing the bankruptcy was not the Borrower, then the Servicer must provide documentation to show the transfer of ownership from the Borrower to the party filing Bankruptcy);
- If there is another reason for the Foreclosure sale not to be valid: incorrect NOD, TOS or some other documentation regarding the Foreclosure sale; and
- When the Servicer found out about the possible rescission.

9.9 Foreclosure Proceedings Property Inspections

This section covers the guidelines for performing property inspections before and during the Foreclosure process.

9.9.1 General Property Inspection Requirements

All inspections must be documented, retained in the Mortgage Loan file, and made available to the MPF Provider upon request. The results of any inspection should be considered by the Servicer in determining whether Foreclosure is appropriate.

It is the contractual obligation and duty of the Servicer to report any such findings in writing to the MPF Provider where the Servicer learns of, or finds evidence of, potential hazardous toxic waste, or property damage claimable under a property insurance policy. The Servicer shall postpone pending Foreclosure action unless it obtains written direction from the MPF Provider to proceed. Should the Servicer acquire a property where there is evidence of hazardous waste or substantial property damage, such acquisition shall be for the Servicer’s own account. The Servicer will be required to remit to MPF Provider the unpaid Principal Balance of the Mortgage Loan, together with all accrued but unpaid interest. In such case, the Servicer's actions shall be its own, and not as agent for the Master Servicer, the MPF Bank or MPF Provider.

Should the Servicer fail to conduct property inspections which results in property damage or causes the MPF Provider to incur any loss, Servicer shall indemnify the MPF Provider for that loss. The extent of Servicer indemnification shall include, but is not limited to, attorney fees, legal fees, fines, penalties, and cost of correction or cleanup.

9.9.2 Pre-referral Inspection

Prior to referring a loan to the Foreclosure attorney/trustee, it is the responsibility of the Servicer to conduct a thorough property inspection to: 1) determine if the property improvement is a manufactured home and to so advise the attorney/trustee, 2) to ascertain any material damage to the property which may be covered by hazard insurance, and 3) to identify any evidence or obvious signs of adverse environmental conditions (i.e., hazardous waste, toxic substances, mold, lead paint, or other contamination).

9.9.3 During Foreclosure

After initiation of the Foreclosure process, the Servicer shall conduct an inspection of the property every thirty (30) days until the Foreclosure is complete and ownership is transferred. However, if the mortgagor enters into a payment arrangement with the Servicer and the pre-foreclosure referral inspection was satisfactory, the Servicer may discontinue monthly inspections unless and until such time as the mortgagor defaults under the curative agreement, at which time the Servicer should resume regular property inspections.

9.9.4 Pre-Sale Inspection

Not sooner than thirty (30) days prior to the scheduled Foreclosure sale date, the Servicer must perform an additional property inspection.

9.10 Servicing During Foreclosure

This section describes the responsibilities for servicing a Mortgage Loan in Foreclosure.

9.10.1 Loss Mitigation

The Servicer should not foreclose on a Delinquent Mortgage Loan if there is a reasonable chance of avoiding Foreclosure. If the reason for default appears to be long term or too serious for short term relief measures to be effective, the Servicer should consider permanent Foreclosure prevention alternatives. Any loss mitigation plan proposed by the Servicer after initiating Foreclosure must be submitted to the MPF Provider and receive approval. However, the Servicer may not pursue Foreclosure while still pursuing loss mitigation options with the Borrower.

9.10.2 Taxes and Insurance

The Servicer must pay all taxes and/or insurance premiums when due. The Servicer shall maintain property insurance in an amount sufficient to rebuild unit and include a vacancy clause on the property.

9.10.3 Homeowners Association (HOA) Dues

For Mortgaged Properties that are located in states that provide for homeowners association (HOA) assessment lien priority over a previously recorded mortgage document, the Servicer must take steps to protect the priority of the Mortgage Loan lien. Necessary steps the Servicer must take include, but are not limited to:

- Payment of the amount due, generally the lowest of:
  - The actual delinquent assessment balance and allowed costs;
  - The maximum amount due from the foreclosing first mortgage entity based on the provisions in the project's declarations; or
  - The maximum amount due from a foreclosing first mortgage entity under the relevant state statute.
- Clearing the priority lien within thirty (30) days after the Foreclosure sale date or acceptance of a deed in lieu of foreclosure.

9.10.4 Reporting to the MPF Provider

The Servicer must report the current status of the Foreclosure proceedings to the MPF Provider on the monthly Delinquent Mortgage & Bankruptcy Status Report (See Exhibit B).

9.11 IRS Reporting Requirements

IRS Code requires information returns be filed when a third party acquires property in satisfaction of the secured debt, or upon determination the property has been abandoned and/or upon cancellation of six hundred dollars ($600) or more of a borrower's mortgage debt. It is the Servicer's responsibility to accurately and timely report acquired properties. The Servicer filing must show the Servicer's name, address, and federal tax identification as well as the Servicer's loan number and the MPF loan number for identification purposes.

Servicers who fail to file an Acquisition or Abandonment of Secured Property (IRS Form 1099-A) or Cancellation of Debt (IRS Form 1099-C) or correction, when it is due, must reimburse the MPF Provider for any penalties the IRS may assess.

9.12 Release of Documents

The Servicer must complete the Request for Release of Documents (Form SG340) and submit it to the MPF Government MBS Custodian within five (5) calendar days of Liquidation.

CHAPTER 10. POST FORECLOSURE & REO PROPERTIES

10.1 Notification

The Servicer must notify the MPF Provider within 24 hours of acquiring a Real Estate Owned (REO) property by submitting Form SG334 (Notice of Acquired or Conveyed Property).

In addition, the Servicer must prepare and file reports for Foreclosure and abandonment in accordance with Section 6050J of the Internal Revenue Code.

10.2 Conveyance Documents

The Servicer is responsible for conveying the REO property to the appropriate entity.

Any conveyance of an REO property by a Servicer to the applicable mortgage insurer/guarantor shall be made by the form of deed commonly used in the particular jurisdiction where such property is located. The Servicer must prepare the necessary documents at least two (2) weeks prior to the expected date of sale at Foreclosure or confirmation of sale, if applicable, and must forward the documents to the MPF Provider for approval. Once approved, the conveyance documents will be returned to the Servicer for execution and recordation.

The conveyance documents must not transfer the Mortgaged Property to the MPF Provider or the Master Servicer unless the Servicer is explicitly instructed to do so by the MPF Provider. If the Mortgaged Property is transferred to the MPF Provider or the Master Servicer by the Servicer without explicit instructions to do so, the Servicer will be charged a one-hundred dollar ($100.00) fee for completion of an assignment, quitclaim deed or other conveyance document to transfer the property back to the Servicer or to any other party.

10.3 Third-Party Acquisition

This section covers the guidelines for handling property that has been acquired by a third party.

10.3.1 General

If a third party outbids the Servicer's credit bid at the Foreclosure sale, the Servicer shall notify the MPF Provider of the sale in writing as soon as possible, and shall deposit the proceeds from the Foreclosure sale into the P&I Custodial Account within two (2) Business Days after receipt.

10.3.2 Hazard Insurance

The Servicer must cancel the property insurance on the foreclosed property on the date of the Foreclosure sale and notify the third-party purchaser of the cancellation. Any returned premiums may be used to reimburse the Servicer for any property insurance payments it advanced.

10.3.3 Transfer of Ownership

The Servicer must coordinate with the attorney or trustee in Foreclosure to ensure the timely transfer of ownership of the foreclosed property to the third-party purchaser within ten (10) calendar days.

In addition, the Servicer must prepare and file all reports regarding Foreclosure and abandonment which are required under the Internal Revenue Code or the regulations of the IRS.

10.4 REO Property Acquisition

This section covers the guidelines for handling property that has been acquired by the Servicer.

10.4.1 General

The Servicer is required to pay down the Principal Balance to zero for all Government MBS Mortgage Loans acquired by the Servicer as a result of Foreclosure. The Servicer must:

- Pay down the Principal Balance to zero upon completion of the Foreclosure sale within the accounting period in which the sale was completed;
- Pay down the Principal Balance to zero upon receipt of the initial claim payment within the accounting period in which the initial payment was received; or
- Pass through the initial claim payment as a Curtailment and pay down the Principal Balance to zero upon receipt of the final claim payment within the accounting period in which the final claim payment was received.

If the Insurance Proceeds from the insurance claim are insufficient to pay the Principal Balance of the Mortgage Loan down to zero, then the Servicer must remit its own funds to reduce the Principal Balance to zero.

10.4.2 Conveying Foreclosure Deed Upon Acquisition

The Servicer shall take the necessary steps to ensure that the Mortgaged Property is conveyed by deed to the Servicer within ten (10) days of the Foreclosure sale date. Servicers are to ensure that the deed correctly vests title to Servicer. Failure to convey title to the Servicer within the time frame given will cause property taxes to accrue at the expense of the Servicer.

Upon paying down the Mortgage Loan to zero or in no case later than ninety (90) calendar days following the Foreclosure sale date, the Servicer must record the grant deed conveying title to:

- The Servicer or its approved designee for REO properties for all RHS Section 502 Mortgage Loans;
- The Secretary of HUD for FHA Loans and HUD Section 184 Mortgage Loans; and
- The Secretary of the VA for VA Mortgage Loans.

The Servicer must maintain sufficient property insurance to adequately protect the REO property during the interim period until the REO property can be conveyed to the insurer or guarantor. The Servicer must then submit its claim with the applicable insurer for reimbursement of the Servicer’s Foreclosure costs and related expenses.

10.4.3 REO Action Plan

The Servicer must market the property and complete the sale of the REO per the directions from the mortgage insurer/guarantor and the MPF Provider. The Servicer must ensure that any action taken with respect to the sale of an REO property does not jeopardize the maximum benefits available under any applicable mortgage insurance/guaranty policy.

Within ten (10) Business Days after acquiring title to any REO property, the Servicer must submit an REO Marketing Plan (Form SG405) with the following documents to the MPF Provider and applicable mortgage insurer:

- Evidence of title to the REO property in the name of the Servicer or Servicer's designee;
- Estimated time required to dispose of the REO property;
- Refurbishing bids as necessary to make the REO property marketable;
- Copies of all correspondence with the applicable mortgage insurer, the foreclosure attorney and the MPF Provider;
- A recommendation for the most effective manner to dispose of the REO property (i.e.: the REO action plan) based on a market analysis and Appraisal which is not more than 60 days old;
- Income and expense documentation, if not already sent to the MPF Provider, which may include:
  - Any details of any force placed hazard insurance and, if applicable, flood insurance;
  - Real estate tax bills;
  - Special assessments;
  - Maintenance contracts;
  - Owner's association dues; and
  - Utility bills.
- Details of steps taken to secure the REO property;
- An updated title insurance policy showing changes following the Foreclosure (if available); and
- Plat map or house location survey.

The Servicer must retain copies of the following documentation in the Mortgage Loan File and provide the documentation to the MPF Provider or applicable mortgage insurer upon request:

- Force-placed property insurance policy or flood insurance policy, if applicable;
- Maintenance contracts; and

- Contractor bids relating to the rehabilitation of the REO property.

The Servicer must retain any invoices relating to expenses incurred in the administration of REO properties. Upon request, the Servicer must provide the invoice to the MPF Provider.

Unless otherwise directed by the MPF Provider, the Servicer shall implement each REO property action plan in an expeditious manner. The MPF Provider may direct the Servicer to modify any action plan. The Servicer shall provide the MPF Provider with written monthly progress reports regarding each action plan detailing the status of the related REO property and the progress achieved in implementing the plan.

For all Mortgage Loans serviced under the scheduled/scheduled remittance option, Principal and Interest Payments must be advanced until the Mortgage Loan is liquidated.

10.5 REO Property Servicing

This section covers the guidelines for servicing REO properties.

10.5.1 Change of Property Insurance Policy

For all Government MBS Mortgage Loans, the Servicer shall during the period any Mortgaged Property is “Real Estate Owned” or “REO” (property is vested in the Servicer’s name on behalf of the MPF Provider), keep in force fire and extended coverage insurance, of the type that provides for claims to be settled on a replacement cost basis, upon the Mortgaged Property, regardless of whether the Mortgaged Property is vacant or occupied. Property insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that are normally included under an extended coverage endorsement are not acceptable.

On the date of the Foreclosure sale, the Servicer must notify the current property insurance carrier of the change in title and require that the policy on the Mortgaged Property be amended to name the Servicer as property owner and insured. The Servicer shall also require that the property insurance include a “vacancy permit endorsement” as protection in the event of vandalism. Should the existing property insurance carrier refuse the Servicer’s request, the Servicer shall cancel the existing policy and obtain the required coverage. If the Servicer maintains a form of “blanket” coverage or “master” policy, the Servicer’s coverage must extend to the Mortgaged Property while title is temporarily held by the Servicer. The Servicer shall monitor and maintain insurance with extended coverage (to include the vacancy permit endorsement) in force until the REO property is liquidated.

The Servicer shall be liable for damage sustained by a Mortgaged Property which otherwise would be recoverable under an insurance claim, if the Servicer fails to maintain the required hazard insurance. The Servicer must provide evidence of a property insurance policy to the MPF Provider upon request.

10.5.2 Property Management

The Servicer must arrange for the proper securing, routine inspection, and maintenance of the REO until the REO property is liquidated. The Servicer is required to inspect the REO property at least once every thirty (30) days and complete the Property Inspection Report (Form SG331) for each inspection.

The Servicer is responsible for advancing all maintenance and management costs of the REO property.

10.5.3 Rehabilitation Advance

The Servicer must advance funds to cover any necessary rehabilitation work and ensure that the work is done efficiently and properly. The Servicer is required to make such advances unless it is determined that the rehabilitation will not increase the proceeds of the Mortgage Loan after reimbursement of the Servicer for its expenses. In addition, the Servicer is not required to advance funds for rehabilitation work if the advances will not be recoverable from Insurance Proceeds, Liquidation Proceeds, or the Borrower. The Servicer must obtain approval prior to stopping rehabilitation advances by submitting a request to the MPF Provider, via email including:

- MPF Loan Number;
- Borrower name(s);
- Explanation as to why request is being made; and
- Any other supporting documentation or relevant loan or borrower information that may be needed to respond to Servicer's request.

The Servicer must ensure that any necessary rehabilitation work is done efficiently and properly. If a Mortgaged Property has become REO and the related Mortgage Loan is covered by primary (PMI) and/or supplemental (SMI) mortgage insurance, the Servicer is expected to notify the applicable primary and/or supplemental mortgage insurers of such rehabilitation plans and obtain approval before the completion of the mortgage insurance claim(s) to ensure reimbursement from the primary and/or supplemental mortgage insurers.

The Servicer must submit a request to the MPF Provider and receive approval for rehabilitation work according to the following schedule:

- Expenses totaling less than $2,500: approval is not required;
- Expenses totaling $2,500 - $5,000: prior approval and one independent bid are required; and
- Expenses totaling $5,000 or more: prior approval and two independent bids are required.

10.5.4 Escrow Items

The Servicer is responsible for paying timely all taxes, insurance, and other escrow items until the Mortgage Loan is liquidated.

10.6 Mortgage Insurance Claim

This section covers the guidelines for filing MI claims post-Foreclosure.

10.6.1 Government MBS Mortgage Insurance Claims

The Servicer must file the mortgage insurance claim for Government MBS Loans, naming the Servicer as payee and instructing Insurance Proceeds to be sent directly to the Servicer. The Servicer must follow the applicable Government Agency procedures for filing claims.

10.6.2 Failure to Comply

Failure to file a mortgage insurance claim within the time period required by the Government Agency or mortgage insurer is considered to be a breach of the Applicable Agreements.

10.6.3 Loss Claims Forms

The Servicer is responsible for contacting the mortgage insurer to determine the applicable reporting and claim filing forms.

10.7 REO Property Marketing

The Servicer must begin to market an REO property as soon as marketable title is acquired. The Servicer shall obtain the best market price while disposing of the REO property in a timely and efficient manner.

Unless otherwise directed by the MPF Provider, the Servicer shall dispose of such REO property within eighteen (18) months after its acquisition. If the Servicer is unable to sell the REO property, the Servicer must auction the REO property to the highest bidder in an auction reasonably designed to bring a fair price before the end of the eighteen (18) month period. The Servicer must consult with the MPF Provider prior to holding an auction.

The Servicer must deposit all REO property disposition proceeds into the P&I Custodial Account within two (2) Business Days after receipt.

10.8 Failure to Administer REO Property

If a Servicer's actions or omissions result in damage to an REO property or failure to sell an REO property within a reasonable time, the MPF Provider may remove the Servicing of the REO property from the Servicer and assume or transfer responsibility for management, control, maintenance, security, rehabilitation and disposition of the REO property. In such instances, the Servicer will remain responsible for:

- Paying when due all insurance premiums, property taxes and assessments, and other amounts that would constitute escrow;
- Filing when due all claims for benefits under applicable insurance policies; and
- Fulfilling any other related responsibilities required by the MPF Provider.

The Servicer must compensate the MPF Bank or MPF Provider for any damages caused as a result of the Servicer's breach of its obligation to properly service an REO property. Any damages suffered as a result of the Servicer's errors in managing an REO property may not be quantified in advance of the MPF Provider assuming or transferring responsibility for such REO property.

CHAPTER 11. LEGAL

11.1 Lawsuits

This section covers the guidelines for handling legal actions.

11.1.1 Notice of Legal Action

The Servicer is not authorized to accept service on behalf of the MPF Provider or the MPF Bank, and shall so advise anyone attempting to serve either entity through the Servicer.

The MPF Provider reserves the right to direct litigation involving a Mortgage Loan, and the Servicer and any law firm retained to handle the litigation must cooperate fully with the MPF Provider in the prosecution, defense, or handling of the matter.

In instances in which the Note and/or Security Instrument provides for the Borrower to reimburse any legal fees and costs incurred by the MPF Provider or the Servicer, the Servicer shall instruct its legal counsel to notify the Borrower about his or her responsibility for such expenses. The Servicer's legal counsel should attempt to handle such matters by stipulation or any other expeditious manner that will reduce the fees and costs that the Borrower has to pay.

Additionally, if the Security Instrument has MERS as nominee for lender, as the named beneficiary, and MERS is named in the action or proceeding, the Servicer shall immediately notify MERS and otherwise comply with all MERS requirements in regard to such litigation, as more fully set forth in MERS rules. In particular, the Servicer should be aware of Rule 14 MERS System Rules of Membership, which requires notification to MERS regarding "Legal Filings" that raise certain MERS-related challenges as detailed therein.

11.1.2 Notification Time Frames

The Servicer shall provide appropriate notice of any legal action in accordance with the timeframes below.

The Servicer must forward any of the following to the MPF Service Center, within five (5) Business Days of receipt by the Servicer:

- A petition or complaint in a lawsuit naming the Servicer as defendant which involves the origination or servicing of any Mortgage Loan, or which alleges that the Servicer has failed to comply with any Applicable Laws in its mortgage origination or servicing activities;
- A petition or complaint in a lawsuit attempting to establish the existence of a class of plaintiffs that includes mortgagors whose Mortgage Loans are being serviced by the Servicer or mortgagors whose Mortgage Loans were originated by the Servicer;
- Correspondence involving a Mortgage Loan that threatens legal action or alleges violation by the Servicer or any other person of any Applicable Laws with respect to a Mortgage Loan; or

- Correspondence from a state or federal regulator involving the alleged violation by the Servicer of any Applicable Laws in its mortgage origination or servicing activities.

The Servicer must forward any of the following to the MPF Service Center, within two (2) Business Days after receipt by the Servicer:

- A petition or complaint in a lawsuit naming the MPF Provider, any MPF Bank or the Master Servicer as a party to the lawsuit; or
- A petition or application for temporary injunction or other temporary equitable relief which involves the mortgage servicing activities of the Servicer.

The Servicer must forward to the MPF Provider, within three (3) Business Days after receipt by the Servicer, a copy of any motion or pleading of any type in a Foreclosure or bankruptcy action which asserts a counterclaim or alleges the right to recover damages from the Servicer, an MPF Bank or the MPF Provider.

11.1.3 Servicer Initiating Litigation

The Servicer shall not initiate litigation on the MPF Provider's behalf (except as otherwise provided in the Guides), unless it obtains prior written consent from the MPF Provider.

11.1.4 Retained Counsel

In the event that the Servicer is made aware that the MPF Bank, the MPF Provider, the Servicer, or the PFI that sold the Mortgage Loan to the MPF Provider is a named defendant in a lawsuit related to a Mortgage Loan it is servicing, the Servicer shall contact the MPF Provider. The MPF Provider will either approve the Servicer's retaining counsel or require that the case be turned over to the MPF Provider for referral to the counsel of the MPF Provider's choice. Whenever the Servicer retains counsel on behalf of the MPF Provider, it shall do so in accordance with the Guides. Where the defendant is an MPF Bank, the MPF Provider will discuss case handling and retention of counsel with the MPF Bank and will notify the Servicer of the direction to be taken.

In situations where an attorney must be retained immediately to protect the MPF Provider and/or MPF Bank's interests, such as to oppose an ex parte application for a temporary restraining order, and MPF Provider and/or MPF Bank approval cannot be obtained timely, the Servicer may retain counsel on the MPF Provider and/or MPF Bank's behalf, to appear and oppose the application. The MPF Provider shall immediately be advised, and copies of all pleadings shall be forwarded to the MPF Provider's Office of General Counsel.

If a case is to be handled by the Servicer's legal counsel, the Servicer will be notified of the MPF Provider staff attorney to whom their counsel shall report. The Servicer's legal counsel shall cooperate, coordinate, and follow the direction of the assigned staff attorney, and report to the MPF Provider staff attorney at frequent intervals, depending on the progress of the case.

The Servicer should provide the MPF Provider with copies of all pleadings, motions, responses, replies and briefs with sufficient time in advance of any deadline to review and comment upon the proposed filings.

The Servicer of a Mortgage Loan that is the subject of litigation should notify retained counsel if it intends to offer any Mortgage Loan modification or other Foreclosure-avoidance alternative and provide retained counsel with sufficient opportunity in advance of the solicitation to review and provide comments in connection with any solicitation materials.

11.1.5 Counsel Selected and Retained by Servicer

All Counsel selected and retained by the Servicer to represent the MPF Provider and/or MPF Bank shall:

- Be knowledgeable and experienced in the applicable field of law;
- Be financially responsible; and
- Immediately advise the assigned MPF Provider and/or MPF Bank staff attorney of any actual, potential, or apparent conflict of interest.

11.1.6 Referring to Other Counsel

If at any time during the progress of the case, the MPF Provider or MPF Bank determines the case should be referred to other counsel, the Servicer will be advised in writing.

11.1.7 Attorney's Fees

The MPF Provider and/or MPF Bank will review the Servicer's legal counsel's bills in relation to the reports made to the MPF Provider and/or MPF Bank's staff attorney by the Servicer's legal counsel. The MPF Provider and/or MPF Bank will reimburse the Servicer only for fees determined by the MPF Provider and/or MPF Bank to be reasonable, and which have actually been paid by Servicer. The fees charged shall not exceed those charged by the legal counsel retained by the Servicer or others for the same or similar legal services and representation. To the extent allowed by law, the Servicer's legal counsel shall endeavor to recover all costs and fees from the Borrower, or other responsible party.

11.2 Notice of Lien

The Servicer shall take all reasonable actions to prevent new liens that would be superior to the lien of the Mortgage Loan from being attached against the Mortgaged Property. When it becomes aware that any new superior lien has been attached, the Servicer shall notify the MPF Provider.

11.2.1 HOA Liens

For Mortgaged Properties that are subject to a homeowners association (HOA) and that are located in states that provide HOA assessment lien priority over a previously recorded mortgage loans, the Servicer must take all steps necessary to protect the priority lien of the Mortgage Loan. In states where particular actions or steps are required to receive notices of Foreclosure action taken by the HOA or others, Servicer must ensure all such actions or steps are taken.

11.3 Property Forfeitures and Seizures

Various federal statutes (including the Controlled Substances Act) provide for the civil or criminal forfeiture of certain types of property (including real estate) that are used, or are intended to be used, to commit or to facilitate the commission of certain violations of federal law. If the Servicer receives notice of any lien, seizure, or forfeiture, it shall immediately notify the MPF Provider about all deadlines and requirements specified in the notice, and promptly send the MPF Provider a copy of the notice and any accompanying documents.

CHAPTER 12. TRANSFERS OF SERVICING

12.1 General Transfer of Servicing Requirements

This chapter covers transfers of servicing made after loan delivery. For concurrent sale of servicing requirements, see the MPF Government MBS Selling Guide.

12.1.1 Assuming Servicers

Transfers of Servicing may be made to a Servicer who is a member of an MPF Bank.

The Servicer may not sell or transfer the Servicing Rights of any Mortgage Loan without the prior written consent of the MPF Bank and MPF Provider. The Servicer selling its Servicing Rights is considered a Selling Servicer, and the Servicer acquiring the Servicing Rights is considered an Assuming Servicer.

The Servicer must submit all requests for the sale or transfer of its servicing portfolio (all or substantially all of the Mortgage Loans it is Servicing) in writing to the MPF Bank and MPF Provider. The Assuming Servicer must be a Servicer. It is the Selling Servicer's responsibility to verify the Assuming Servicer is approved to acquire Servicing for the MPF Program.

The MPF Bank and MPF Provider must receive all supporting documentation at least forty-five (45) days prior to the requested date of transfer.

No modifications may be made to the applicable Master Commitments without the prior written consent of the MPF Provider.

Assuming Servicers may be limited to specific remittance type(s) and/or certain product types of the Mortgage Loans for which it would be eligible to acquire the Servicing Rights. Additionally, the MPF Bank or MPF Provider may set a portfolio limit for the Mortgage Loans the Assuming Servicer is acquiring, which may be increased, decreased, or terminated at the discretion of the MPF Bank or MPF Provider.

The Assuming Servicer's Servicing Rights are subject to the rights of its MPF Bank and MPF Provider under the Assuming PFI Agreement as provided for in the Guides.

12.1.2 Compensation and Fees

The Assuming Servicer shall be compensated in accordance with the standard Servicer compensation policies in the Guides.

Credit Enhancement and Credit Enhancement Fees are not transferable through the Servicer Initiated Transfer of Servicing process.

A Servicing transfer fee of five hundred dollars ($500) is assessed per servicing transfer transaction and must be received by the MPF Provider at least forty-five (45) days prior to the requested date of transfer.

12.1.3 Sale of Servicing Contract

The Selling Servicer and the Assuming Servicer will enter into a Sale of Servicing Contract in form and substance acceptable to the MPF Provider in order to transfer Servicing unless such obligation is waived by the MPF Provider.

None of the MPF Bank(s), Owner Bank(s) or the MPF Provider are parties to the Sale of Servicing Contract and they shall have no liabilities under the Sale of Servicing Contract and shall not owe any fees to the Selling Servicer or the Assuming Servicer in connection with the transfer of the Servicing. Any compensation payable by the Assuming Servicer to the Selling Servicer in connection with the transfer of the Subject Servicing shall be as provided in the Sale of Servicing Contract.

In the event of a conflict between the Guides or the Applicable Agreements and the Sale of Servicing Contract, the Guides and Applicable Agreements will control. However, to the extent that the Sale of Servicing Contract addresses matters solely between the Selling Servicer and Assuming Servicer which do not impact the MPF Banks', the MPF Provider's or the Owner Banks' (as applicable) rights with respect to the Mortgage Loans and the Subject Servicing, then the Guides or Applicable Agreement shall have no applicability to such matters.

12.1.4 Agreements and Warranties

The sale or transfer of Servicing does not amend, modify, impair, limit, or otherwise affect the rights and obligations of the Selling Servicer (and any designee, if applicable), the MPF Provider or Owner Bank under other agreements in place between those parties, except as otherwise provided in a written consent. For example, none of the Selling PFI's origination obligations or Servicing responsibilities prior to and up to the servicing transfer date shall be waived, limited, or impaired because of the transfer.

12.2 Non-Member Servicers

In addition to the requirements applicable to Assuming Servicers, NMS must follow the additional the requirements outlined in this section.

12.2.1 Servicing Responsibilities

To become a NMS and purchase Servicing Rights from a Selling Servicer under the provisions of this chapter, the NMS must meet the Servicer and NMS eligibility criteria in the Program Guide.

When the MPF Provider or the Owner Bank, as applicable, approves the NMS, the NMS will be assigned a Servicer ID number by the MPF Provider that must be used by the Selling Servicer and the new NMS as required.

In addition to the requirements in the Guides expressly required of NMS, any reference in the Guides:

- To a requirement of a Servicer also applies to any NMS;
- To a requirement of a PFI with respect to Servicing also applies to any NMS; and
- To a PFI Agreement with respect to a PFI shall mean the applicable NMS Servicing Agreement with respect to a NMS.

Any expressly stated rights of an MPF Bank in the Guides in relation to Servicers are to be understood to belong to the MPF Provider in relation to NMS, unless otherwise stated in the Guides or the related Applicable Agreements.

The NMS must service Mortgage Loans in accordance with the Applicable Agreements and relevant portion(s) of the Guides, as may be modified by any supplement or addendum.

12.2.2 Grant of Security Interest

When Servicing is transferred to a NMS, the NMS hereby assigns, transfers, and pledges to the MPF Provider and grants to them a first priority security interest in the Servicing Rights for each Mortgage Loan serviced by the NMS, as such Servicing Rights may be now owned, or existing or hereafter owned by the NMS, and all general intangibles, instruments, and agreements related thereto and all proceeds of, and substitutions and replacements for, the Servicing Rights.

The NMS hereby authorizes the MPF Provider, or the Owner Bank, as applicable, to create and file such Uniform Commercial Code financing statements in such jurisdictions and to take such other action from time to time as may be deemed necessary or appropriate to perfect and maintain the perfection of its security interest and rights. Further, the NMS agrees, at its cost, to (i) execute and deliver to the MPF Provider, or the Owner Bank, as applicable, such specific pledge or security agreement as required by such party from time to time, (ii) execute, deliver and file such Uniform Commercial Code financing statements and (iii) take such other action from time to time as the MPF Provider, or the Owner Bank, as applicable, may reasonably request to perfect and maintain the perfection of the MPF Provider's or such Owner Bank's security interest and rights. The MPF Provider, or the Owner Bank, as applicable, shall have all other rights available at law or in equity with respect to its security interest in the Servicing Rights for each Mortgage Loan. The perfection and priority of any security interest granted by the NMS to secure the NMS's obligations under the applicable NMS Servicing Agreement (and any addendum thereunder) shall be governed by the laws of the relevant jurisdiction determined in accordance with the applicable provisions of the Uniform Commercial Code as in effect in the state of Illinois.

12.2.3 No Liens on Servicing Rights

When a NMS purchases Servicing Rights, the NMS represents, warrants, and covenants to the MPF Provider, or the Owner Bank, as applicable, that at all times each such Servicing Right shall be free and clear of any lien in favor of any third party (other than those of other Owner Banks) and shall not become subject to any security interest, encumbrance, assignment, pledge, hypothecation or any other lien, interest, or transaction whatsoever in favor of any third party.

The NMS shall not sell, assign, pledge, or designate another person or entity to perform or to be responsible for all or substantially all of its duties or obligations under the NMS Servicing Agreement, including without limitation shall not pledge, convey or otherwise transfer, cause any lien or other claim to encumber any of the Servicing Rights relating to Mortgage Loans, without first obtaining the MPF Provider's, or the Owner Bank's, as applicable, written consent which consent may be granted or withheld by the MPF Provider or the Owner Bank, as applicable, in their sole discretion.

The Servicing Rights for the Mortgage Loans are subject to and subordinate in all respects to all rights, powers, and prerogatives of the Owner Banks, the MPF Provider and any Participants including without limitation the right to terminate the NMS's Servicing of the related Mortgage Loans and rights to service.

12.3 Servicing Transfer Process

This section describes the process for transferring Servicing to another Servicer.

12.3.1 Transfer Requests

After receiving consents from their MPF Banks and the MPF Provider, the Selling Servicer and the Assuming Servicer must complete and submit the Servicing Transfer Notice (Form SG360) to the MPF Provider, and provide copies to their MPF Banks along with a non-refundable Servicing transfer fee of five hundred dollars ($500) per transfer transaction to be remitted to the Owner Bank.

The Servicing transfer date shall always occur on the first (1st) calendar date of the month and shall be no sooner than the first (1st) calendar day of the second (2nd) calendar month following the MPF Provider's receipt of the Servicing Transfer Notice and not later than ninety (90) days after submitting the transfer request file. The Servicing transfer date must be acceptable to the MPF Provider and affected MPF Banks.

The Selling Servicer will be required to upload via the eMPF website, a transfer request file containing the list of MPF loan numbers corresponding to the Mortgage Loans for which Servicing Rights are being transferred.

The MPF Service Center will complete the approval process upon:

- Consent from the applicable MPF Bank(s) and MPF Provider; and
- Review and validation of the transfer request file.

The Selling Servicer can monitor the status of the transfer via the eMPF website. The Assuming Servicer will have the ability to monitor the status only if it is approved by the Owner Bank and is assigned a Servicer ID# for that Owner Bank. A Servicer ID# is assigned to approved Assuming Servicers to be used for reporting purposes.

In addition:

- The Selling Servicer must upload the transfer request file at least forty-five (45) days prior to the requested transfer; and
- The Servicing Transfer Notice (Form SG360) must be provided to the MPF Provider and the affected MPF Banks along with a non-refundable Servicing transfer fee payable to the Owner Bank at least forty-five (45) days prior to the requested transfer.

12.3.2 Transfer of Individual Loan Files

Unless otherwise provided for under Applicable Law, no later than the Servicing transfer date, the Selling Servicer shall deliver to the Assuming Servicer all funds for the Borrower or the Owner Bank that are being held in connection with the Subject Servicing, as well as the individual Mortgage Loan File for each loan included in the transfer. If both Servicers agree, Mortgage Loan File information may be provided on any suitable, secure electronic means. Among other things that may be required by Applicable Law, the individual loan file should include a history of loan payments received and escrow disbursements made for the loan during the current year and the two preceding years (making additional historical information available if the Assuming Servicer requests it), including the most recent escrow analysis and appropriate supporting documentation, copies of any current assumption or payoff statements, any pertinent related information that will avoid delays in processing a subsequent payoff or in refunding the Borrower's escrow balance, a copy of the notice that was sent to advise the Borrower of the pending transfer of servicing, copies of all the correspondence or notices related to the servicing transfer that were sent to the Borrower, FHA/VA/USDA/mortgage insurance, MPF Bank, MPF Provider, and any government authority or interested third party. Servicers that use a single letter, or any other media or electronic method to notify third parties about a transfer of servicing may provide this information to the Assuming Servicer in a master file rather than having to copy it for individual Mortgage Loan Files.

12.3.3 Transfer of Loans in Foreclosure, Bankruptcy, or Loss Mitigation

The Selling Servicer must deliver to the Assuming Servicer information and records for any loans that are in Foreclosure, bankruptcy, or loss mitigation status and for any properties that were acquired by Foreclosure or acceptance of a deed-in-lieu.

The Selling Servicer must provide the Assuming Servicer a list of each Mortgage Loan that is in the process of Foreclosure or for which the Borrower has filed bankruptcy, showing the loan number and the name and address of the attorney (or trustee) handling the Foreclosure or bankruptcy.

The Selling Servicer must provide the Assuming Servicer all pertinent information related to the status of a loan for which loss mitigation is being pursued.

The Selling Servicer must provide the Assuming Servicer a list of any acquired properties for which it is performing administrative functions—such as paying taxes and insurance premiums, performing property maintenance functions, etc.—if the responsibilities for these functions will be transferred to the Assuming Servicer. The list should identify each property by loan number and include a history of the Selling Servicer's actions from the date the property was acquired (including information about expenditures, receipts, and management and marketing activities), and provide any appropriate documentation.

The Selling Servicer must inform the Assuming Servicer if any of the loans (or acquired properties) being transferred are the subject of litigation (including court filings, disclosure requests and responses, and preliminary rulings.)

The books and records that the Selling Servicer turns over to the Assuming Servicer should be complete so the Assuming Servicer will be able to service the transferred loans without interruption as of the effective date of the transfer of servicing. The two Servicers should agree to procedures that will enable the Assuming Servicer to obtain any other information related to the transferred Mortgage Loans that was not turned over as of the effective date of the transfer.

12.3.4 Delivery Process

No later than the servicing transfer date, the Selling Servicer shall transfer or deliver to the Assuming Servicer:

- All funds held in connection with the Servicing Rights for the benefit of the Borrowers or the Owner Bank;
- Loan files and data related to the Servicing Rights necessary to service the Mortgage Loans in accordance with Applicable Standards; including any data elements that were provided on the Supplemental Consumer Information Form (SCIF Form 1103) at origination maintained in a queryable format for each mortgage loan; and
- All Borrower notices pertaining to transfer of the Servicing Rights in accordance with Applicable Standards and the Sale of Servicing Contract.

The Selling Servicer must retain a copy of all data and documents which are forwarded to the Assuming Servicer and which it would otherwise be required to retain under the record retention requirements in the Guides in order to respond to document requests.

As of the servicing transfer date, the Assuming Servicer shall be responsible for the Servicing of the Mortgage Loans in accordance with the Guides and Applicable Standards. The Assuming Servicer shall accept the Servicing Rights despite any Selling Servicer breach of Sale of Servicing Contract or breach of Selling Servicer Obligations.

12.3.5 Notifying the Borrower

Both Servicers are responsible for sending specific notices to the Borrower(s) whose loans are being transferred. All notices provided to Borrower(s) must be made in accordance with Applicable Law, including the provisions of Real Estate Settlement Procedures Act (“RESPA”) and any other federal or state law requirements. Both Servicers must provide each other with essential information to include in the required notification letters to the Borrower, such as, Servicer’s name, address, and telephone number (either a toll-free number or authorization to include a statement that “collect calls are acceptable”) and the name and telephone number of a contact person (or department) that can answer the Borrower’s questions plus any other information required by law.

12.3.6 Assuming Servicer Responsibilities

As of the servicing transfer date, the Assuming shall be responsible for the Subject Servicing in accordance with the Applicable Standards defined in the Guides, the Applicable Agreements, and the Sale of Servicing Contract.

The Assuming Servicer shall accept the Subject Servicing despite any Selling Servicer breach of the Sale of Servicing Contract or any breach of Selling Servicer’s responsibilities.

The Assuming Servicer shall be responsible for all funds collected from or on behalf of the Borrowers of the Mortgage Loans for the benefit of the Owner Bank.

If the Owner Bank reverses funding of a Mortgage Loan for which the Servicing has been transferred in order to correct loan data and subsequently issues a new funding confirmation for the Mortgage Loan, the Assuming Servicer shall service the Mortgage Loan in accordance with the new funding confirmation.

12.3.7 Custody Documents

The custodial documents for the Mortgage Loans shall continue to be held by the MPF Government MBS Custodian used by the Selling Servicer unless all of the conditions for using a different custodian set forth in the Custody Manual of the Guide are satisfied. If the Assuming Servicer elects to use a Custodian other than the MPF Government MBS Custodian, the Assuming Servicer shall pay all custody fees for those Mortgage Loans.

Unless MERS is the Mortgagee of record, the Selling Servicer must prepare and record an Assignment of the Security Instrument to the Assuming Servicer for each Mortgage Loan in the form required by Applicable Law. The Assignment must be prepared in accordance with the requirements in the Guides.

If MERS is the Mortgagee of record, the Selling Servicer must register the transfer of servicing with MERS by providing the correct organization identification number for the Assuming Servicer.

Verification of the transfer of Servicing is required for Government MBS Mortgage Loans. The Selling Servicer must provide evidence from the MERS system identifying the Assuming Servicer including MPF loan number, MIN, and Servicer ID# by email to: MPF-Help@fhlbc.com within thirty (30) days of the transfer.

12.3.8 Certification with the MPF Government MBS Custodian

The Selling Servicer is responsible for the Initial Certification of the Collateral Files, resolving Initial Certification issues with the MPF Government MBS Custodian, and payment of all fees imposed for uncertified documents or custodial Exceptions. All Mortgage Loans that do not meet the Initial Certification requirements prior to the servicing transfer date must be repurchased immediately by the Selling Servicer. The Selling Servicer may request and obtain the Collateral File from the MPF Government MBS Custodian in order to correct certification exceptions until the servicing transfer date.

12.3.9 Quality Control

The Originating PFI is responsible for conducting the quality control reviews in accordance with MPF Program requirements.

If a Mortgage Loan for which the Servicing Rights was transferred is selected for MPF quality control review, the current Servicer at the time the Mortgage Loan is selected shall be responsible for providing copies of the required documents upon request from the MPF Provider.

12.3.10 Accounting

The Assuming Servicer is required to maintain Custodial Accounts in accordance with the Guides and is required to maintain separate Custodial Accounts for each Owner Bank for which it acquires Subject Servicing Rights.

The Assuming Servicer will be responsible for monthly loan accounting and reporting commencing on the first (1st) day of the month reported by the Selling Servicer in the transaction validation process. Mortgage Loans that are owned by the Assuming Servicer's MPF Bank are reported using the Assuming Servicer's regular PFI number or Servicer ID# while Mortgage Loans that are owned by any other Owner Bank are reported using the Servicer ID number assigned to the Assuming Servicer for that Owner Bank.

The Assuming Servicer shall remit funds to an A/A Account or DDA Account as the Owner Bank and its MPF Bank directs.

12.3.11 Remittances

The Assuming Servicer shall service each Mortgage Loan based on the remittance type specified in the applicable Master Commitment. Remittances must be made in accordance with the Guides. If the remittances are not made as required, the amount of loss or damages to the Owner Bank, in addition to the amount of the remittances due, shall be as provided for in the MPF Guides.

12.3.12 Mortgage Insurer/Guarantor Notification

The Selling Servicer must notify the mortgage insurer/guarantor of the Servicing transfer and if necessary, obtain the approval of the mortgage insurer/guarantor.

It is the responsibility of the Selling Servicer and the Assuming Servicer to adhere to all requirements of the mortgage insurer/guarantor.

12.4 Selling Servicer Covenants

In addition to the representations and warranties in the Applicable Agreement, by selling the Servicing of Mortgage Loans on the Servicing Transfer Date, the Selling Servicer represents and warrants that for each Mortgage Loan transferred:

- The Selling Servicer is the sole and lawful owner of the Servicing Rights;
- The Selling Servicer has the full right and power to transfer the Servicing Rights to the Assuming Servicer;
- Except for the Sale of Servicing Contract and the Applicable Agreement, the Servicing Rights are not subject to any contract or other agreements of the Selling Servicer;
- If the Selling Servicer is a PFI, the terms of the Master Commitment(s) remain in full force and effect; and
- The Selling Servicer's Applicable Agreement remains in full force and effect.

Additionally, the Selling Servicer shall remain liable for:

- The Origination Obligations for the Mortgage Loans (if the Selling Servicer sold the loan to the Owner Bank);
- The Credit Enhancement obligations for the Mortgage Loans (if the Selling Servicer sold the loan to the Owner Bank);
- Delivery of the Document Package to the MPF Government MBS Custodian in accordance with MPF Program requirements; and

- Any violations of the Servicing Obligations that occur prior to the Servicing Transfer Date.

12.5 Assuming Servicer Covenants

In connection with any transfer of Servicing to be performed by the Assuming Servicer, the Assuming Servicer must comply with the following requirements:

- The Assuming Servicer must perform all Servicing of the Mortgage Loans in accordance with the Applicable Agreements, the Sale of Servicing Contract, and the Guides;
- The Assuming Servicer shall take such actions as the MPF Provider may deem necessary or advisable, at its sole discretion, to enable the MPF Provider to monitor:
    - All transfers of Mortgage Records;
    - The processing and handling of all information regarding the Mortgage Loans with loss mitigations plans or loan modifications in process at the time of the transfer of Servicing;
    - The Assuming Servicer’s and the Selling Servicer’s compliance with all Applicable Laws and the Guides relating to transfers of Servicing and with the terms of the underlying Mortgage Loans; and
    - All quality control review results relating to the Mortgage Loans, whether performed by the Assuming Servicer, the predecessor Servicer or otherwise.
- To the extent there are any Mortgage Loans which, at the time of the transfer of the related Servicing, are subject to existing loss mitigation agreements or have loan modification agreements in process, the Assuming Servicer shall:
    - Honor and abide by the terms of such agreements, or propose options that are no less beneficial to the Borrower than such agreements; and
    - Take such actions as may be reasonably necessary to obtain all information required to complete such loan modification agreements.
- The Assuming Servicer shall provide to the MPF Provider such information as the MPF Provider may deem necessary or advisable to evaluate the current and potential effects of the transfer of Servicing on the Borrowers, including, without limitation, any effects such transfer may have on Borrowers with in-process Mortgage Loan workouts, bankruptcies, or litigation;
- The Assuming Servicer shall require in writing all third-party service providers, vendors, and other entities it may engage in connection with the transfer of Servicing to comply with the Guides;
- The Assuming Servicer agrees to make and provide the MPF Provider with such additional reports as may be reasonably requested by the MPF Provider with sufficient advance written notice; and

- Under the terms of the Applicable Agreements, related addendum or the Guides, the Assuming Servicer may be required to purchase Mortgage Loans in certain circumstances. If, however, an Assuming Servicer is not required to purchase a Mortgage Loan and if a Selling Servicer or Selling PFI is required to repurchase such Mortgage Loan from the applicable Owner Bank for any reason, the MPF Provider shall notify the Assuming Servicer of such repurchase request. The Assuming Servicer shall assist the MPF Provider and applicable Owner Bank with the repurchase, and the Assuming Servicer will continue to service such Mortgage Loan until it is repaid, liquidated, or the MPF Provider or the Owner Bank, as applicable, notifies the Assuming Servicer that the Mortgage Loan has been sold.

The Owner Bank shall request the Assuming Servicer to purchase any Serviced Mortgage Loan which does not meet the requirements of the Guides, whether such condition is due to the Selling Servicer's breach of any of its Origination Obligations or servicing obligations with respect to such Serviced Mortgage Loan. Without waiving its rights against the Selling Servicer, the Assuming Servicer shall affect such purchase, provided:

- The Selling Servicer has not filed nor has a filing been made against the Selling Servicer under the Bankruptcy Codes;
- Neither a receive nor a conservator has been appointed for the Selling Servicer;
- The Owner Bank assigns its rights against the Selling Servicer with respect to such Mortgage Loan to the Assuming Servicer; and/or
- The Assuming Servicer is subrogated to the rights of the Owner Bank against the Selling Servicer with respect to such Mortgage Loan.

All Serviced Mortgage Loans for which a repurchase determination is made prior to the 15th of any month, or the prior Business Day if the 15th is not a Business Day, shall be reported as repurchased for the end of the accounting cycle (the last Business Day) of the month with funds to be transferred on the following month's remittance day (the 18th of the month or the immediately prior Business Day if the 18th is not a Business Day).

12.6 Conflict Between Selling Servicer and Assuming Servicer

If the Selling Servicer and Assuming Servicer disagree about liability for violations of representations, warranties, covenants or any other Servicing requirements hereunder, the MPF Provider has the right, in its sole discretion, to determine which party or parties are liable for such violations.

12.7 Termination of Servicing

Except as otherwise provided in the Applicable Agreement or the Guides, the Servicing of Mortgage Loans (including the related Servicing Rights) may be terminated for the reasons and in the manner as provided below and in the Guides. In all such cases, the Servicer will continue servicing the Mortgage Loans as required in the Applicable Agreement and the Guides, until the Servicing Rights for the Mortgage Loans are transferred to a successor servicer approved by the Owner Bank and, if applicable, the

MPF Provider. The Servicer's MPF Bank or the MPF Provider, if applicable, shall determine servicing termination transfer date.

Termination of the Servicer's right to service Mortgage Loans under the Applicable Agreement shall terminate the Servicer's Subject Servicing without separate notice to the Servicer. Such termination shall not relieve the Servicer of its obligation to transfer all funds, Mortgage Loan Files and data for the Mortgage Loans in its possession to the party designated by the Owner Bank, nor relieve the Selling Servicer or Owner Bank of the Credit Enhancement. The Servicer's MPF Bank shall give notice to the Owner Bank and the Originating PFI of termination of the Assuming Servicer's right to service Mortgage Loans under the Applicable Agreement.

From and after the servicing termination transfer date specified for each Mortgage Loan, the Servicer shall not be entitled to compensation for further services for the Mortgage Loans, but shall be paid all compensation accruing to such servicing termination transfer date and shall be reimbursed for all outstanding servicing advances for the Mortgage Loans in accordance with the Guides. In the event of a termination of the Applicable Agreements for any reason, the Servicer, the MPF Provider and the Owner Bank agree to cooperate in taking such action as is necessary to affect the transfer of Servicing of the Mortgage Loans and the termination of the Servicing Responsibilities and rights of the Servicer hereunder, including, without limitation:

- Transferring to the Owner Bank or, at the written direction of the Owner Bank, to a successor Servicer, all Mortgage Records, data, property, documents and complete records of the Owner Bank then in the custody or possession of the Servicer; and
- Executing documents that are necessary to accomplish the transfer of Servicing Responsibilities and obligations to a successor Servicer. Notwithstanding any provision to the contrary in the Applicable Agreements or Guides, herein, any transfer of Servicing pursuant to this section shall comply with all Applicable Law, including without limitation any requirements regarding notification of each Borrower under the Real Estate Settlement Procedures Act ("RESPA").

In connection with a termination of the Applicable Agreement for cause by the Owner Bank or the MPF Provider, all reasonable out-of-pocket costs and expenses (including attorneys' fees) incurred by the Owner Bank and the MPF Provider in connection with the transfer of Servicing following termination shall be paid by the Servicer upon presentation of reasonable documentation of such costs and expenses. In connection with a termination of the Applicable Agreement without cause, the party that initiated the termination shall pay all reasonable out-of-pocket costs and expenses (including attorneys' fees) incurred by the other party in connection with the transfer of the Servicing Responsibilities upon presentation of reasonable documentation of such costs and expenses. In connection with a termination of the Applicable Agreement by mutual consent, the parties shall pay their own respective out-of-pocket costs and expenses (including attorneys' fees) incurred in connection with the transfer of Servicing duties.

Such termination of the Servicing shall not relieve the Selling Servicer of its Credit Enhancement obligations.

12.8 Non-Servicer Initiated Transfers

The MPF Bank may, in its sole discretion, direct a Servicer to sell to a party designated by the MPF Bank the Servicing Rights of any and all Mortgage Loans if the aggregate principal amount of Mortgage Loans serviced by the Servicer is less than $10 million.

The purchase price of such Servicing Rights shall equal the fair market value, which will be mutually agreed to by the Servicer, the MPF Bank, and the designated buyer.

12.9 Non-Compliant Transfers

Any unauthorized Servicing transfer or any Servicing transfer that is found to be non-compliant with any requirement of the Guides may be the basis for terminating the Applicable Agreements with both the Selling and Assuming Servicers.

Instead of terminating the Applicable Agreements, the MPF Bank and the MPF Provider have the discretion to impose sanctions, compensatory fees, demand repurchase, or other available remedies when a Servicer participated in an unauthorized Servicing transfer or a Servicing transfer that is found to be non- compliant with any requirement of these Guides. In addition to any other remedy imposed on the Servicer by the MPF Bank or MPF Provider, any Servicer that participates in an unauthorized Servicing transfer or a Servicing transfer that is non-compliant with any requirement of these Guides, will be held liable for any losses, liabilities, or other expenses the MPF Bank and MPF Provider incur as the result of the unauthorized transfer.