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CHAPTER 1. INTRODUCTION (12/20/24)[1]

This MPF® Traditional Servicing Guide ("Servicing Guide"), the MPF Program Guide, the MPF Traditional Selling Guide product-specific manuals, forms, exhibits, (together referred to herein as the "Guides"), and the Applicable Agreements apply to all Servicers Servicing Mortgage Loans sold under MPF Traditional Products and the MPF Government product. This Servicing Guide outlines the requirements and/or processes for Servicers servicing MPF Traditional 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. Failure of a Servicer to perform its obligations under either the Applicable Agreements or the Guides constitutes an Event of Default entitling the 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.

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).

1.1.1 Conventional Loans (4/25/24)[2]

For all Conventional Loans, the Servicer must comply with the requirements of this Servicing Guide. Servicer shall be responsible for all costs and fees allowed by law to be recoverable from the Borrower or a third party, that it failed to reasonably endeavor to recover and shall make MPF Bank whole for any losses to the MPF Bank resulting from the Servicer's failure to comply with the Guides or Applicable Laws.

1.1.2 Government Loans (4/25/24)[3]

Where servicing requirements of the Servicing Guide and the servicing requirements of the applicable Government Agency conflict, the more restrictive requirements will apply. Where the servicing requirements differ but are equally restrictive, the Government Agency's requirements will apply. Servicers shall be responsible for Unreimbursed Servicing Expenses (i.e. those amounts not reimbursed by the applicable Government Agency with respect to defaulted Mortgage Loans) and shall be responsible for making the MPF Bank whole as to any potential loss suffered in the event Servicer fails to maintain the government guarantee or insurance.

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[1] MPF Announcement 2024-78 (12/20/24)
[2] MPF Announcement 2024-25 (4/25/24)
[3] MPF Announcement 2024-25 (4/25/24)

1.2 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 Investor approval 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.

1.2.1 Notifying the MPF Provider

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; and
- PFIs and Servicers must notify the MPF Provider within 5 calendar days of receiving notification that a Borrower has enrolled in, or has unenrolled in, any Address Confidentiality Program.

1.3 The Master Servicer

This section addresses the role of the Master Servicer. Servicers are required to ensure they provide certain notices to and obtain certain approvals from the Master Servicer, in the manner provided for in the Guides. When submitting requests to the Master Servicer, Servicers should assume the Master Servicer 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 MPF Program Master Servicer

The terms and conditions of this Servicing Guide will be administered by the MPF Bank, the MPF Provider acting on behalf of the MPF Bank, 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 will serve as the Master Servicer. The MPF Bank or the MPF Provider may, at any time, without the Servicer's consent, direct in 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 Bank or 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.

1.3.2 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 Bank, MPF Provider, or the Master Servicer.

1.4 Servicer’s Relationship with the MPF Program

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

1.4.1 Servicer as Independent Contractor

The Servicer is an independent contractor of the MPF Bank 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 Bank 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 Bank, 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 Master Servicer, or MPF Provider in writing, the Servicer is not authorized to waive any right or remedy of the Mortgage Loan documents.

1.4.2 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 Bank and 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 Bank, 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 Bank 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 or require indemnification for any loss incurred by the MPF Bank as a result of the breach.

1.4.3 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 Bank's name.

1.5 Repurchases (1/10/25)[4]

PFI and Servicers do not have a unilateral right to purchase or repurchase Mortgage Loans. This Guide provides specific instances where a PFI or Service may voluntarily purchase or repurchase an MPF loan. Any other voluntary purchase or repurchase by a PFI or Servicer must be pre-approved by the applicable MPF Bank, and no steps to initiate a purchase or repurchase should be taken without the written approval or consent of the MPF Bank. Requests for purchase or repurchase should be submitted to the applicable

[4] MPF Announcement 2025-05 (1/10/25)

MPF Bank directly by the PFI/Servicer. The MPF Banks reserve the right to refuse voluntary purchase or repurchase requests that are not specifically permitted in the Guides.

See additional purchase and repurchase requirements in MPF Program Guide Section 3.5 Purchase or Repurchase Requirements; and "Exhibit GG - MPF Traditional Repurchase Request."

1.6 Indemnification

The Servicer shall indemnify and hold harmless: (a) the MPF Bank; (b) the MPF Provider; (c) the Master Servicer; and (d) the officers, directors, employees, agents and affiliates of the MPF Bank, MPF Provider and Master Servicer 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 or Master Servicer, 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.

1.7 Servicing Standards

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 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, and/or Master Servicer in a timely manner, within the time frame provided for in the Guides or in the request itself, as applicable.

1.7.1 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 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).

1.7.2 Allowable Servicing Fees

The Servicer may only charge Borrowers fees that are not prohibited by Applicable Law, the Mortgage Loan Documents, the MPF Guides and the Mortgage Insurer/ Guarantor. Any fees charged to the Borrower must be customary for the service provided.

1.7.3 Servicing Files (10/1/25)[5]

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.

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

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:
  - a copy of the 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 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, the applicable investor 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 Traditional 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, MPF Bank, 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 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.

1.7.4 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.

1.7.5 Record Retention (10/1/25)[6]

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.

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 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 Bank or 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 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).

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

1.7.6 Release of Documents

The Note and the Assignment must remain in the 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 (Form SG340) to the Custodian.

The 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 Bank. The Servicer must safeguard the Collateral File until it is returned to the Custodian, which includes protecting it from external elements (such as fire), identifying it as an MPF Bank 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 24 hours 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.

1.7.7 Release of Lien (4/15/25)[7]

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 Bank, and for complying with all Applicable Laws requiring timely release or reconveyance.

The Servicer must complete the appropriate Request for Release of Documents (Form SG340) and submit it to the 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

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

must be submitted by the 2nd business day of February). A monthly request may be submitted using one SG340 form accompanied by an excel spreadsheet listing all MPF Traditional paid off loans 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 request 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.

The 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.

1.7.8 Disclosure of Servicer Information

The Servicer must furnish to the MPF Bank or any other investor upon request, and to keep up to date, a description of the Servicer and its activities, suitable, in the MPF Bank's or other investor'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 they MPF Bank will rely upon the truthfulness and accuracy of such description, including when using Mortgage Loans as collateral for mortgage-backed securities or similar transactions.

1.7.9 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.

1.7.10 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.

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.)

1.7.11 Customer Contact

Servicers must promptly respond to all inquiries received from Borrowers and successors in interest (upon confirming successors in interest status in accordance with Applicable Law) 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 and successors in interest in a manner reasonably expected to be understandable to the Borrower and successors in interest.

The Servicer shall not refer Borrowers or successors in interest to the Master Servicer, MPF Bank or MPF Provider 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.

1.7.12 Rescission Notices

The Servicer must immediately notify the MPF Provider and the Investor of the Mortgage Loan 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, name of Investor(s) 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.

1.7.13 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 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.

1.7.14 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 notify the MPF Provider upon discovering that the Mortgaged Property is no longer owner-occupied, including when it is vacant, abandoned or occupied by a tenant, if the related Mortgage Loan documents indicate such property is to be owner-occupied, and provide recommendations with applicable supporting

documentation, as to any actions that are to be taken as a result of the change in occupancy status.

1.7.15 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.

1.7.16 Execution by MPF Bank

If the MPF Bank'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 Bank's execution and certifying the reason that the execution is required. 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
- Any other supporting documentation or relevant loan or borrower information that may be needed to respond to Servicer's request.

Upon receipt of the executed documents, the Servicer must promptly record, file, or deliver the documents as applicable.

1.7.17 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.

1.7.18 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.

1.7.19 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.

1.7.20 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".

1.8 Military Indulgence

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

1.8.1 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.

For actual/actual and actual/actual single remittance Conventional Loans, the Servicer must report and remit based on the interest rate adjustment to six percent (6%) and no request for reimbursement needs to be submitted.

For scheduled/scheduled remittance Conventional Loans, 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 by submitting a copy of the Borrower's applicable orders or other acceptable documentation and reporting monthly or quarterly.

For Government Loans, the MPF Bank, at its option, may grant interest shortfall assistance to the Servicer. Servicer may request such assistance by submitting a copy of the Borrower's applicable orders or other acceptable documentation and reporting monthly or quarterly. If interest shortfall assistance is granted, the Servicer will follow the requirements identified above based on the remittance type.

Any interest shortfalls resulting from SCRA related interest rate adjustments will be deemed a Realized Loss subject to the terms of the related Master Commitment and the SCRA. Those expenses may be recoverable by the MPF Bank as a Realized Loss by retaining performance CE fees.

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.

1.8.2 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.

1.9 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 Bank or MPF Provider, the Master Servicer or its successors or assigns.

The Servicer shall remain liable to the MPF Bank 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.

1.9.1 Subservicing

The Servicer must obtain written consent from the MPF Bank to delegate all of its servicing responsibilities to a subservicer. If servicing is performed by a subservicer, all financial transactions regarding this servicing must take place through the Servicer's DDA with the MPF Bank.

1.9.2 Delegations Not Requiring Consent

The Servicer may elect to delegate by agency, subcontract, or otherwise the following Servicing duties without the written consent of the MPF Bank or 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;
- Lock box providers or payment processing administrators to provide payment processing services; and
- Property insurance servicing companies to provide periodic reports as to the amount of property insurance premiums due on any Mortgaged Property and the due date of each required premium payment.

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 Bank 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;
- Payments made pursuant to a modification agreement or bankruptcy plan; and
- Payments from a buydown account (if applicable).

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 established with one of the following:

- A Federal Home Loan Bank;
- A Federal Reserve Bank;
- 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 Bank reserves the right to require a Servicer to transfer funds out of a depository institution if the MPF Bank determines that it is in its best interest to do so.

2.3.2 Interest-Bearing Accounts

Custodial Accounts must be demand deposit accounts (DDAs). They may be interest-bearing accounts, provided that the accounts comply with the Applicable Standards and interest is paid separately to the Servicer and not deposited or co-mingled with funds in the Custodial Account. Any interest paid with respect to the Custodial Account will not be the property of the MPF Bank.

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 Traditional 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 two (2) Business Days 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, Escrow Funds, and, if applicable, Buydown 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. Funds held in the Custodial Accounts for the Mortgage Loans may not be commingled with funds related to mortgage loans owned by another party. 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 MPF Traditional Products (for Conventional Loans and/or Government Loans), required Custodial Accounts are as follows:

Type of Account	Account Location
P&I Custodial Account (Separate accounts for S/S and A/A)	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
Interest DDA	MPF Bank that owns the Mortgage Loan
Non Interest DDA (A/A only)	MPF Bank that owns the Mortgage Loan

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: "[Servicer's name], as trustee for the benefit of the Federal Home Loan Bank of [city name of MPF Bank], its successors and assigns"

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);
- Short sale proceeds; and
- REO disposition proceeds.

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 or A/A Account with the MPF Bank to fund monthly P&I drafts by the MPF Bank;
- 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.

2.4.3 Tax & Insurance Custodial Account

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 trustee for the benefit of the Federal Home Loan Bank of [city name of MPF Bank], its successors and assigns and/or various Mortgagors

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

- Escrow Funds;
- T&I advances;
- Remaining balance of property insurance loss drafts;
- Buydown Funds (if not held in a separate Buydown Custodial Account);
- 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 funds for an individual Mortgage Loan never become 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 Buydown Funds

T&I funds and Buydown Funds may be commingled in one account, or Buydown Funds may be held in a separate account.

If a separate account is established, the account must be titled as follows:

- "[Name of Servicer], as trustee for the benefit of the [name of MPF Bank], its successors and assigns and/or various Mortgagors."

The Servicer is required to keep records identifying each Borrower's Buydown Funds deposited into the Buydown Custodial Account in accordance with the terms of the applicable buydown agreement.

2.4.5 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. P&I advances are not required for Actual/Actual remittances.

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.

2.4.6 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 written confirmation from the MPF Provider to stop the advances, [by email to MPF-Help@fhlbc.com] and including the following information:

- MPF loan number
- Borrower name(s)
- Explanation as to why advances are nonrecoverable and any supporting documentation.

2.4.7 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 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.

2.5 Custodial Account Reconciliation (11/12/25)[8]

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

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

- P&I Custodial Account Reconciliation (SG320: For Scheduled/Scheduled Master Commitments) or SG320A: For Actual/Actual and Single Remittance Actual/Actual Master Commitments);
- T&I Custodial Account Reconciliation (SG321: For Scheduled/Scheduled Master Commitments) or SG321A: For Actual/Actual and Single Remittance Actual/Actual Master Commitments); and
- Custodial Buydown Detail Report (SG322), if applicable.

Reconciliations must include copies of the Custodial Account bank statement, proof of cash, and documentation supporting the reconciled items. 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.

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

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.

The Servicer must amortize a Mortgage Loan for which Buydown Funds are applied at the Note Rate, not at the buydown rate, in order to ensure that payments are collected to properly amortize the Mortgage Loan.

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 or A/A Account.

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 under the Mortgage Loan terms, 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.). 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. Servicers are required to follow the applicable Government Agency guidelines and MI company regarding waiving and reinstating Escrow. The Servicer may not waive the requirement to escrow MI premiums.

In order to be eligible for an escrow waiver, the Borrower must meet the following requirements:

- Applicable law allows or does not prohibit the Servicer to discontinue collecting escrow.
- The principal balance for the Mortgage Loan must be less than 80% of the original appraised value of the Mortgage Property.
- Not have made any payments that were thirty (30) days or more past due in the twelve (12) months prior to the escrow waiver request date.
- Not have made any payments that were sixty (60) days or more past due within the twenty four (24) months prior to the escrow waiver request date.
- The Borrower has not received a prior Mortgage Loan modification.
- The Borrower has not previously been approved for an escrow waiver and failed to make all payments timely, as required.

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 escrow items when due, the Servicer shall advance its own funds in an amount sufficient to make the full payment due. 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

Re-amortization and Note modification of a curtailed Mortgage Loan may be completed only when all of the following conditions are met:

- The minimum Curtailment payment applied to the principal balance of the Mortgage Loan is the greater of $5,000 or 10% of the current Principal Balance, and the qualified Curtailment was applied to the Mortgage Loan within sixty (60) calendar days prior to the Note modification date. However, re-amortization cannot commence in the same month that the Curtailment is applied;
- The Note modification does not extend the term or change the Note Rate of the Mortgage Loan;
- The re-amortization and Note modification are in compliance with the applicable mortgage insurance company or Government Agency requirements;
- The Note modification provides for full amortization of the Mortgage Loan by the maturity date through regular, equal payments of principal and interest; and
- FNMA Form 181, or its equivalent, must be executed fully by all parties to the original Note.

Within two (2) days of the Borrower's signing the FNMA Form 181, or its equivalent, the Servicer must notify MPF Loan Accounting by providing a copy of the executed modification agreement to MPF-Help@fhlbc.com.

The original signed modification agreement must be retained in the Mortgage Loan File.

2.10.5 Scheduled/Scheduled Mortgage Loans

For Mortgage Loans with a scheduled/scheduled remittance option, the Servicer must pay the MPF Bank 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 Actual/Actual Remittance Mortgage Loans

Curtailments received on Mortgage Loans with an actual/actual remittance option must be reported and remitted in the accounting cycle when received. No Curtailment Interest is due for these remittance types.

2.10.7 Mortgage Loan Payoffs and Liquidation Proceeds (1/10/25)[9]

A Mortgage Loan may be paid in full by or on behalf of the Borrower at any time. Unlike purchase or repurchase situations, PFIs/Servicers are not required to obtain the MPF Bank'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, regardless of whether or not the Servicer has received proceeds from an SMI claim.

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

[9] MPF Announcement 2025-05 (1/10/25)

For Mortgage Loans being purchased or repurchased by the PFI/Servicer, see MPF Program Guide- section "3.5 Purchase or Repurchase Requirements," MPF Traditional Servicing Guide section "1.5 Repurchases" and "Exhibit GG - MPF Traditional Repurchase Request."

2.11 Buy-down Account Payments

If the interest rate of the Mortgage Loan has been "bought down" by the establishment of a buydown account, the Servicer shall collect the amount specified in the buydown agreement from the buydown account and apply it to the Borrower's monthly installment as directed in the buydown agreement. If the Borrower fails to make his or her portion of the monthly installment, Servicer should leave the buydown amount in the account to be applied when Borrower does make a payment or as otherwise directed in the buydown agreement.

2.12 Remittances

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

2.12.1 General

The Servicer must deposit all required funds to the Servicer's DDA Account by the remittance date.

2.12.2 Remittances for Actual/Actual Multi Mortgage Loans

In addition to making the required funds available in the A/A Account for the Monthly Remittance, Servicers of Mortgage Loans with an actual/actual multi remittance option are required to transfer funds from the P&I Custodial Account to the A/A Account on any Business Day where the balance of the P&I Custodial Account (excluding Servicing Fees and any other amounts not required to be deposited into the P&I Custodial Account) exceeds two thousand five hundred dollars ($2,500). On the first Business Day of the following month, the Servicer must transfer all remaining funds from the P&I Custodial Account to the A/A Account, regardless of whether the amount exceeds two thousand five hundred dollars ($2,500).

If the Servicer does not transfer the funds to the A/A Account by the applicable dates, the MPF Bank may (in addition to exercising all other available remedies) charge the following compensatory fees:

- For the first instance of a late funds transfer: a fee that is determined by multiplying the calculated late transfer amount by the number of days the transfer is late divided by three hundred sixty (360) and then multiplying that product by the sum of the prime interest rate published in The Wall Street Journal's prime rate index and three percent (3%). However, in no instance would the compensatory fee for late transfers for any given month be less than two hundred fifty dollars ($250).
- For the second instance of a late funds transfer (if it occurs within one (1) year of the first instance): a fee that is determined by multiplying the calculated late transfer

amount by the number of days the transfer is late divided by three hundred sixty (360) and then multiplying that product by the sum of the prime interest rate published in The Wall Street Journal's prime rate index and three percent (3%). However, in no instance would the compensatory fee for late transfers for any given month be less than five hundred dollars ($500).

- For subsequent instances of late funds transfers (if they occur within one (1) year of the most recent instance): a fee that is determined by multiplying the calculated late transfer amount by the number of days the transfer is late divided by three hundred sixty (360) and then multiplying that product by the sum of the prime interest rate published in The Wall Street Journal's prime rate index and three percent (3%). However, in no instance would the compensatory fee for late transfers for any given month be less than one thousand dollars ($1,000).

2.12.3 Remittances for Scheduled/Scheduled and Actual/Actual Single Remittance

The Servicer is required to make the following funds available for the MPF Bank to initiate a withdrawal (Monthly Remittance) from the Servicer's DDA (or A/A Account for Actual/Actual Single remittances) by the eighteenth (18th) calendar day of each month, or on the preceding Business Day if the eighteenth (18th) 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 Mortgage Loans with a scheduled/scheduled remittance option, 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.

2.12.4 Payoff and Liquidation Remittances (1/10/25)[10]

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

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

- For Mortgage Loans serviced under a scheduled / scheduled remittance option: Scheduled Interest due on the Mortgage Loan through the end of the month of Liquidation (30 / 360 day basis).

[10] MPF Announcement 2025-05 (1/10/25)

- For Mortgage Loans serviced under an actual / actual or actual / actual single remittance option: monthly interest due from the Borrower (30 / 360 day basis) and partial month interest due up to, but not including, the date of payoff (actual days / 365 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," MPF Traditional Servicing Guide section "1.5 Repurchases," and "Exhibit GG - MPF Traditional Repurchase Request."

2.12.5 Modification Agreement Remittances

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

2.12.6 Government Loan Losses

When there is a remaining Principal Balance after repurchase, liquidation, or REO property sale, the Servicer must remit its own funds to reduce the remaining Principal Balance of the Mortgage Loan to zero within the following time frames:

- Pay down the Mortgage Loan balance to zero upon completion of the Foreclosure sale within the accounting period in which the sale was completed; or
- Pay down the Mortgage Loan balance to zero upon receipt of the initial claim payment within the accounting period in which the initial payment was received.

2.13 Reporting Requirements

This section covers the investor reporting requirements.

2.13.1 Monthly Accounting Reports (9/25/26)[11]

The Monthly Accounting Reports for MPF Traditional Products cover the period including the first Business Day of the month through the last Business Day of the Month.

All Monthly Accounting Reports must be completed and forwarded to the Master Servicer no later than 5:00pm Eastern Time on the fifth (5th) Business Day of the month following the reporting month (See MPF Investor Reporting Calendar – Exhibit A).

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

[11] MPF Announcement 2025-45 (5/27/25)
MPF Announcement 2024-80 (12/20/24)
MPF Announcement 2026-63 (9/25/26)

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

2.13.2 Electronic Format (9/25/26)[12]

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://servicerconnect.trustconnect.computershare.com). Servicers should contact the Master Servicer for assistance with the preparation of electronic reports.

2.13.3 Late Reporting Fee (12/20/24)[13]

Monthly Investor Reporting, Monthly Accounting Reports and Delinquent Mortgage & Bankruptcy Status Reports filed incomplete or not filed by the applicable MPF Investor Reporting Calendar due date (see Servicing Guide Exhibit A) are considered late. Each occurrence of a late or incomplete Monthly Accounting Report or a late or incomplete Delinquent Mortgage & Bankruptcy Status Report will be subject to a late reporting fee.

A written notice of noncompliance will be sent to the Servicer for all instances of 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 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;

[12] MPF Announcement 2025-45 (5/27/25)
MPF Announcement 2026-63 (9/25/26)
[13] MPF Announcement 2024-80 (12/20/24)

- Two-hundred-fifty dollars ($250) for the second occurrence of a late and / or incomplete report or transmission;
- 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.

A late fee of one hundred dollars ($100) is assessed for each occurrence of a late or incomplete Delinquent Mortgage & Bankruptcy Status Report.

The MPF Bank and 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:

- Property Inspection Report (Form SG331);
- Notice of Acquired or Conveyed Property (Form SG334);
- Request for Release of Documents (Form SG340);
- Property Insurance Loss Draft Notification (Form SG342);
- MI Cancellation Notice (Form SG343); and
- Workout Worksheet (Form SG354).

2.13.5 MPF Provider Reports (9/18/25)[14]

The MPF Provider may issue reports to Servicers on a frequent basis, Servicers are expected to review or share this information internally to understand any potential impacts. When applicable, Servicers must respond to the MPF Provider within the timeframe provided in the report.

For mortgages delivered under a Servicing Released option, PFIs may receive a monthly delinquent mortgage report from the MPF Provider. This report includes details for mortgage loans that are 30 or more days delinquent and that have not been reinstated.

PFIs must review the information on the delinquent mortgage loan report as it may assist PFIs with minimizing potential losses.

PFIs are encouraged to contact the MPF Provider to gain additional details that may help estimate the potential loss.

[14] MPF Announcement 2024-66 (10/18/24)
MPF Announcement 2025-73 (9/18/25)

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 (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 (7/11/25)[15]

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.

[15] MPF Announcement 2025-55 (7/11/25)

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 MPF Program Guide from the interest actually collected with respect to such Mortgage Loan.

The Servicing Fee for each Mortgage Loan shall be payable solely from the interest portion of the related monthly payment paid by the Borrower or the interest portion, if any, of:

- The proceeds from Foreclosure or any judgment, writ of attachment or levy against the Borrower or the Borrower's assets;
- Funds paid in connection with any payoff;
- Insurance Proceeds; or
- Liquidation Proceeds.

The Servicer shall have the right to withhold and retain the applicable Servicing Fee from the funds received by the Servicer on account of Borrower payments or other recoveries (including net REO proceeds) prior to the remittance of such payments to the MPF Bank. The Servicing Fee is determined each month by multiplying one-twelfth the applicable Servicing Fee rate by the scheduled Principal Balance of the Mortgage on the last day of the preceding month.

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 Custodial P&I 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.

3.2 Reimbursement of Servicing Expenses

Servicers are responsible for advancing their own funds to cover all expenses incurred as a result of Servicing Mortgage Loans. Once the Mortgaged Property is disposed of, the Servicer may seek reimbursement from the MPF Bank for certain servicing related expenses by submitting a Form SG332 to the MPF Provider as more fully detailed in this Guide and in the instructions for Form SG332.

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 Mortgage Loans. Servicers must have procedures in place to confirm that the required property insurance coverage is in place at all times on the Mortgaged Property.

The Servicer shall monitor the insurance coverage which the Borrower is required to maintain for each Conventional Mortgage Loan and each Government 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 Mortgage Loans and Conventional 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 Bank), 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 Bank, 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 Bank 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 Bank or 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 Bank 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/or 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 Bank for any loss the MPF Bank 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 Bank.

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 Master Servicer 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 a SFHA. The Servicer must have procedures to actively, but no less than annually, monitor all flood maps and community status changes for all Mortgaged Properties and take appropriate actions as changes occur. If the Servicer determines that the Mortgaged Property's status has changes, and that it is now located in a 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. If the Servicer determines that the Mortgaged Property's status has changed, and that it is no longer in a SFHA, the Servicer must not require flood insurance.

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 SFHA. 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 HOA'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 HOA, 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 HOA. The policy for a condominium project must include a provision that calls for ten (10) days' written notice to the HOA before the policy can be canceled or substantially modified for any reason.

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

The fidelity insurance policy should cover the maximum funds that will be in the custody of the HOA 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 HOA or management agent for the association's working account and the reserve account(s), each with appropriate

access controls, and the HOA 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 HOA 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 for Conventional Loans. For Government Loans, 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 Bank'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 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 of 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 must 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 consulting 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)[16]

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 amount 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).
  - is required, once approval is obtained, to disburse any remaining funds based on periodic inspections of the progress of the repairs.

4.6.3.2 Mortgage Loans 31 or more Days Delinquent (10/28/25)[17]

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:

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

- less than or equal to $5,000: in one payment.
- greater than $5,000:
  - 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) 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 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)[18]

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. Servicers are required to follow the MPF Program requirements for providing major disaster assistance as detailed in the Guides. Servicers are also encouraged to waive late payment charges if the Borrower is late because of additional expenses or loss of income from the natural disaster. 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.

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 Bank'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 Bank 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 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

[18] 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 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 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 Insurance/ Guaranty

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

4.7.1 Required Coverage

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

For Conventional Mortgage Loans, mortgage insurance is required if the LTV exceeds eighty percent (80%).

For Government Mortgage Loans, the Servicer shall require each Borrower to keep in force the 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 Bank.

4.7.2 Mortgage Insurance Cancellation for One-Unit Properties

4.7.2.1 Introduction

MPF Program Conventional Mortgage Loans are subject to The Homeowner's Protection Act of 1998 (HPA). HPA provides for the automatic termination of borrower paid conventional mortgage insurance (MI) and borrower-requested cancellations of borrower paid MI for certain mortgages closed on or after July 29, 1999, as well as those provisions which define the equity requirements for borrowers requesting cancellation of their MI. The MPF Program's MI termination policy is that all Mortgage Loans secured by single family, single unit owner occupied dwellings, regardless of their origination date, and whether modified or not, shall be administered in accordance with HPA requirements (such as the definition of an acceptable payment history).

Servicers must comply with the Guides and Applicable Laws when cancelling or terminating MI, including provisions of the HPA and applicable state law, and shall not use any criteria for such terminations or cancellations that are in violation of the HPA or applicable state law.

4.7.2.2 Borrower-Requested Cancellation

4.7.2.2.1 Borrower-Requested Cancellation Based on Original Property Value (11/13/25)[19]

The Borrower may request verbally or in writing to cancel MI when either (i) the Principal Balance of the Mortgage Loan is scheduled to reach 80% of the original value of the Mortgage Property (regardless of the current unpaid Principal Balance) based on the initial amortization schedule; or (ii) the unpaid Principal Balance reaches 80% of the original value of the Mortgage Property based on actual payments.

The loan must be current at the time MI cancellation is requested, meaning the payment for the month prior to the date of the cancellation request must have been paid.

The Borrower: (a) must not have made any payments that were thirty (30) days or more past due in the prior twelve (12) months, or (b) payments that were sixty (60) days or more past due within the first twelve (12) months of the last two (2) years prior to the date the Borrower requests cancellation. There are no requirements for a loan's seasoning before the Borrower may request cancellation; however, if the loan is seasoned less than two (2) years, the payment history criteria must be applied to the length of time since the loan's origination.

For example, a loan that qualifies for Borrower requested cancellation that is seasoned six (6) months is eligible for cancellation so long as there have not been any payments that were thirty (30) days or more past due. As another example, a loan that qualifies for Borrower requested cancellation that is seasoned fifteen (15) months is eligible for

[19] MPF Announcement 2025-89 (11/13/25)

cancellation so long as there have not been any payments that were thirty (30) days or more past due within (12) months of the request or sixty (60) days or more past due in the thirteen to fifteen (13-15) months prior to the request.

The Servicer is required to obtain evidence that the value of the Mortgaged Property has not declined below the original property value. The property valuation may only be used to determine whether the value of the Mortgaged Property has declined below the original value. The Servicer may pass on the property valuation fee to the Borrower.

The Borrower must certify that their equity in the property is not subject to any subordinate lien.

The Servicer may not require further MI premiums more than thirty (30) days after the date the Borrower request is received or the date on which Borrower satisfies the requirements for establishing current value and certification as to subordinate liens.

If the request for termination is denied, the Servicer must:

- notify the borrower and provide the grounds for denial, including the results of the property valuation used to make the determination, and
- send this notice within 30 days of the date the servicer received the property value through an acceptable property valuation, if applicable and in accordance with applicable law.

4.7.2.2.2 Borrower-Requested Cancellation Based on Current Property Value (11/13/25)[20]

The Borrower may also request verbally or in writing to cancel MI based on the current property value of the Mortgaged Property if the Mortgage Loan is a one-unit Primary Residence or second home that is:

- Seasoned less than two (2) years if the Borrower has made improvements to increase the value of the Mortgaged Property, the property valuation specifies the improvements that were made and contains commentary on their effect on value, and the LTV is 80% or less, based on the current property value.
- Seasoned between two (2) and five (5) years with an LTV ratio of seventy-five percent (75%) or less, based on the current property value.
- Seasoned five (5) years or more with an LTV ratio of eighty percent (80%) or less, based on the current property value.

The loan must be current at the time MI cancellation is requested, meaning the payment for the month prior to the date of the cancellation request must have been paid. The Borrower must not have made any payments that were thirty (30) days or more past due in the prior twelve (12) months, or payments that were sixty (60) days or more past due within the first

[20] MPF Announcement 2025-89 (11/13/25)

twelve (12) months of the last two (2) years prior to the date the Borrower requests cancellation. If the loan is seasoned less than two (2) years, the payment history criteria must be applied to the length of time since the loan's origination.

If a mortgage loan has been assumed by a new borrower, the Servicer must not agree to the termination unless the new borrower has a 24-month payment history for the mortgage loan.

The Borrower must certify that their equity in the property is not subject to any subordinate lien.

The Servicer must obtain the value of the new property utilizing one of the following valuation methods:

- a new Appraisal with an interior and exterior inspection that meets the Appraisal requirements in the MPF Traditional Selling Guide and must receive the results directly from the appraiser; or
- an interior and exterior BPO.

The Servicer may pass on the property valuation fee to the Borrower.

The Servicer must notify the borrower if the request for termination is denied and provide the reasons for denial, including the results of the property valuation. This notice must be sent within 30 days after the later of:

- the date the Servicer received the borrower's request for termination, or
- the date the Servicer received the BPO or appraisal.

4.7.2.3 Verification of Acceptable Payment Record for Borrowers Impacted by a Disaster (3/18/25)[21]

When verifying an acceptable payment history for a Borrower that was impacted by a disaster event in which the Servicer provided either a forbearance plan, a repayment plan, or a Trial Period Plan, or disaster-related payment deferral and the Borrower complied with the terms of such workout option, the Servicer must not consider any payment that is 30 or more days past due in the last 12 months, or 60 or more days past due in the last 24 months that is attributable to the disaster event. This applies when reviewing the Borrower's request for termination of conventional MI based on either original or current value of the property.

4.7.2.4 Automatic Termination

Pursuant to the HPA, the Servicer must automatically terminate borrower paid MI if the Borrower is current when the Principal Balance of the Mortgage Loan is first scheduled to reach 78% of the original value of the Mortgage Property (regardless of the current unpaid

[21] MPF Announcement 2025-23 (3/18/25)

Principal Balance) based on the initial amortization schedule. If the Borrower is not current on the date the MI is scheduled to automatically terminate, then the MI must be cancelled on the first day of the first month following the date that the Borrower becomes current. The Servicer may not charge the Borrower further MI premiums more than thirty (30) days after the termination date. The Servicer may not charge the Borrower a fee for MI cancellation.

4.7.2.5 Final Termination

If the MI was not previously terminated automatically or at the Borrower's request, the Servicer must terminate borrower paid MI by the first day of the month immediately following the date that is the midpoint of the Mortgage Loan's amortization period based on the initial amortization schedule, if on that date, the Borrower is current. If the Borrower is not current on that date, the MI must be terminated when the Borrower becomes current on the loan. The Servicer may not charge the Borrower further MI premiums more than thirty (30) days after the termination date.

4.7.2.6 Lender-Paid MI

For Mortgage Loans with lender-paid MI, the Servicer must provide notice to the Borrower not later than thirty (30) days after the date when the Principal Balance of the Mortgage Loan is first scheduled to reach 78% of the original value of the Mortgage Property (regardless of the current unpaid Principal Balance) based on the initial amortization schedule, that the Borrower may wish to review financing options that could eliminate the requirement for MI.

4.7.2.7 Other Servicer Obligations

The Servicer is responsible for providing disclosures and notices required under the HPA, including annual disclosures, notice of MI cancellation and notice of grounds for denial of MI cancellation.

In all cases when MI has been cancelled or terminated, the Servicer must notify the mortgage insurer and advise the Borrower(s) that no further escrow deposits for mortgage insurance premiums will be due.

Within forty-five (45) days of cancellation or termination, the Servicer must return any unearned mortgage insurance premium received from the mortgage insurer to the Borrower(s).

Within five (5) Business Days of cancelling or terminating MI for any Mortgage Loan, the Servicer must report the MI cancellation or termination to the MPF Provider using the MI Cancellation Notice (Form SG343).

4.7.3 Mortgage Insurance Cancellation for Two- to Four-Unit Properties(11/13/25)[22]

Borrower-requested MI cancellation for two- to four-unit properties follows the same guidelines as borrower-requested MI cancellation for one-unit properties with the exception that regardless of the age of the loan, the LTV ratio must be seventy percent (70%) or less based on either the original or current value.

MI must be automatically terminated on the first day of the month immediately following the date that is the midpoint of the Mortgage Loan's amortization period based on the initial amortization schedule, if on that date, the Borrower is current.

The Servicer must follow all HPA notice and disclosure requirements.

4.7.4 Replacement Coverage

When the MPF Program removes a mortgage insurer from its approved mortgage insurers list, the applicable private mortgage insurance policy does not need to be replaced, provided that the amount and scope of coverage does not change and the insurer remains licensed in all pertinent jurisdictions and meets the requirements for licensed primary mortgage insurers in those jurisdictions.

In the event it becomes necessary to replace original or existing mortgage insurance with substitute coverage, it must be provided by an insurer on the MPF Program's approved mortgage insurers list, and the premium for any replacement private mortgage insurance policy shall not exceed the premium for the discontinued private mortgage insurance policy.

If the rating assigned by a rating agency to the claims paying ability of any supplemental mortgage insurer is reduced below the level permitted, the Servicer should contact its MPF Bank to determine the available options under the applicable Master Commitment.

4.7.5 Mortgage Insurance Claims

See Servicing Guide Section 11.6 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.

4.7.6 Loss Due to Untimely Claim

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

[22] MPF Announcement 2025-89 (11/13/25)

4.7.7 Loss Due to Insufficient Coverage

The Servicer shall indemnify the MPF Bank 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.

4.7.8 Loss Due to Lapsed, Canceled, or Contested Policy

The Servicer shall indemnify the MPF Bank 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/guaranty 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.

4.7.9 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 or guarantor by reason of a servicing deficiency will be paid by the Servicer to make the MPF Bank whole. The Servicer shall pay the amount of the reduced or adjusted claim to the MPF Bank 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)[23]

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 Form SG341: Request for Release of Security.

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 and applicable primary and/or supplemental mortgage insurer immediately and include any relevant information. Upon receiving written permission from MPF Provider and the applicable primary and/or supplemental mortgage insurer, 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 Bank 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.

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

5.5 Approval Process (12/3/25)[24]

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. The Servicer must notify the MPF Provider of an assumption by submitting Form SG341: Request for Release of Security. If the Borrower's assumption request does not meet the Guide requirements, Servicers must submit a request for an exception.

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

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

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 to the MPF Provider (12/3/25)[25]

As outlined in the various request types in this Chapter, Servicers are authorized to process Borrower requests without obtaining prior approval, provided the request meets all applicable Guide requirements. For each request, Servicers must gather the required documentation as outlined in Form SG341: Release of Security, retain the documentation in the mortgage loan file, and notify the MPF Provider once the request has been processed by submitting the Form SG341: Request for Release of Security via eMAQCSplus.

6.1.2 Submission for Exceptions (12/3/25)[26]

If upon the evaluation of the Borrower's request the Servicer determines that the request does not meet the requirements outlined in this Guide, but the Servicer determines extenuating circumstances exist, then the Servicer must submit a request for an exception. The request must be submitted via eMAQCSplus using the Form SG341: Request for Release of Security. For all exceptions, Servicers must be granted approval by the MPF Bank before processing the Borrower's request. Submission of a recommendation for exception must be accompanied by all supporting documentation that is relevant to the recommendation.

6.2 Removal of a Co-Borrower

The Servicer must evaluate all release of liability requests. Generally, no requests to remove a co-Borrower may be considered within twelve (12) months of the loan Closing date. Thereafter, the Servicer may consider requests 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.

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

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;
- 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 primary and/or supplemental mortgage insurer immediately. Upon written authorization by the MPF Provider and the applicable primary and/or supplemental mortgage insurer, 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.
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6.6 Partial Property Releases and Granting of Easements

This section addresses the Servicers requirements when evaluating a request for the release, or partial release, or granting of an easement for a Mortgaged Property.

6.6.1 General Requirements (12/3/25)[27]

All partial releases of the Mortgaged Property, easements requests to substantially alter the Mortgaged Property, and any other changes affecting the Mortgaged Property must follow the requirements of this subsection 6.6.1, in addition to meeting specific requirements provided for in the following sections applicable to specific types of requests, and 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 request for partial release or for granting of an easement without obtaining the MPF Provider's prior approval if it is determined that the request would adversely affect the value or use of the Mortgaged Property.

Servicers are required to obtain MPF Bank written approval prior to granting requests that do not meet all the requirements provided in this Section 6.6. In order to obtain approval, Servicers must submit Form SG341: Request for Release of Security and all required supporting documentation in accordance with Section 6.1.2 Submission for Exceptions.

Servicers may approve requests for partial releases or granting of easements without obtain prior approval, provided all of the following conditions are met:

- The Mortgage Loan was originated greater than 12 months prior to the date of the request;
- 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, or
  - otherwise in default under the terms of the Mortgage Loan over the most recent 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;

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

- 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;
- The remaining LTV after release will not exceed sixty percent (60%);
- The request will not result in the property becoming inaccessible by public roads; and
- All specific requirements provided for in the remaining subsections of section 6.6 applicable to the specific type of request are met.

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.

Servicers are required to notify the MPF Provider of any partial release requests processed in accordance with Section 6.1.1 Notification to the MPF Provider.

6.6.1.1 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.

6.6.2 Evaluating Requests for the Lease of Oil, Gas, or Mineral Rights

Servicers may process requests for lease of oil, gas, or mineral rights, provided the granting of such rights meets the above general requirements listed above in section 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; or
  - expose the residents to health or safety hazards;
- The lease does not have a material impact on the value of the Mortgaged Property.
- 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 Bank against damage or loss due to the exercise of oil, gas, or mineral rights; or
  - The Mortgaged Property is insured by a homeowner's insurance policy that affirmatively insures the MPF Bank against damage or loss due to the exercise of oil, gas, and mineral rights.

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

6.6.3 Evaluating Requests to Lease Real Property for the Installation of a Semi-Permanent Structure

Servicers may process requests to lease a portion of the property for the installation of any semi-permanent structure such as a wind turbine, cellular base station or other similar structure, provided the granting of such rights meets the above general requirements listed above in section 6.6.1 and meets the following requirements:

- Before approving any agreement related to the placement of a semi-permanent structure on the security property, the Servicer must consider the extent to which the subject property and neighboring properties may be affected by the exercise of the rights covered in the lease.
- The rights granted by the agreement must not materially infringe on the property owner's rights.
- No hazards, nuisances, or damages may result from the exercise of the rights granted by the lease.
- The installed structure must lie outside of a 500-foot radius from the dwelling and any additional structures, including but not limited to detached garages, storage sheds, or accessory dwelling units.

6.6.4 Evaluating Request for the Release of an Easement

Servicers may process requests for the release of easements, provided the granting of such rights meets the above general requirements listed above in section 6.6.1 and has determined the release will not adversely affect the value of the property securing a Mortgage Loan by considering the following:

- the convenience, access, or other benefits provided by the easement, which will be lost upon release, and
- the value of the property with the easement in place compared with the value of the property without the easement.

The Servicer must assess the effect a release of the easement may have on the use or value of the property.

6.6.5 Evaluating Requests for the Granting of an Easement

Servicers may process requests for the granting of an easement, provided the granting of such rights meets the above general requirements listed above in section 6.6.1 and has determined the granting of the easement does not adversely affect the use, value, or future marketability of the property securing a Mortgage Loan by considering the following:

- the degree and quantity of rights that are released with the easement;
- the community's customs, attitudes, and prevalent practices regarding such easements;
- the value of the property without the easement in place compared with the value of the property with the easement in place; and
- the manner and extent of the use of the easement.

6.6.5.1 Public Utility Easements

The Servicer is authorized to approve any request for a customary public utility easement as long as:

- A subsurface utility easement does not extend under the house or other improvements to the property.
- An above-surface utility easement for distribution purposes that runs along any of the property lines or easements for drainage purposes that run along the rear property line if the easements do not extend more than 12 feet from the property line, do not interfere with any of the improvements or use of the property, and do not present a health or safety hazard.

6.6.6 Evaluating a Request for the Addition of Land (12/3/25)[28]

Servicers may process a request to add land to the real property securing the mortgage loan provided the addition of land meets the above general requirements outlined in section 6.6.1 and the following conditions are met:

- the additional land parcel must be conveyed in its entirety and must have the same basic zoning requirements as the existing property (e.g., residential, agricultural);
- the entire property may contain only one dwelling unit. Limited additional non-residential structures located on the additional land are acceptable;
- the additional land must not contain any hazardous materials, dilapidated, or unsafe structures or other issues that may adversely affect the value or marketability of the combined property;
- any structures present on the additional land must be compliance with local building codes;
- the additional land parcel and the existing property securing a mortgage loan must be adjoined. Parcels that otherwise would be adjoined, but are divided by a road, are acceptable if the parcel without a residence is a non-buildable lot (i.e., waterfront properties where the parcel without the dwelling provides access to the water but may not be built upon due to local building codes.)

If the request to add a portion of the real property securing the mortgage loan includes a concurrent request to release land, the requirements for each request type must be met.

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 document.

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

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

CHAPTER 7. BANKRUPTCY OF BORROWER

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. A fully executed reaffirmation agreement is required prior to any Mortgage Loan modification.

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 Bank or an investor 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

Servicers must take necessary steps to avoid a bankruptcy court imposing cramdown provisions. If a bankruptcy court confirms a reorganization plan that provides for a Cramdown of a Conventional Mortgage Loan, the Servicer must provide the MPF Provider with a copy of the bankruptcy court Cramdown order.

Applicable Government Agency requirements regarding notification and reporting must be followed. Cramdowns for MPF Government 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 Bank.

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

8.2 Delinquent Government 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 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 Mortgage Loans with a scheduled/scheduled remittance options, Scheduled Interest due on the Mortgage Loan through the end of the month of Liquidation for Scheduled/Scheduled remittance.
- For all Government Mortgage Loans with an actual/actual or actual/actual single remittance option, scheduled Interest due on the Mortgage Loan plus Interest through the month of Liquidation calculated based on actual/365 days.

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 11.4.2 for Servicing and Liquidation requirements of Government Loans repurchased after reaching REO status.

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 (9/25/25)[29]

The Servicer must make every attempt to achieve Quality Right Party Contact ("QRPC") with Borrowers about resolution of a mortgage loan delinquency as soon as required or permitted under Applicable Laws.

The purpose of QRPC is to:

- determine the reason for the delinquency and whether it is temporary or permanent in nature,
- determine the occupancy status of the property,
- determine whether or not the borrower has the ability to repay the mortgage loan debt,
- educate the borrower on the availability of workout options, as appropriate, and
- obtain a commitment from the borrower to resolve the delinquency.

Servicer must begin outbound contact attempts no later than the 36th day of delinquency and must continue every 7 days until one of the following outcomes is attained:

- QRPC is achieved and/or the borrower adheres to any workout option agreement made with the servicer,
- the delinquency is resolved,
- a complete request package from the borrower,
- the borrower has provided a promise to pay the delinquent amount by a specified date (not to exceed 30 days),
- QRPC is achieved and the borrower indicates that they are not interested in a workout option, or
- Applicable law requires discontinuance of outbound contact attempts.

Unless required by applicable law to continue outbound contact attempts to the delinquent borrower, the servicer must discontinue all outbound contact attempts

- 60 days prior to the judicial foreclosure sale date, or
- 30 days prior to a non-judicial foreclosure sale date.

Servicers are authorized to continue these outbound contact attempts beyond the 210th day of the delinquency until the above requirements are met, although they are not required to do so every 7 days.

Servicers are authorized to conduct outbound contact attempts prior to the 36th day of delinquency and to use their own methodology or borrower behavioral models to determine when outbound contact attempts should begin prior to the 36th day of delinquency.

[29] MPF Announcement 2025-74 (9/25/25)

Servicers must maintain policies and procedures that ensure compliance with Applicable Laws as to continuity of contact, including assignment of personnel to delinquent Borrowers and notices to Borrowers.

Servicer must send a payment reminder notice to Borrowers no later than the 20th day of delinquency if a payment has not been received except where Borrower is subject to an active forbearance plan (without regard to whether the forbearance plan provides for reduced or suspended payments).

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 Bank all interest lost by reason of not being covered under any private mortgage insurance, or at the MPF Bank'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 must order a property inspection on or before the 90th day of Delinquency and complete the property inspection no later than the 120th 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 every calendar month as long as the Mortgage Loan remains 90 or more days delinquent until the foreclosure sale, the execution of a Deed in Lieu, or the Mortgage Loan becomes current unless otherwise noted in this Servicing Guide.

When a property inspection is required every calendar month, the property inspections must occur between 20 and 35 days apart. However, the Servicer must complete more frequent property inspections when necessary (for example, when required by local ordinance or based on property condition). If extenuating circumstances cause inspection delays, the servicer must document efforts to conduct timely inspection and the reason for any exception in the mortgage loan file.

However, the servicer must not complete a property inspection every calendar month when the mortgage loan is 90 or more days delinquent if

- the property is borrower/tenant occupied, and
- one of the following has occurred:
    - QRPC has been established within the last 30 days,

- a full payment has been received within the last 30 days,
- a workout option has been approved and the borrower is performing under the plan, or
- the borrower is performing under the applicable bankruptcy plan.

The servicer must complete a final property inspection prior to foreclosure as provided for in Section 10.9 Foreclosure Proceedings Property Inspections of this Guide.

More frequent property inspections must be completed when necessary, such as when required by local ordinance, in high vandal areas, based on property condition, and/or during winter months. Examples of instances when more frequent inspections are necessary include, but are not limited to:

- Properties with hazard claim activity for theft and/or vandalism.
- Properties with recent FEMA disasters or flooding.
- Properties in areas prone to extended freezing temperatures.
- Properties with recent flooding/water intrusion.
- Properties subject to local ordinance requirements.

The following table outlines the type of inspection the servicer must perform depending on the occupancy status.

If…	Then the Servicer must complete…
the property is vacant or abandoned	an interior inspection as allowed by applicable law
the occupancy status of the property is • unknown, or • occupied (whether by borrower(s), tenant(s), or unknown occupant(s))	an exterior inspection

Servicers may consider a curbside (drive-by) inspection as an exterior inspection only in the following circumstances:

- if there are legal constraints due to compliance with applicable law including active bankruptcy, or
- if there is potential danger to the inspector.

The cost of inspections are to be advanced by the Servicer and are subject to reimbursement pursuant to applicable sections of this Guide, including Section 8.3.6 Costs and Expenses. 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, are not reimbursable and may not be included in the Calculation of Realized Loss or Gain (Form SG332).

The servicer must use a Property Inspection Report (Form SG331) or an equivalent form that provides at minimum the same information as Form SG331 to document the property inspection. The Servicer must maintain in the Mortgage File all property inspection forms and checklists or other documentation relied upon to determine the occupancy status of a property and make them available to MPF Bank of MPF Provider upon request.

Occupancy status should be supported by multiple indicators with supporting photos and/or documentation. An industry best practice is to utilize alternative data or other means available to determine occupancy status when inspection results indicate an unknown status due to lack of access.

MPF Provider and MPF Bank reserve the right to require:

- revisions to the checklists,
- the use of a prescribed form of checklist, or
- affidavits of vacancy where necessary or appropriate to evidence the vacancy status.

In addition, the Servicer must comply with all applicable mortgage insurer or guarantor requirements concerning property inspections.

For property inspection requirements for Mortgage Loans in Foreclosure see 10.9 Foreclosure Proceedings Property Inspections and for property management of REOs see 11.5 REO Property Servicing.

8.3.5.1 Vacant or Abandoned Property

Servicers must inspect a property as soon as possible after it becomes aware of the possibility that the property may be vacant or abandoned.

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 as required by Applicable Law and in the MPF Guides.
- contact any other lienholders to determine if any action has been taken and their intentions.
- notify the property insurance carrier about the vacancy to ensure that appropriate insurance coverage is being maintained.

The servicer must obtain and retain in the Mortgage File, a signed copy of the inspection report that first reported the vacancy, in which the person who completed the inspection certifies that they personally went to the property location and that the property is vacant.

An electronic signature is acceptable when obtaining a signed copy of the inspection report but must meet the MPF Program requirements, including requirements provided for in MPF

Program Guide Section "7.4 Electronic Signatures in Global and National Commerce Act (E-SIGN)."

If a property is subsequently inspected and remains vacant, the continued vacancy status must be documented on the checklist or other document evidencing notes of the inspection, but no additional signature is required. If a property previously reported to be vacant becomes occupied, a new signed inspection report is required if the property becomes vacant.

Once the Servicer has confirmed the property is abandoned, the Servicer must complete an interior inspection every calendar month until the foreclosure sale date, or in applicable foreclosure actions where there is no foreclosure sale and title is transferred by court order, the date the court's order is entered on the docket. Interior inspections may be conducted simultaneously with other required property inspections.

The costs of protection and preservation of the Mortgage Property are to be advanced by the Servicer and are subject to reimbursement pursuant to applicable sections of this Guide, including Section 8.3.6 Costs and Expenses. Fines or penalties imposed as a result of the Servicer's failure to comply with Applicable Laws regarding protection of vacant or abandoned properties shall be the sole responsibility of the Servicer, are not reimbursable and may not be included in the Calculation of Realized Loss or Gain (Form SG332).

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 Bank for all loss arising from the failure of the Servicer to comply with the Applicable Standards.

8.3.5.2 Property Inspection Vendor

Servicer must not enter into or participate in any arrangement with property inspection vendors

- for which the servicer receives a direct benefit for MPF Program mortgage loans or acquired properties that is not passed through to the MPF Bank, or
- that is influenced by an actual or perceived conflict of interest (particularly those arrangements with affiliates).

Servicer must use the most cost-effective and efficient vendors for property inspections related to any MPF Program mortgage loans or acquired properties without regard to arrangements that could provide a financial benefit directly to servicers.

8.3.5.3 Inspecting and Repairing a Property in Disrepair

If any condition detrimental to the value of the property or the need for urgent repairs is discovered, the servicer must remind the borrower of their obligation to maintain the property.

When the Borrower agrees to arrange for the necessary repairs and has the financial resources to do so, the Servicer must follow up until the repairs have been completed.

When the Borrower refuses to make repairs and:

- the Mortgage Loan is current and/or the property is occupied, the Servicer must determine if inspections are necessary and whether it should pursue other actions, such as legal action, to have emergency repairs made.
- the Mortgage Loan is or becomes delinquent and the servicer determines the property is vacant, the Servicer must inspect, secure, and repair the property.

The costs of inspecting, securing, and repairing of the Mortgage Property are to be advanced by the Servicer and are subject to reimbursement pursuant to applicable sections of this Guide, including Section 8.3.6 Costs and Expenses. Fines or penalties imposed as a result of the Servicer's failure to comply with Applicable Laws regarding protection properties shall be the sole responsibility of the Servicer, are not reimbursable and may not be included in the Calculation of Realized Loss or Gain (Form SG332).

8.3.6 Costs and Expenses

Servicers are responsible for advancing their own funds to cover all costs and expenses incurred as a result of Servicing Mortgage Loans that are not paid directly by the Borrower. Unless a cost is recovered from the Borrower or is reimbursable pursuant to the Guides (including reimbursable expenses on the SG332) 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 Bank 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. The Servicer may, subject to the Applicable Standards, recover such expenses, including legal expenses, recording or similar costs or expenses, from the Borrower.

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 Primary and Supplemental Mortgage Insurance

The Servicer must be familiar with and satisfy all requirements of applicable primary and supplemental mortgage insurance policies with respect to the Delinquent Mortgage Loan.

8.3.9 Escrow Items

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

8.3.10 Buydown Funds

Unless permitted under the Applicable Standards, the Servicer may not use Buydown Funds to cure a Delinquency. Any Buydown Funds remaining in the related Custodial Account must be disposed of in accordance with Applicable Standards.

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 fifth (5th) Business Day of each month, a Delinquent Mortgage & Bankruptcy Status Report (Servicing Guide Exhibit B submitted via eMAQCSplus) 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 Borrower's who are in Bankruptcy status must be reported in monthly regardless of the status of the loan (current/delinquent).

* If a 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 Loan, the Servicer must also follow the applicable Government Agency's requirements for reporting Delinquencies.

8.4.2 Report 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 Major Disaster Assistance (6/16/25)[30]

This section covers the guidelines for offering assistance to Borrowers affected by Major Disasters. Although the definition of a Major Disaster as used in this Guide only includes counties, municipalities or parishes identified as a Declared Disaster area by the Federal Emergency Management Agency (FEMA) (see www.fema.gov), and does not include state or local declared disasters, Servicers should use their knowledge of particular geographic areas to determine when other disaster occurrences (such as earthquakes, floods, hurricanes, or other catastrophes caused by either nature or a person or event beyond the Borrower's control resulting in devastation in terms of property damage and destruction) necessitate the use of these accommodations to assist Borrowers in such affected areas.

When the Servicer becomes aware that a disaster event has occurred, it must determine the extent and nature of the damage to any property securing a mortgage loan in the disaster area (regardless of whether the property is in a FEMA-Declared Disaster Area (see www.fema.gov) eligible for Individual Assistance) through reasonable means.

Servicers should reach out to their MPF Bank and/or the MPF Provider (as applicable) when they encounter a particular situation, they wish to address that does not meet MPF Program disaster related requirements.

8.5.1 Statement of Policy

As soon as the Servicer learns of the identification of a Major 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 Major 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, including any relevant supporting documents.

The Servicer must not take any action that would jeopardize the full recovery of a property, flood, or other insurance settlement.

[30] MPF Announcement 2025-23 (3/18/25)
MPF Announcement 2025-48 (6/16/25)

8.5.2 Offering Assistance to the Borrower (6/16/25)[31]

For all Borrowers whose property is located in a Major Disaster area (or other disaster occurrence as defined above) and has incurred damage, Servicers must:

- Consider waiving late fees for 90 days;
- Not file negative reports to the credit repositories for any payments not made for 90 days;
- Suspend all collection and foreclosure proceedings during the first 90 days if in doubt about the effect of the disaster on the condition of the property or the Borrower's employment status until the status can be verified;
- Assess the extent of the damage and its effect on the Borrower's ability to sustain their mortgage payment;
- Provide guidance to the Borrower with respect to available relief provisions and/or loss mitigation alternatives; and
- Ensure that insurance claims are filed and settled promptly.

Servicers are authorized to grant an initial forbearance plan or temporarily suspend mortgage payments for up to 90 days without MPF Bank approval. In instances where contact with the Borrower has not been established, Servicers are authorized to offer a forbearance plan for up to 90 days, if the Servicer believes the property securing the mortgage loan was affected by the disaster and if:

- the property securing the mortgage loan is located in a FEMA-Declared Disaster Area eligible for Individual Assistance,
- the mortgage loan was current or less than two months delinquent at the time the disaster event occurred, and
- the mortgage loan is equal to or greater than one month delinquent

The Servicer must continue attempts to achieve QRPC during this initial 90-day forbearance plan term.

Prior to the expiration of the 90 day period, Servicers must complete an assessment of each Mortgage Loan to determine the appropriate workout alternative that best fits the Borrower's circumstances in accordance with 9.1.24 Workout Hierarchy.

When determining the appropriate relief provisions to offer, the Servicer shall take into consideration any uninsured losses, extended unemployment, or extraordinary expenses related to the disaster and their potential impact on the Borrower's ability to pay his or her loan payment.

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[31] MPF Announcement 2025-23 (3/18/25)
MPF Announcement 2025-48 (6/16/25)

Servicers may grant relief for longer terms than those generally allowed under the MPF Program, subject to the mortgage insurance company's or Government Agency's written approval, as applicable. Prior to granting such longer terms, Servicer must submit a request to the MPF Provider's in writing, including MPF Loan number, description of the relevant facts and any supporting documents, and receive approval.

Servicers under the Scheduled/Scheduled remittance option are expected to continue to make required P&I advances.

8.5.3 Mortgage Insurer/Guarantor 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 mortgage insurance company or 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.

8.5.3.1 Government Loans

Servicers are required to follow the applicable Government Agency requirements for providing major disaster assistance.

The MPF Bank may authorize the Servicer to repurchase Government Loans secured by Mortgaged Properties that have been directly damaged by the disaster. Such Mortgage Loans do not 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 Bank does issue such an authorization, the Servicer must submit a written request to the MPF Provider and receive approval to purchase such Mortgage Loans. Such request should be submitted within six (6) months from the date the MPF Bank issues its authorization to repurchase, and should include: MPF Loan number, description of the relevant facts and any supporting documents.

8.5.4 Foreclosure Action (10/26/26)[32]

If the Servicer determines a disaster event has impacted the borrower's property, it must obtain prior written approval from the MPF Bank before referring the mortgage loan to foreclosure, initiating any judicial or nonjudicial foreclosure process, moving for a foreclosure judgement or order of sale, or executing a foreclosure sale, if such delays are permitted under applicable law.

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[32] MPF Announcement 2026-34 (5/28/26)
MPF Announcement 2026-45 (7/23/26)
MPF Announcement 2026-71 (10/26/26)

If the Servicer determines foreclosure should proceed, it must submit a detailed description of the mortgage loan status and the recommended course of action as follows:

- If the Servicer has not referred the mortgage loan to foreclosure, then it must make submission to the MPF Provider within five days after completing the prereferral review, or
- If the Servicer has already referred the mortgage loan to foreclosure, submission is required two business days upon determining a disaster event has impacted the borrower's property.

To obtain approval, Servicers must email a request with a subject line "Foreclosure Proceedings for Disaster-Impacted Properties MPF Loan #XXXXXXX" to mpfhelp@fhlbc.com with the following information as is available on the above required submission day, and follow up emails within one business day after receiving additional required documentation:

- Whether the recommendation is to initiate or to continue foreclosure proceedings, including the foreclosure referral date if the request is for a continuation;
- The date the disaster event occurred;
- The status of any repairs to the property;
- Insurance loss claim date, status, and the amount of proceeds that have been or are expected to be disbursed, as applicable; and
- A summary of any engagement with the borrower, including whether Quality Right Party Contact (QRPC) has been achieved and the borrower's intention for the property.

8.5.5 Insurance Proceeds

Where the property can be legally rebuilt or repaired, and depending on the status of the Mortgage Loan, the amount of the Insurance Proceeds, and the length of time required to repair or reconstruct the Mortgaged Property, Servicer should expedite the release of insurance proceeds to help the Borrower needing resources to repair their home. If the Mortgaged Property cannot be legally rebuilt, any Insurance Proceeds shall be used to reduce the amount of the Principal Balance of the Mortgage Loan.

When the Mortgage Loan is in Foreclosure before the disaster, the Servicer shall release Insurance Proceeds directly only to the verified licensed contractor in the form of progress payments with periodic property inspections as directed above.

8.6 Early Payment Default (EPD)

An Early Payment Default (EPD) is where a Conventional Mortgage Loan becomes delinquent within the first twelve (12) months of the Borrower's first payment due date as specified in the Note and subsequently becomes ninety (90) days past due. This definition only applies to a Conventional Mortgage Loan that becomes ninety (90) days past due

within fourteen (14) months of the Borrower's first payment due date as specified in the Note. The Servicer should pay particular attention to a Delinquency which occurs during the first twelve (12) months and must make every effort to contact the Borrower as soon as Applicable Law permits in order to try to cure the Delinquency.

The Servicer is required to perform a QC review for all EPDs. In addition, the MPF Provider will perform a QC review for all EPDs the month after the Mortgage Loan first reaches EPD status.

8.7 Early Eligibility Review at 120 Days Delinquent

The MPF Bank reserves the rights to conduct an early eligibility review of any Conventional Mortgage Loan on the first occurrence of the loan reaching 120 days delinquent.

The MPF Provider will review each Mortgage loan selected for an early eligibility review to verify that it meets the definition of investment quality and complies with the Guides and the Applicable Agreements.

The Servicer will be notified in writing to submit specified HLC Mortgage Loan documents to the MPF Provider for an early eligibility review at 120 days delinquent. The Servicer must send the requested information to the address contained on the notification.

8.8 High Level Concern (HLC) Mortgage

This section covers the guidelines for determining if a Mortgage Loan is an HLC Mortgage and the requirements for servicing any Mortgage Loan that is classified as an HLC Mortgage.

8.8.1 HLC Determination (5/27/25)[33]

An HLC Mortgage is defined as:

- An Early Payment Default (EPD) Mortgage with an estimated Realized Loss, including accrued interest, of $5,000 or more; or
- Any other delinquent Conventional Mortgage Loan with an estimated Realized Loss, including accrued interest, of the greater of $20,000 or 20% of the original property value.

Servicers are required to conduct HLC determinations on an ongoing basis beginning at REO acquisition until REO disposition or Liquidation, as expenses grow or circumstances indicate a reduction in property value.

The Form SG332 must be submitted timely to the MPF Provider, so the HLC Mortgage determination must be made by the Servicer as soon as possible in order to meet the form's claim filing requirements.

[33] MPF Announcement 2025-45 (5/27/25)
MPF Announcement 2024-80 (12/20/24)
MPF Announcement 2024-74 (12/02/24)

The Servicer must submit the HLC Mortgage Loan File with a completed High Level Concern (HLC) Mortgage Notification (Form SG337) and a retrospective property valuation that meets the requirements of this Guide and that confirms the accuracy of the appraised value determined at origination to the MPF Provider's Default Servicing Department for an HLC review within sixty (60) days of determining that the loan is an HLC Mortgage, but no later than the date Form SG332 is submitted. The required contents of the HLC Mortgage Loan File are listed on Form SG337.

A loss claim on an HLC Mortgage will not be settled until the completion of the required HLC review. Failure to submit the HLC Mortgage File or a retrospective property valuation will result in the Servicer forfeiting its right to file a claim under the Applicable Agreement.

The MPF Bank reserves the right to defer any future payment of credit enhancement Income to preserve its right of recovery for any HLC Mortgages with expected losses greater than $20,000 that have been purchased at a Foreclosure sale by the Servicer and are in the process of REO marketing for the purpose of filing a Form SG332 for a loss.

8.8.2 HLC Review Exceptions (10/6/25)[34]

The following HLC Mortgages that are not EPDs are exempt from HLC review requirements if they are not EPDs:

- Conventional Mortgage Loans with a satisfactory result from previous loan eligibility review at 120 days delinquent.
- Conventional Mortgage Loans with a satisfactory result from previous MPF Program Quality Control review. **Note:** A property valuation confirming accuracy of the appraised value determined at origination is required.
- Conventional Mortgage Loans originated based on a Value Acceptance issued through DU or and ACE Appraisal Waiver offer issued through LPA.
- Conventional Mortgage Loans sold prior to January 1, 2008 where the Borrower was not thirty (30) days delinquent on any of the eighty-four (84) monthly mortgage payments following the purchase of the Mortgage Loan. Note: A property valuation confirming accuracy of the appraised value determined at origination is required.
- Conventional Mortgage Loans sold on or after January 1, 2008 where:
    - the Borrower had no more than two (2) thirty (30) days Delinquencies during the thirty-six (36) monthly mortgage payments following the purchase of the Mortgage Loan by the MPF Bank. Note: A property valuation confirming accuracy of the appraised value determined at origination is required.is required; or

[34] MPF Announcement 2025-81 (10/6/25)
MPF Announcement 2024-74 (12/2/24)

- the Borrower was not thirty (30) days delinquent on any of the eighty-four (84) monthly mortgage payments following the purchase of the Mortgage Loan by the MPF Bank. Note: A property valuation is not required.

8.8.3 HLC Property Valuation (5/14/26)[35]

As part of the HLC review, and for certain loans exempt from HLC review as noted above, the Servicer must obtain a retrospective property valuation.

A retrospective property valuation is defined as a review of the original appraisal's value, comp selection, and adjustments as of the date of the original appraisal to confirm the accuracy, compliance, and methodology of the initial appraisal.

Any review of the original appraisal must be performed by an appropriately licensed, or certified appraiser independent of the original appraiser or appraisal firm and unaffiliated with the Servicer.

The retrospective property valuation must not be more than 90 days old at the time the Servicer evaluates the HLC loan, using one of the following:

- an enhanced desk review: a remote review of the original property valuation performed by a qualified appraiser as described above without a physical inspection of the subject property (e.g., Freddie Mac Form 1033).
- (i.e. Freddie Mac Form 1033);
- a field review: an in-depth, on-site evaluation conducted by a second licensed appraiser to assess the accuracy and quality of the original appraisal;
- a retrospective third-party AVM; or
- a retrospective AVM from the Servicer's own internal AVM, provided that:
  - the Servicer is subject to supervision by a federal regulatory agency, and
  - the Servicer's primary federal regulatory agency has reviewed the model.

If the third-party AVM, or the Servicer's internal AVM does not render a reliable confidence score, the Servicer must obtain an assessment of the property value utilizing a property valuation method documented as acceptable to the Servicer's federal regulatory supervisor. The property value assessment must be rendered in accordance with the FDIC's Interagency Appraisal and Evaluation Guidelines regardless of whether such guidelines apply to mortgage loan modifications.

[35] MPF Announcement 2026-30 (5/14/26)
MPF Announcement 2025-36 (4/29/25)
MPF Announcement 2024-74 (12/2/24)

CHAPTER 9. WORKOUTS (10/18/24)[36]

9.1 General Provisions

9.1.1 Workouts Overview

All attempts should be made to assist borrowers facing default or imminent default to avoid Foreclosure. The loss mitigation options described in this chapter are the only workout options available for MPF Traditional Mortgage Loans and should be considered based on the workout hierarchy as provided for in Section 9.1.24 Workout Hierarchy.

In assessing and offering borrowers a workout option Servicers are required to comply with all Applicable Laws, including CFPB regulations, insurer requirements, and the requirements of this Servicing Guide.

9.1.2 Government Loans (10/21/25)[37]

MPF Traditional Government mortgage loans must comply with applicable Government Agency requirements for loss mitigation options and must obtain any required Government Agency approvals. Servicers are responsible for ensuring the government insurance or guarantee is in place at all times and no workout option that may result in a loss of the government insurance or guarantee, may be offered or granted.

Servicers are not required to obtain prior approval from the MPF Bank when offering a Borrower a loss mitigation option.

Servicers are required to meet the requirements outlined in this Chapter provided they do not conflict with the applicable Government Agency requirements, specifically requirements related to submitting the Form SG354: Workout Worksheet with the required supporting documentation via eMAQCSplus and MPF reporting requirements outlined in "Section 9.1.10 MPF Reporting".

Servicers are responsible for Unreimbursed Servicing Expenses outlined in "Section 1.1.2 Government Loans" (i.e. those amounts not reimbursed by the applicable Government Agency with respect to defaulted Mortgage Loans) and the Servicer is responsible for reimbursing the MPF Bank for losses as a result of their failure to maintain the insurance/guaranty.

Additional guidance on short sales is included in Section "9.3.1.2 Government Loans" and repurchase guidance related to delinquent Government Loans are in Section "8.2 Delinquent Government Loans."

Any MPF Traditional Government Loan with a loss mitigation option found to be non-compliant with the applicable Government Agency requirements, MPF Program

[36] MPF Announcement 2024-51 (8/6/24)
MPF Announcement 2024-14 (3/1/24)
[37] MPF Announcement 2024-65 (10/18/24)
MPF Announcement 2024-51 (8/6/24)
MPF Announcement 2025-82 (10/21/25)

requirements, or that is determined by the MPF Bank to result in a loss of the government insurance or guarantee, will be subject to repurchase.

9.1.3 Mortgage Insurers

For any Mortgage Loan with Mortgage Insurance, the Servicer must ensure any workout option offered meets the applicable MI company's requirements and, where required, obtain prior approval from the MI company. Proof must be retained in the Mortgage File.

9.1.4 Borrower Impacted by a Major Disaster Event (3/18/25)[38]

If a Servicer learns of a Borrower impacted by a Major Disaster, it should make every effort to work with the Borrower whose income was affected by a disaster, or whose property is located in a Major Disaster area in accordance to Section "8.5.2 Offering Assistance to the Borrower" and must evaluate the Borrower in accordance to "9.1.24 Workout Hierarchy" of this Guide.

In order to be eligible for a workout option, the disaster event must result in

- a financial hardship (for example, a loss/reduction of income or increase in expenses) that impacts the borrower's ability to pay their current contractual monthly payment, and
- either
  - the property securing the mortgage loan experienced an insured loss,
  - the property securing the mortgage loan is located in a FEMA-Declared Disaster Area eligible for Individual Assistance, or
  - the Borrower's place of employment is located in a FEMA-Declared Disaster Area eligible for Individual Assistance.

For Government Loans, Servicers are required to follow the applicable Government Agency requirements for providing major disaster assistance.

9.1.5 MPF Bank Approvals

As provided for in specific loss mitigation plan requirements in this Chapter, in some instances Servicers may have discretion to extend appropriate relief options to Borrowers encountering a hardship, while in other instances Servicers are required to obtain prior approval from the MPF Bank. Servicers must obtain MPF Banks approval when required by the applicable subsections of this Chapter and when recommending a loss mitigation offering that deviates from the Guide requirements in any way.

Generally, forbearance plans, repayment plans, payment deferrals, and loan modifications that meet Guide requirements do not require pre-approval from the MPF Bank before offering to the Borrower. For workout specific pre-approval requirements see:

[38] MPF Announcement 2025-23 (3/18/25)

- Loan modifications where new maturity date exceeds initial maturity date by more than 20 years, Section "9.2.4.6.2 Determining New Modified Mortgage Loan Terms."
- Short Sales, Section "9.3.1 Short Sale."
- Deed in Lieu of Foreclosure, Section "9.3.2 Deed in Lieu of Foreclosure."

While prior approval by the MPF Bank is not required for Payment Deferrals and Loan Modifications that meet MPF Guide requirements, Servicers must submit the Form SG354 via eMAQCSplus upon complete execution of the agreements (Note: Form SG354 must be used, no alternative or equivalent forms are permitted). See Sections "9.2.3 Payment Deferral" and "9.2.4 Loan Modification" for additional information regarding submitting SG354.

9.1.6 Submission to MPF Banks

Requests for approval of a workout requiring prior approval by the MPF Bank or of any recommendation for a workout that does not meet MPF Program requirements must be submitted to the MPF Provider by completing a Workout Worksheet (Form SG354) on eMAQCS®plus (Note: Form SG354 must be used, no alternative or equivalent forms are permitted). All recommendations must be adequately documented by the Servicer using the Workout Worksheet and all required supporting documentation as indicated on the Workout Worksheet.

9.1.7 Submission for Exceptions

Servicers are required to have policies and procedures to ensure their workout evaluation procedures are not discriminatory and are consistently applied. In all instances where the Servicer is recommending an exception, the recommendation (including a detailed justification for the recommendation and the proposed terms of the recommendation) must be submitted via eMAQCSplus using the Workout Worksheet (Form SG354) (Note: Form SG354 must be used, no alternative or equivalent forms are permitted) and must be granted approval by the MPF Bank before offering the option to the Borrower. Submission of a recommendation for exception must be accompanied by all supporting documentation that is relevant to the recommendation.

9.1.8 MPF Provider and MPF Bank Response Time

Servicers are responsible for ensuring they meet all regulatory requirements for responding to a Borrower's request for loss mitigation. Servicers must allow at least 5 Business Days for any request to the MPF Provider or the MPF Bank to be reviewed. To avoid any delays, Servicers must ensure a submission is complete and accurate.

9.1.9 Reliance on Servicer

Servicers are responsible for resolving any loan level discrepancies prior to completing any workout, specifically loan modifications or payment deferrals, and for ensuring loan and borrower eligibility prior to making any workout related offer to a Borrower. This responsibility applies whether or not the MPF Bank's approval was required and obtained.

Any MPF Bank approval of a Servicer's workout recommendation will be made based on data and the recommendation submitted by Servicer. When a workout plan offered to a Borrower is found does not meet MPF Guide requirements or, where MPF Guides are silent, industry standards, regardless of whether the workout plan was approved by the MPF Bank prior to offering it to the Borrower, the Servicer may be required to purchase or repurchase the Mortgage Loan, and/or indemnify the MPF Bank or MPF Provider for any related losses, damages, costs, fees and expenses. Any such related losses, damages, costs, fees and expenses shall not be allocated to or covered by the First Loss Account or Credit Enhancement for the Master Commitment.

9.1.10 MPF Reporting

Servicers are required to ensure proper reporting to the MPF Provider and MPF Bank on the status of all loans. Delinquent loans being considered for workout options are subject to the reporting requirements of MPF Servicing Guide Section "8.4.1 Reporting to the MPF Provider," including the monthly Delinquent Mortgage & Bankruptcy Status Report (Exhibit B) until a workout option is finalized or the status of the loan is no longer delinquent. Once a workout option is finalized, Servicers are required to report the new status of the loan pursuant to any specific requirements provided for in the applicable workout option sections of this Chapter and including the monthly Delinquent Mortgage & Bankruptcy Status Report (Exhibit B).

In addition, Servicer is required to ensure their Monthly Summary and Remittance Report (Form SG300) reflects the correct the loan level data (including UPB) Servicer is relying on to determine an applicable workout. See Section "2.13.1 Monthly Accounting Reports." Loan Level discrepancies must be resolved prior to completing a Payment Deferral or Loan Modification.

These reporting requirements are in addition to any obligation the Servicer may have to provide the MPF Provider and the MPF Bank final workout documents, as provided for in other sections of this Chapter.

9.1.11 Servicing Advances

The Servicer may charge the Borrower for any recording or similar costs associated with a workout option. Servicers are responsible for advancing their own funds to cover all expenses incurred as a result of Servicing Mortgage Loans.

When finalizing any retention options, Servicers must ensure all servicing related expenses and advances incurred during the delinquency that are legally permitted to be recovered from the Borrower are incorporated into the workout offering.

When a liquidation option is finalized, any servicing related expenses and advances incurred during the delinquency the Servicer was unable to recover from the Borrower or the proceeds of the short sale, if applicable, will be addressed as part of the reimbursement process detailed in Section "11.9 Realized Losses or Gains."

Servicers will only be reimbursed at liquidation for items noted as reimbursable pursuant to Section "11.9 Realized Losses or Gains" and to Calculation of Realized Loss or Gain Form (Form SG332), and subject to available balance on the applicable First Loss Account (FLA).

All costs and expenses related to Servicing and collection of the Mortgage Loans not recovered from the Borrower and not reimbursable shall be borne solely by the Servicer and shall not be recoverable by the Servicer from the MPF Bank 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.

9.1.12 Mortgage Files

Servicers are required to maintain all data, information, and documentation relied on for evaluating and granting any workout offerings, and any relevant communications with borrowers in the Mortgage Loan File.

9.1.13 Document Execution

Any document required to be executed pursuant to this Chapter must be executed in compliance with requirements and limitations of the MPF Guides, including section MPF Program Guide Section 7.4 Electronic Signatures in Global and National Commerce Act (E-Sign).

9.1.14 Required Forms

Whenever a form or specific minimum verbiage is required by the Guides to be provided to a Borrower, Servicers are only permitted to make changes to such form or verbiage when necessary to ensure compliance with laws. Unless otherwise provided for in a specific section of this Guide, Servicers are permitted to use equivalent forms, including their own form or industry standard forms (such as those used by Fannie Mae and Freddie Mac), but only if those forms contain at minimum, the information contained in the applicable MPF form. In all instances Servicers are required to ensure forms meet all Applicable Laws.

9.1.15 Notices and Disclosures

The Servicer must provide Borrowers with all required notices and disclosures related to evaluating for or granting workout required by the MPF Guides, Applicable Standards, including the CFPB Servicing Rules and Equal Credit Opportunity Act (ECOA)/Regulation B adverse action notices.

9.1.16 IRS Reporting

The Servicer must comply with all applicable Internal Revenue Service (IRS) reporting requirements, including requirements related to Form 1099 and Form 1098, as may apply to specific loss mitigation options.

9.1.17 Property Inspection

Regardless of loss mitigation status, Servicers are required to comply with the property inspection requirements in this Guide, including requirements in Section "8.3.5 Property

Inspections", and in any loss mitigation plan specific requirements in this Chapter. In addition, the servicer must maintain vacant properties regardless of loss mitigation status and regardless of Quality Right Party Contact (QRPC). If a legally responsible party for the mortgage loan confirms that the property is being maintained, the servicer may choose not to complete maintenance during loss mitigation activities. The real estate agent/broker listing a property is not considered a legally responsible party. The servicer is responsible for ensuring the property is preserved and maintained even if the servicer allows the legally responsible party and/or the real estate agent/broker listing a property to preserve and maintain on the servicer's behalf.

9.1.18 Texas 50(a)(6) loans

Servicers handling Texas 50(a)(6) loans should contact their MPF Bank for guidance, prior to offering any workout to Borrowers.

9.1.19 Bankruptcy

In addition to following the requirements of "Chapter 7 Bankruptcy Of Borrower" including as it applies to cramdowns, the Servicer must immediately suspend any and all debt collection efforts, including loss mitigation reviews, upon notification of a bankruptcy filing, unless Servicer's legal counsel expressly advises it that certain collection efforts may be continued.

When identifying loss mitigation opportunities for mortgage loans in any phase of a bankruptcy process, Servicers must work with their law firm to ensure compliance with all applicable laws and requirements. The law firm should contact the borrower's counsel to discuss the different loss mitigation options that might be suitable for the borrower, when the borrower is contractually delinquent. If the borrower is not represented by counsel, the law firm may contact the borrower directly. Servicers must seek approval from the MPF Bank and the bankruptcy court and trustee, as required, when a loss mitigation opportunity is identified.

Once a Chapter 7 automatic stay is terminated, or the case is dismissed or discharged with a trustee abandonment of the property, the Servicer may consider the possibility of arranging a loss mitigation option. When the loan is not reaffirmed in the bankruptcy, Servicers must ensure that all communications with the borrower and any workout option offered to the borrower meet all applicable laws, including making changes to any template.

9.1.20 Borrower in Foreclosure

The Servicer must maintain policies and procedures to ensure compliance with any and all applicable laws when assessing borrowers for workout options who are in active foreclosure ("dual tracking").

When a delinquent mortgage loan is referred to a law firm, the Servicer must continue to work with the borrower to bring the mortgage loan current or finalize a workout

arrangement up to the date of the foreclosure sale, unless the servicer has determined that all workout options are not feasible.

If the Borrower is pursuing any workout alternatives, the Servicer must ensure legal counsel is notified and must work with the law firm to ensure postponement of the Foreclosure sale as legal counsel deems appropriate, pursuant to the provisions of this section and pursuant to Applicable Laws (e.g., CFPB), and shall immediately notify the MPF Provider by submitting a comment in eMAQCSplus.

A Servicer seeking the postponement of a Foreclosure that is not pursuant this section or to an Applicable Law or a court ordered stay, must submit a request for approval to the MPF Provider by submitting the explanation of the reason and allowing 5 Business Days for the request to be reviewed.

The Servicer shall ensure that any action it takes to postpone Foreclosure proceedings will not affect its right to file a mortgage insurance or guaranty claim in the future. Specifically, the Servicer shall ensure any delay in Foreclosure complies with any applicable mortgage insurance company or Government Agency requirements, including, when required, obtaining their prior written approval. 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.

9.1.20.1 Receipt of a Complete Workout Request Package (WRP)

If a mortgage loan has been referred to foreclosure prior to receipt of a complete Workout Request Package ("WRP") (See Section "9.1.22 Borrower Workout Package"), the Servicer may delay the foreclosure process pursuant to the terms and conditions set forth below:

- the WRP must be complete before any legal action may be postponed, except if an offer for a short sale has been made based upon the servicer's evaluation of the borrower for a short sale without receiving a complete WRP in accordance with Section "9.1.22 Borrower Workout Package");
- in cases where a payment is required under the terms of a retention offer including a Trial Period Plan based on a complete WRP, and the borrower indicates acceptance of the offer (either verbally or in writing), the servicer must delay the next legal action in the foreclosure proceeding until the borrower fails to make the first payment under the terms of the proposed workout. Verbal or written acceptance, without payment or execution of required documents, serves only to postpone the foreclosure process. A workout plan may not be consummated without a notice of decisions as required by the particular workout plan;
- if the Servicer receives the first payment in a timely manner in accordance with the terms of a Trial Period Plan, repayment plan, or forbearance plan, the servicer must delay the next legal action until the borrower breaches the plan;

- fourteen-day delay periods may be extended in order to postpone or repeat the next legal action or postpone a foreclosure sale if necessary under state or local law;
- if the MPF Bank approves a short sale purchase offer, the Servicer must suspend the foreclosure sale to allow the short sale to close as permitted under state or local law; and
- if a notice of trustee/sheriff sale has been recorded and the Servicer is notified of borrower approval by a mortgage assistance fund program provider and the Servicer believes the funds will reinstate the mortgage loan, the Servicer is authorized to postpone the foreclosure proceedings. However, if a foreclosure sale is scheduled less than seven days from the date the Servicer is notified of borrower approval by the mortgage assistance fund program provider, the Servicer must not notify the attorney to "place on hold" or suspend the foreclosure proceedings.

When the Servicer receives a complete WRP, it must delay the next legal action in the foreclosure process as required by these provisions as long as delays are permitted under applicable law. The next legal action will be the next step required by law to proceed with the foreclosure action, such as publication or service of process, but does not include administrative actions, such as title searches or document preparation.

In some states, the judge may dismiss the case for "lack of prosecution" if the workout plan is not filed with the court as part of the foreclosure proceedings. If this happens and the borrower subsequently defaults under the executed workout plan, the foreclosure proceedings will have to be restarted, which will result in extra foreclosure fees and expenses. In such cases, the Servicer will not be reimbursed for the resulting additional fees and expenses.

The Servicer is not in violation of these requirements to the extent that a court or public official fails or refuses to halt some or all activities in the matter after the Servicer has made reasonable efforts to move the court or request the public official for a cessation of the activity or event.

In applicable foreclosure actions where there is no foreclosure sale and title is transferred by court order, where possible and subject to applicable law, the Servicer must use the estimated court order docket date, if known, in place of the foreclosure sale date in this topic's requirements.

The limitations described in the remainder of this section do not apply to suspensions otherwise required by the MPF Guides or as otherwise advised by foreclosure counsel.

9.1.20.2 Complete WRP Received More Than 37 Days Prior to the Foreclosure Sale Date

The following are requirements for suspending foreclosure proceedings when a complete WRP is received after foreclosure referral but more than 37 days prior to the foreclosure

sale date and where the requirements of the prior sections do not apply. The Servicer must work with foreclosure counsel to ensure all applicable laws are met.

Stage of Evaluation	Requirements
A complete WRP has been received and is being evaluated	No delay in legal action is required.
A complete WRP and a short sale offer have been received	The Servicer must attempt to conduct a review of the complete WRP and short sale offer in accordance with MPF Guides required timelines. If the Servicer cannot do so, it must conduct an expedited review of the complete WRP and short sale offer prior to the foreclosure certification date.
A notice of decisions was sent to the borrower and a retention offer has been extended	No delay in legal action is required unless the foreclosure sale is within the borrower's 14-day response period. In those instances, the Servicer must delay the foreclosure sale for up to 14 days to allow the borrower to respond.

For guidance and requirement for reviewing a WRP, see "9.1.22 Borrower Workout Package."

9.1.20.3 Complete WRP Received Less Than 37 Days Prior to the Foreclosure Sale Date

The following are requirements for suspending foreclosure proceedings when a complete WRP is received after foreclosure referral but with less than 37 days prior to the foreclosure sale date and where the requirements of the prior sections do not apply.

Generally, when a complete WRP is received during this period, no delay in legal action is required. The Servicer must conduct an expedited review of the complete WRP (and short sale purchase offer, if applicable) prior to the foreclosure certification date.

In instances where a decision notice was sent to the Borrower, no delay in legal action is required unless a retention offer is made and the foreclosure sale is within the borrower's 14-day response period. In those instances, the servicer must delay the foreclosure sale for up to 14 days to allow the borrower to respond.

The Servicer must not offer a Deed in Lieu of Foreclosure option during this time period.

If the Servicer receives a complete WRP with less than 15 days prior to foreclosure sale date and completes its review of the complete WRP it must notify the borrower prior to the foreclosure sale as to the results of the review. If the servicer did not complete its review of

the complete WRP, it must advise the borrower of its inability to review the package prior to the sale.

For guidance and requirement for reviewing a WRP, see Section "9.1.22 Borrower Workout Package."

9.1.21 Shared Funding

For Mortgage Loans in the following two pools: One Mortgage Partners, LLC Mortgage Pass-Through Certificates MPF Shared Funding™ Program Series 2003-1 Trust; and One Mortgage Partners, LLC Mortgage Pass-Through Certificates MPF Shared Funding Program Series 2003-2 Trust, when a Servicer applies a workout as defined in this Guide, the Servicer is affirming that they have confirmed with internal or external legal or compliance resources to confirm that the treatment applied does not violate the REMIC rules applicable to loans in these pools.

9.1.22 Borrower Workout Request Package (WRP)

Unless otherwise provided for in this Guide, Servicers must obtain a complete Workout Request Package (WRP) from Borrowers in order to evaluate them for applicable workout options. See Section "9.1.22 Borrower Workout Package").

9.1.22.1 Determining Whether a Workout Request Package is Complete

Unless a Borrower or co-Borrower is deceased or divorced, all parties whose income was used to qualify for the original mortgage loan and who signed the mortgage loan Note must submit the items required for a complete WRP. The following table lists the documentation that the Servicer must obtain for a WRP to be complete:

- A complete Borrower Workout Request Application (WRA) (Form SG355), or equivalent form containing at minimum the same information contained on Form SG355.
- Income documentation as outlined in the WRA based on income type. Income documentation must be no more than 90 days old as of the date the Servicer first determines that the Borrower submitted a complete WRA or at the time of a subsequent evaluation for another workout option.
    - **Non-Borrower income:** Servicers must not consider the expenses of a non-Borrower household member and may only consider the amount of the non-Borrower's income that they routinely contribute to the household. Servicers may include income of a non-Borrower who contributes to the mortgage loan payment in monthly gross income if the income is voluntarily provided by the Borrower, is documented and verified by the Servicer using the same standards used for verifying a Borrower's income, and if
        - Servicer verifies that the non-Borrower occupies the subject property as a primary residence based on a review of the credit report or any other available document; and

        - there is documentary evidence to support that the income has been, and reasonably can continue to be, relied upon to support the mortgage loan payment.
    - **Non-taxable income:** When the Borrower's income is non-taxable, and the income and its tax-exempt status are likely to continue, the Servicer must develop an "adjusted gross income" by adding an amount equivalent to 25% of the non-taxable income to the Borrower's income. If the Servicer can determine that the actual amount of federal and state taxes is more than 25% of the Borrower's non-taxable income, the Servicer is authorized to use that amount to develop the adjusted gross income.
    - **Income documented by bank statements**: When the Borrower's income is documented by bank statements, the Servicer must develop an adjusted gross income by adding an amount equivalent to 25% of the amount documented by the bank statements. If the Servicer can determine that the actual amount of federal and state taxes is more than 25% of the Borrower's income documented by bank statements, the Servicer is authorized to use that amount to verify the Borrower's income.
- Hardship documentation as outlined in WRA based on hardship type.
- Servicers are required to obtain tax transcripts for Borrowers under the following circumstances:
    - to reconcile inconsistencies between other information the Borrower provided (e.g., information the Borrower provided in the WRA) and the income documentation; or
    - if the workout option the Borrower is being evaluated for requires it.
    - **Note**: If tax transcripts are required, Servicers must obtain them directly from the IRS. Servicers are required to provide express consent from the taxpayers to obtain the transcripts and to share the transcripts with investors, as permitted by applicable law, this includes the Taxpayer First Act.

The Servicer is authorized to:

- permit the Borrower to complete, sign, and fax or email the documents required for a complete WRP to the Servicer in accordance with applicable law;
- provide a secure means of access through which a Borrower may prepare and electronically deliver the documents required for a complete WRP to the Servicer; or
- use a third-party verification vendor to verify income and asset information the Borrower provided in the WRA as long as the Servicer:
    - ensures the automated validation service utilized is one approved by Fannie Mae or Freddie Mac;

- complies with the requirements of the MPF Guides relating to vendor oversight;
- understands it will be held accountable for the security, accuracy, and integrity of the information obtained from the third-party verification vendor;
- obtains legal authorization from the Borrower to use this verification method; and
- retains all verification reports received from the third-party verification vendor in the loan file.

Note: The Servicer must supplement the verification report by obtaining any missing information, or any information necessary to address inconsistencies, from the Borrower.

Servicers are responsible for obtaining any special documentation that is required to support information provided by the Borrower.

A WRP is not considered complete if the Borrower submits a WRA or equivalent, that is

- only partially completed,
- not accompanied by all required income and hardship documentation, or
- not accompanied by tax transcripts under the circumstances described in this section above.

For purposes of determining the submission date in connection with the borrower's submission of a complete WRP, the servicer must use the date of the postmark or other independent indicator such as date and time stamp (electronic or otherwise).

9.1.22.1.1 Borrower in Chapter 7 or Chapter 13 Bankruptcy

When a Borrower is in an active Chapter 7 or Chapter 13 bankruptcy, the Servicer must comply with the requirements outlined in the Guides, including in "Chapter 7 Bankruptcy of Borrower" and Section "9.1.19 Bankruptcy," and is authorized to:

- accept a copy of the bankruptcy schedule(s) in lieu of a WRA, provided that the schedule(s) is not more than 90 days old on the date the Servicer receives the schedule(s);
- accept tax returns, if returns are required to be filed; and
- use this information, along with any required income and hardship documentation as specified in WRA, to determine Borrower eligibility for workout options.

9.1.22.2 Acknowledging Receipt of a Workout Request Package

Within five business days, the Servicer must acknowledge its receipt of a WRP to the Borrower in writing, and must indicate whether the WRP is complete or incomplete. The acknowledgment must include:

- A statement indicating whether the WRP is complete or incomplete; and if complete, providing any other information required by applicable law.
- The Servicer's evaluation process and response time frame.
- An explanation of the foreclosure process, including that
  - the foreclosure process may continue, and
  - foreclosure referral will not occur if the Servicer is reviewing a complete WRP or if the Servicer extends an offer for a home retention workout option and the Borrower's response time for acceptance has not expired.

In addition, for Borrowers who submit a complete WRP 37 days or less prior to a scheduled foreclosure sale, Servicers must ensure legal counsel is notified and must take action based on advice provided by counsel as to the suspension of the foreclosure sale. Servicers are responsible for ensuring all related regulatory requirements/deadlines are met and must take into account the number of days needed to obtain a response from MPF Provider and/or MPF Bank to any recommendation, which in most instances is 5 business days. See Section "9.1.6 Submission to MPF Banks" and "9.1.8 MPF Provider and MPF Bank Response Time."

9.1.22.3 Sending a Notice of Incomplete Information

Servicers must send an Incomplete Information Notice to the Borrower no later than 5 business days from receipt of documentation from the Borrower if the Servicer determines that documentation is missing. The notice must meet all Applicable Laws and must include the following items:

- A list of missing documents or information needed to begin an evaluation of the Borrower for a workout option.
- A toll-free number for the Borrower to contact the Servicer if the Borrower has any questions.
- A reference to the HUD website for HUD-approved counselors as a resource available to help the Borrower complete the package.
- A reminder that failure to submit all the required documentation or information may result in ineligibility for a workout option and the foreclosure proceedings will continue, including referral to foreclosure if the mortgage loan was not previously referred.
- A statement that depending on the timing of when the necessary information or documentation is received, there is no guarantee of an evaluation for a workout option and suspension of foreclosure proceedings.

If the WRP is incomplete, the Servicer is authorized to combine the Incomplete Information Notice with the acknowledgment of its receipt of the WRP.

Servicers are authorized, but not required to send an Incomplete Information Notice to a Borrower who submits incomplete documentation 37 days or less prior to a scheduled foreclosure sale. The Servicer is strongly encouraged to work with Borrowers who submit incomplete documentation 37 days or less prior to a scheduled foreclosure sale to obtain a complete WRP and expedite a decision. Servicers must ensure legal counsel is notified and must take action based on advice provided by counsel as to the suspension of the foreclosure sale. Servicers are responsible for ensuring all related regulatory requirements/deadlines are met and must take into account the number of days needed to obtain a response from MPF Provider and/or MPF Bank to any recommendation, which in most instances is 5 business days. See Section "9.1.6 Submission to MPF Banks" and "9.1.8 MPF Provider and MPF Bank Response Time."

Servicers must continue to attempt to obtain missing documentation using outbound contact methods as described in Section "8.3.2"

9.1.22.4 Sending a Notice of Decision on a Workout Option

Servicers must review and evaluate a complete WRP and communicate a decision to the Borrower by sending a notice no later than 30 days following the receipt of a complete WRP, which must:

- Meet Applicable Law.
- Meet any minimum requirements for such notices or offers provided for in the applicable workout sections of this Chapter.
- Be written in clear and concise language.
- Identify whether the Borrower is receiving an offer of a workout option and, if so, the decision for the workout option that is being offered to the Borrower.
- Description of the workout option being offered.
- Provide the steps the Borrower must take to participate in or accept any offer.
- Provide a 14-day time frame for the Borrower to accept or decline the workout option or inform the Servicer of the Borrower's intent to accept the workout option, if applicable.
- Provide description of consequences of Borrower failing to meet the terms specified in the notice or the workout option.
- Include all other disclosures required by applicable law.

Unless a workout option has specific acceptance requirements, an acceptance by the Borrower of a workout option may be in the form of verbal or written communication, or receipt of a payment, if applicable. The type of acceptance may vary based on the status of the foreclosure action of the mortgage loan and on the type of workout option being offered.

9.1.23 Determining the Appropriate Workout Option

9.1.23.1 Evaluating the Mortgage Loan for Workout Options

Servicers must be familiar with the terms and eligibility requirements of each of the workout options available to help Borrowers when the mortgage loan becomes delinquent or when the Borrower's monthly payment is in imminent default.

If the eligibility criteria for a particular workout option are not satisfied but the Servicer determines that there are acceptable mitigating circumstances, it must submit a recommendation to the MPF Provider for review in accordance to Section "9.1.6 Submission to MPF Banks" and "9.1.7 Submission for Exceptions."

9.1.23.2 Evaluating a Borrower for Workout Options

Servicers must evaluate Borrowers for workout options in accordance to the Workout Hierarchy in Section "9.1.24 Workout Hierarchy." The Servicer must analyze each case carefully before determining which workout option is most appropriate. To ensure that the final workout option agreed upon is realistic, the Servicer must consider the Borrower's financial condition, except as otherwise authorized under this Guide. See Section "9.1.22 Borrower Workout Package" for information on evaluating the Borrower for workout options.

The Servicer must not require the Borrower to make an upfront cash contribution to be considered for a workout option.

9.1.23.3 Imminent Default

Servicer must consider available workout options when the Servicer is notified or otherwise becomes aware of events or factors that are expected to cause the borrower's monthly payment to be in default within the next 90 days ("imminent default"). To determine whether a borrower's monthly payment is in imminent default, the servicer must:

- Evaluate the Borrower's financial and hardship condition. See Section "9.1.22 Borrower Workout Package" for information on evaluating the borrower for workout options when the Borrower submits a complete WRP.
- Evaluate the condition of and the circumstances affecting the property securing the mortgage loan by consulting with the Borrower.

If the Servicer determines that a borrower whose mortgage loan was less than 60 days delinquent did not qualify for any workout options, and the borrower's mortgage loan subsequently becomes 60 or more days delinquent, the Servicer must continue its solicitation and collection efforts with the borrower in accordance with Section "8.3.2 Contacting a Borrower."

Workout specific requirements in addressing Borrower in imminent default must be followed. See Section "9.2.4.4.1 Evaluating a Borrower for Imminent Default for Mortgage Loan Modification," Section "9.3.1.4.1 Evaluating a Borrower for Imminent Default for Short Sale," and Section "9.3.1.4.1 Evaluating a Borrower for Imminent Default for Deed in Lieu of Foreclosure."

9.1.24 Workout Hierarchy (3/18/25)[39]

Servicers must consider a reinstatement when the mortgage loan is delinquent and the Servicer has determined that the Borrower has the ability to bring the mortgage loan current.

For Borrowers impacted by a disaster, if the Servicer determines that the Borrower is unable to resolve a delinquency resulting from a disaster-related hardship through a reinstatement, the Servicer must evaluate the Borrower for a retention workout option in accordance with table below.

Servicers must consider Borrowers for the workout option most suitable for the Borrower's situation, according to the table below, and based on whether the Borrower's hardship is temporary or permanent.

The following table provides guidance and the order of evaluation for available workout options for MPF Traditional (Conventional) loans. To ensure eligibility, Servicers must evaluate Borrowers in accordance to the specific eligibility requirements as provided for in the applicable Guide section for each workout option.

Temporary Hardship	
The following table describes the Servicer's requirements if the Borrower is experiencing or has experienced a temporary hardship resulting from a short-term decrease in income or increase in expenses.	
If the hardship has…	**Then the Servicer must consider a…**
not been resolved	Forbearance Plan (see MPF Traditional Servicing Guide Section "9.2.1 Forbearance Plan")
been resolved and the Borrower does not have the ability to reinstate the mortgage loan	Repayment Plan (see MPF Traditional Servicing Guide Section "9.2.2 Repayment Plan")
been resolved and the Borrower does not have the ability to afford a repayment plan	Payment Deferral (see MPF Traditional Servicing Guide Section "9.2.3 Payment Deferral")
If the Borrower is experiencing a hardship that has resulted in a permanent or long-term decrease in income or increase in expenses, the Servicer must evaluate the Borrower for a workout option in the following order:	

[39] MPF Announcement 2025-23 (3/18/25)

- Loan Modification (MPF Traditional Servicing Guide Section "9.2.4 Loan Modification")
- Short Sale (MPF Traditional Servicing Guide Section "9.3.1 Short Sale")
- Deed in Lieu of Foreclosure (MPF Traditional Servicing Guide Section "9.3.2 Deed in Lieu (mortgage Release)")

Note: If a Borrower requests to be evaluated for a liquidation workout option, the Servicer must first evaluate the Borrower for a liquidation workout option.

9.2 Retention Workout Options

9.2.1 Forbearance Plan

9.2.1.1 Overview

Servicers must consider a forbearance plan when the Borrower is experiencing a temporary hardship that has not been resolved. Servicers are authorized to offer the Borrower a forbearance plan that would reduce or suspend the Borrowers payments in increments, not to exceed a cumulative term of 12 months. Servicers are not required to obtain prior approval from the MPF Bank if all of the requirements outlined in this section are met. Any exceptions to eligibility requirements or to forbearance plan terms must be submitted for MPF Bank approval prior to offering the forbearance plan in accordance to Section "9.1.6 Submission to MPF Banks." If the Borrower is not eligible for a forbearance plan, Servicers are required to evaluate Borrowers for other options in the order based on the Workout Hierarchy in Section "9.1.24 Workout Hierarchy."

9.2.1.2 Determining Eligibility for a Forbearance Plan (3/18/25)[40]

Servicers are authorized to evaluate the Borrower for a forbearance plan without receiving a complete Workout Request Package (WRP).

The following eligibility criteria for a forbearance plan must be met at the time of evaluation:

- The Servicer must achieve QRPC with the Borrower, in accordance to Section "8.3.2 Contacting Borrowers."
  - **Note:** If the Borrower's hardship is due to a disaster event, the Servicer is authorized to offer an initial 90-day forbearance plan without achieving QRPC and without obtaining MPF Bank approval, in accordance with 8.5.2 Offering Assistance to the Borrower.
- The Borrower must have an eligible hardship:
  - **Note:** While a WRP is not required, see the Workout Request Application (Form SG355) for types of eligible hardships.

[40] MPF Announcement 2025-23 (3/18/25)

- The property securing the mortgage loan must be a primary residence.
  - **Note:** If the Borrower's hardship is due to a disaster event, the property securing the mortgage loan may be a second home.
- The property securing the mortgage loan must not be condemned or abandoned.
  - **Note:** The property securing the mortgage loan may not be vacant.

If the Servicer determines the Borrower is not eligible for a forbearance plan but there are acceptable mitigating circumstances, it must request prior written approval from the MPF Bank by submitting the completed Form SG354 and all supporting documentation to the MPF Provider via eMAQCSplus. See Section "9.1.6 Submission to MPF Banks" and Section "9.1.7 Submission for Exceptions." Generally, the Servicer's determination of acceptable mitigating circumstances should be based on a review of the Borrower's complete WRP.

9.2.1.3 Forbearance Plan Terms (5/28/26)[41]

The Borrower's monthly payment must be reduced or suspended during the forbearance plan term. When the Servicer requires the Borrower to make reduced payments, the payment must be received on or before the last day of the month in which it is due, unless the Servicer determines that acceptable mitigating circumstances caused the payment to be late.

Forbearance plan terms must be in increments of no greater than three months at a time and must not be extended beyond a date that would:

- exceed a cumulative term of 12 months as measured from the start date of the initial forbearance plan, or
- result in the mortgage loan becoming greater than 12 months delinquent.

For a Forbearance plan to exceed the above limits, Servicers must receive prior written approval from the MPF Bank in accordance with 9.1.5 Submission to MPF Banks and must receive approval before granting any additional term(s).

The forbearance plan terms must be provided to the Borrower in writing. No MPF Program form is required, but the decisions notice used by the Servicer must provide Borrower with, at minimum, the following information:

- Borrower name(s)
- Property address
- Loan number (i.e. borrower facing loan number if different than MPF loan number)
- Any information or notice required by Applicable Law

[41] MPF Announcement 2026-34 (5/28/26)

- Servicer contact information
- If plan reduces payments:
  - Total term in number of months
  - Break down for each payment of:
    - Reduced Monthly Payment
    - Due Date
  - Statement that Borrower can accept the plan by making the first reduced payment amount noted in notice by the due date
- If plan suspends payments:
  - Forbearance period beginning payment date (i.e. when it starts)
  - total number of months

See Section "9.1.22.4 Sending a Notice of Decision on a Workout Option" for additional information.

Once the forbearance plan is complete, one of the following must occur:

- the mortgage loan must be brought current through a reinstatement,
- the Borrower is approved for another workout option pursuant to the Workout Hierarchy in Section "9.1.24 Workout Hierarchy" of this Guide,
- the mortgage loan is paid in full, or
- the Servicer refers the mortgage loan to foreclosure in accordance with applicable law.

Servicers must terminate the forbearance plan and proceed as if the plan was complete if it determines:

- the Borrower failed to meet any terms specified in the forbearance plan,
- any of the eligibility criteria for the forbearance plan are no longer satisfied,
- the Borrower's hardship is resolved, or
- the Borrower requests that the forbearance plan be terminated.

9.2.1.4 Contacting the Borrower During a Forbearance Plan Term

Servicers must begin attempts to contact the Borrower no later than 30 days prior to the expiration of any forbearance plan term and must continue outreach attempts until either QRPC is achieved or the forbearance plan term has expired.

Servicers must follow the below requirements depending upon whether QRPC is achieved:

- If QRPC is achieved, Servicer must determine the following:
  - if the Borrower's hardship has been resolved,

- the Borrower's intention with respect to the property, and
- whether the Borrower needs to submit a complete WRP to be evaluated for other workout options.

For additional information on contacting the Borrower refer to Section "8.3.2 Contacting Borrowers" for details on QRPC requirements.

9.2.1.5 Handling Late Charges in Connection with a Forbearance Plan

The Servicer must not accrue or collect late charges from the Borrower during the forbearance plan. If the borrower defaults on the terms of the forbearance plan, the Servicer is authorized to accrue late charges from the date the Borrower defaulted on the plan.

9.2.1.6 MPF Reporting

Once the Borrower agrees to the terms of the forbearance plan, the Servicer must report the forbearance plan on the Delinquent Mortgage & Bankruptcy Status Report (Exhibit B) monthly with an Action Code = 20, a Delinquency Status Code = 9, the applicable Delinquency Reason Code, a Loss Mitigation Type = **FFA** or **Formal Forbearance Agreement** accompanied by the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date or Loss Mitigation Actual Completion Date, as applicable.

9.2.2 Repayment Plan

9.2.2.1 Overview

Servicers must consider a repayment plan when the Borrower's temporary hardship appears to have been resolved and the Borrower is not able to reinstate the mortgage loan. Servicers are authorized to offer the Borrower a repayment plan that would allow Borrower to make payments in excess of the regular monthly payments over a period not to exceed 12 months. Servicers are not required to obtain prior approval from the MPF Bank if all of the requirements outlined in this section are met. Any exceptions to eligibility requirements or to repayment plan terms must be submitted for MPF Bank approval prior to offering the repayment plan in accordance to Section "9.1.7 Submission for Exceptions." If the Borrower is not eligible for a repayment plan, Servicers are required to evaluate Borrowers for other options in the order based on the Workout Hierarchy in "9.1.24 Workout Hierarchy."

9.2.2.2 Repayment Plan Terms

Servicers are authorized to evaluate the Borrower for a repayment plan without receiving a complete Workout Request Package (WRP). However, if the Borrower submitted a complete WRP, the Servicer must evaluate the Borrower in accordance with the evaluation requirements as indicated in Section "9.1.23 Determining the Appropriate Workout Option."

The following requirements apply to repayment plans:

- Servicer must consider a repayment plan when the delinquency resulted from a temporary hardship that no longer appears to be a problem.
- The total monthly repayment plan payment must not exceed 150% of the full monthly contractual payment.

The repayment plan terms must be provided to the Borrower in writing. No MPF Program form is required, but the decisions notice used by the Servicer must provide Borrower with, at minimum, the following information:

- Borrower name(s)
- Property address
- Loan number (i.e. borrower facing loan number if different than MPF loan number)
- Any information or notice required by Applicable Law
- Servicer contact information
- Total past due amount
- Number of payments
- Break down for each payment of:
  - Regular Monthly Payment
  - Additional Monthly Payment
  - Total Monthly Payment Amount
  - Due Date
- Statement that Borrower can accept the plan by making the first Total Monthly Payment Amount noted in notice by the due date

See Section "9.1.22.4 Sending a Notice of Decision on a Workout Option" for additional information.

Repayment plans must meet the following requirements:

- If, at the time of evaluation, the mortgage loan is less than or equal to 90 days delinquent and the term of the repayment plan does not exceed six months then:
  - The Borrower is not required to submit a complete WRP.
  - The Borrower must have the financial capacity to bring the mortgage loan current during the repayment plan; which may be verified through QRPC if the offer is not based on a complete WRP.
- If, at the time of evaluation, the mortgage loan is greater than 90 days delinquent **or** the term of the repayment plan exceeds six months, the Borrower is required to submit a complete WRP and:

- If the repayment plan exceeds 12 months, Servicer must obtain MPF Bank approval prior to offering the repayment plan by submitting Form SG354 (Note: Form SG354 must be used, no alternative or equivalent forms are permitted) and required supporting documentation in accordance to Section "9.1.7 Submission for Exceptions." (Note: If repayment plan is less than 12 months, no prior approval is required)
- The Servicer may evaluate the Borrower for other workout options as an alternative to a repayment plan in the order based on the Workout Hierarchy in "9.1.24 Workout Hierarchy."

9.2.2.3 Handling Late Charges with a Repayment Plan

The repayment plan may include accrued late charges due when the plan is established between the Servicer and the Borrower. The Servicer must waive late charges accrued during the repayment plan period as long as the terms of the repayment plan are maintained by the Borrower.

9.2.2.4 MPF Reporting

Once the Borrower agrees to the terms of the repayment plan, the Servicer must report the repayment plan on the Delinquent Mortgage & Bankruptcy Status Report (Exhibit B) monthly with an Action Code = 20, a Delinquency Status Code = 12, the applicable Delinquency Reason Code, a Loss Mitigation Type = **Repayment Plan** or **REPAYMENT PLAN** accompanied by the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date or Loss Mitigation Actual Completion Date, as applicable.

9.2.3 Payment Deferral

9.2.3.1 Overview

Servicers must consider a payment deferral, for Borrowers that have resolved a temporary hardship and are prepared to resume their monthly contractual payments but cannot afford either a full reinstatement or repayment plan to bring the mortgage loan current. Servicers are authorized to offer the Borrower a deferral, that will defer the past-due P&I payments as a non-interest bearing balance, due and payable at maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB. Servicers are not required to obtain prior approval from the MPF Bank if all of the requirements outlined in this section are met, but Servicers are required to submit a completed Workout Worksheet (Form SG354) (Note: Form SG354 must be used, no alternative or equivalent forms are permitted) via eMAQCSplus in accordance to Section "9.2.3.5 Completing a Payment Deferral." Any exceptions to eligibility or other payment deferral requirements must be submitted for MPF Bank approval prior to offering the payment deferral in accordance to Section "9.1.7 Submission for Exceptions." If the Borrower is not eligible for a payment deferral, Servicers must consider the Borrower for a loan modification pursuant to the eligibility criteria and the Workout Hierarchy in Section "9.1.24 Workout Hierarchy."

9.2.3.2 Determining Eligibility for Payment Deferral (3/18/25)[42]

The Servicer is authorized to evaluate the Borrower for a payment deferral without receiving a complete Workout Request Package (WRP). If the Borrower submitted a complete WRP, then the Servicer must evaluate the Borrower in accordance with Section 9.1.23 Determining the Appropriate Workout Option. Servicers are authorized to use Form SG356: Payment Deferral Agreement, while the use of Form SG356 is optional, it reflects the minimum level of information that the Servicer must provide to the Borrower.

In order to be eligible for a payment deferral, the following criteria must be met:

- The mortgage loan must be a conventional first lien mortgage loan, and remain in first lien position during the Payment Deferral.
  - **Note:** The property securing the mortgage loan may not be vacant or condemned.
- The mortgage loan must meet the following delinquency parameters:
  - The mortgage loan must be equal to or greater than 2 months delinquent but less than or equal to 6 months delinquent as of the date of evaluation; or
  - The loan is currently in a Forbearance Plan. The Forbearance Plan must not exceed 6 months of past due P&I payments.

Note: For Borrowers 6 months delinquent when being evaluated, Servicers must receive the Borrower's full monthly contractual payment due for the month of evaluation. If the Servicer has not received this full monthly contractual payment as of the date of evaluation, the Borrower may still be eligible for a payment deferral if they make the full monthly contractual payment by the end of the evaluation month.

- If the Borrower's hardship is due to a disaster event, the mortgage loan must meet the requirements in 9.1.4 Borrowers Impacted by a Major Disaster and meet the following delinquency parameters:
  - the mortgage loan must have been current or less than two months delinquent at the time the disaster occurred (i.e., disaster occurs on March 20, the Borrower has a last paid installment of January 1, when the disaster occurred), and
  - be equal to or greater than one month delinquent but less than or equal to 12 months delinquent as of the date of evaluation.

Note: If a borrower's hardship is related to disaster but they were two or more months delinquent as of the date the disaster occurred, and the servicer determines the borrower can maintain their full monthly contractual payment, then the servicer must:

[42] MPF Announcement 2025-23 (3/18/25)

- Servicer must achieve QRPC with the Borrower in accordance with Section "8.3.2 Contacting Borrowers,"
- Servicer must confirm that the Borrower:
  - has resolved the hardship,
  - is able to continue making the full monthly contractual payment including the amount required to repay any escrow shortage amount over a term of up to 60 months, and
  - is unable to reinstate the mortgage loan or afford a repayment plan to cure the delinquency.
- The mortgage loan must meet the following:
  - For non-disaster related payment deferrals:
    - The mortgage loan must have been originated at least 12 months prior to the evaluation date for a payment deferral.
    - The mortgage loan may receive more than one payment deferral; however, no more than 12 months of cumulative past-due P&I payments as a result of a payment deferral may be deferred over the life of the mortgage loan.
      - **Note:** This cumulative cap does not include past-due P&I payments deferred as the result of a COVID-19 payment deferral.
    - The mortgage loan must not have received a prior payment deferral with an effective date within 12 months of the evaluation date.
  - For disaster related payment deferrals, the mortgage loan must not have previously received a disaster payment deferral as a result of the same disaster event. **Note:** The mortgage loan may have previously received a non-disaster payment deferral.
- The mortgage loan must not be within 36 months of its maturity or projected payoff date.
  - **Note:** If the Borrower is otherwise eligible for a payment deferral and the Servicer determines that a payment deferral is the appropriate solution based on the borrower's circumstances, then the Servicer must submit a request for an exception in accordance to Section "9.1.7 Submission for Exceptions."
- The mortgage loan must not be subject to:
  - a recourse or indemnification arrangement under which the MPF Bank purchased the mortgage loan or that was imposed by the MPF Bank after the mortgage loan was purchased,

  - an approved liquidation workout option,
  - an active and performing repayment plan,
  - a current offer for another retention workout option, or
  - an active and performing mortgage loan modification Trial Period Plan.
- The Borrower must not have failed a non-disaster related mortgage loan modification Trial Period Plan within 12 months of being evaluated for eligibility for a payment deferral.
  - **Note**: Converting from a Trial Period Plan to a forbearance plan is not considered a failed Trial Period Plan.
- The mortgage loan must not have been modified with a permanent Mortgage Loan Modification within the previous 12 months of being evaluated for eligibility for a payment deferral.

9.2.3.3 Performing an Escrow Analysis for a Payment Deferral (5/14/26)[43]

When a Borrower is eligible for a payment deferral and the Servicer was not collecting escrows on the existing mortgage loan, the Servicer is not required to revoke any escrow deposit account waiver and establish an escrow deposit account as a condition of the payment deferral if the Servicer confirms the Borrower is current on the payments for taxes, special assessments, property and flood insurance payments, payments for borrower-purchased MI, ground rents, and similar items.

Prior to offering a payment deferral, the Servicer must analyze an existing escrow account to estimate the periodic escrow deposit required, using the current available escrow data (such as most recent county tax information and hazard declarations, instead of historical or projected data) to ensure adequate funds are available to pay future charges, taking into consideration T&I payments that may come due during the processing month, if applicable.

If the Servicer identifies an escrow shortage as the result of an escrow analysis in connection with a payment deferral, the Servicer must spread repayment of the escrow shortage amount in equal monthly payments over a term of 60 months, unless the Borrower decides to pay the shortage amount up-front or over a shorter period, not less than 12 months. The newly calculated escrow shortage must be included in payments starting with the payment due on the Payment Deferral effective date. Any subsequent escrow shortage that may be identified in the next annual analysis cycle must be spread out over either the remaining term of the initial escrow shortage repayment period or another period of up to 60 months.

[43] MPF Announcement 2026-29 (5/14/26)

Any escrow account shortage that is identified at the time of the payment deferral must not be included in the non- interest bearing balance and the Servicer is not required to fund any existing escrow account shortage.

If applicable law prohibits the establishment of the escrow account, the servicer must ensure that the T&I payments are paid to date.

9.2.3.4 Payment Deferral Terms (3/18/25)[44]

The Servicer must defer the following amounts as a non-interest bearing balance, due and payable at maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB:

- P&I:
  - for non-disaster related payment deferrals, the Servicer must defer at least 2 months and up to 6 months of past-due P&I payments, provided that it does not result in more than 12 months of past-due P&I payments cumulatively deferred as a result of a payment deferral; or
  - for disaster related payment deferrals, up to 12 months of past-due P&I payments;
- out-of-pocket escrow advances resulting from a delinquency and paid to third parties, provided they are paid prior to the effective date of the payment deferral; and
- servicing advances resulting from a delinquency, paid to third parties in the ordinary course of business, and not retained by the servicer, provided they are paid prior to the effective date of the payment deferral, if allowed by state law.

All other terms of the mortgage loan must remain unchanged. The Servicer represents and warrants that application of the payment deferral to the mortgage loan does not impair our first lien position or enforceability against the borrower(s) in accordance with its terms.

Any existing non-interest bearing balance on the mortgage loan remains due and payable at maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB.

Servicer is required to ensure that the loan is not out of balance with the Investor on their TAR (Turn Around Report) and that their Monthly Summary and Remittance Report (Form SG300) reflects the correct the loan level data (including UPB) Servicer is relying on to determine eligibility. Loan Level discrepancies require resolution prior to completing a Payment Deferral. See Section "2.13.1 Monthly Accounting Reports."

[44] MPF Announcement 2025-23 (3/18/25)

9.2.3.5 Completing a Payment Deferral

Servicers must complete a payment deferral in the same month in which it determines the Borrower is eligible by submitting a completed Workout Worksheet (Form SG354) (Note: Form SG354 must be used, no alternative or equivalent forms are permitted) via eMAQCSplus with all required supporting documentation as indicated on the Workout Worksheet.

If the Servicer is unable to complete the payment deferral prior to the 15th day of the evaluation month, then the Servicer is authorized to allow for sufficient processing time (via a "processing month") to complete a payment deferral. The Servicer must treat all borrowers equally in applying the processing month, as evidenced by a written policy.

Servicers are authorized to use an additional month to allow for sufficient processing time ("processing month") to complete a payment deferral Borrowers must make their full monthly contractual payment during the processing month, if as of the date of evaluation:

- the mortgage loan is 6 months delinquent, or
- the payment deferral would cause the mortgage loan to exceed 12 months of cumulative deferred past-due P&I payments over the life of the mortgage loan.

In this circumstance, the Servicer must complete the payment deferral within the processing month after receipt of the Borrower's full monthly contractual payment due during that month.

Note: Servicers must treat all Borrowers equally in applying the processing month, as evidenced by a written policy.

Servicers must send the Form SG356 Payment Deferral Agreement, or equivalent to the Borrower no later than five days after the completion of the payment deferral. While use of Form SG356 Payment Deferral Agreement is not required, it reflects the minimum level of information that the Servicer must provide to the Borrower.

If the Servicer determines the Borrower's signature is required on Form SG356 Payment Deferral Agreement, it must receive the executed agreement prior to completing the payment deferral.

The Servicer's application of a payment deferral to the mortgage loan must not impair our first lien position or enforceability against the Borrower(s) in accordance with its terms.

Servicers must record Form SG356 Payment Deferral Agreement or its equivalent, if the Servicer determines that recordation is required to comply with law and ensure that the mortgage loan retains its first lien position. The Servicer must obtain a title endorsement or similar title insurance product issues by a title insurance company if the Form SG356 Payment Deferral Agreement will be recorded.

Servicers must also provide documents to the document custodian in accordance with the following:

If the payment deferral agreement is..	Then the Servicer must send...
not required to be signed by the Borrower	a copy of the Form SG356 Payment Deferral Agreement signed by the Servicer to the document Custodian within 25 days of the effective date of the payment deferral.
required to be signed by the Borrower but not recorded	the fully executed original Form SG356 Payment Deferral Agreement to the document Custodian within 25 days of the effective date of the payment deferral.
required to be recorded	• a certified copy of the fully executed Form SG356 Payment Deferral Agreement to the document Custodian within 25 days of the effective date of the payment deferral, and • the original payment deferral agreement that is returned from the recorder's office to the document custodian within 5 business days of receipt.

9.2.3.6 Requirement to Make a Payment During a Processing Month for a Payment Deferral (3/18/25)[45]

The Borrower must make their fully monthly contractual payment during a processing month if, as of the date of evaluation,

- the mortgage loan is
  - 6 months delinquent for non-disaster related payment deferrals, or
  - 12 months delinquent for disaster related payment deferrals, or
- the payment deferral would cause the mortgage loan to exceed 12 months of cumulative deferred past-due P&I payments.

In this circumstance, the servicer must complete the payment deferral within the processing month as applicable after receipt of the borrower's full monthly contractual payment due during that month.

[45] MPF Announcement 2025-23 (3/18/25)

9.2.3.7 Handling Fees and Late Charges in Connection with a Payment Deferral

Servicers must not charge the Borrower administrative fees. The Servicer must waive all late charges, penalties, stop payment fees, or similar charges upon completing a payment deferral.

Servicers must follow the procedures in Section "9.2.3.9 Paying Expenses and Requesting Reimbursement Related to a Payment Deferral."

9.2.3.8 Servicing Fees for a Payment Deferral

The Servicer will continue to receive the servicing fee it was receiving prior to the payment deferral becoming effective. Servicing Fees will be reimbursed for mortgage loans that receive a payment deferral at the time the mortgage loan upon liquidation of the mortgage loan, in accordance to MPF Traditional Servicing Guide Section "3.1 Servicing Fees."

9.2.3.9 Paying Expenses and Requesting Reimbursement Related to a Payment Deferral

The Servicer must pay any necessary and actual out-of-pocket expenses in accordance with the Servicing Guide associated with the execution of a payment deferral, including, but not limited to the following, as applicable:

- required notary fees,
- recording costs,
- title costs, or
- any other allowable and documented expense.

Note: The above expenses must not be included in the non-interest bearing balance created by the payment deferral.

Servicing Fees will be reimbursed for mortgage loans that receive a payment deferral upon liquidation of the mortgage loan, in accordance to MPF Traditional Servicing Guide Section "3.1 Servicing Fees."

9.2.3.10 MPF Reporting

Once the Borrower agrees to the terms of the payment deferral, and the Payment Deferral becomes effective, the mortgage loan no longer needs to be reported on the Servicer's Monthly Delinquent Mortgage & Bankruptcy Status Report (Exhibit B). In addition, Servicers must submit a complete Form SG354 (Note: Form SG354 must be used, no alternative or equivalent forms are permitted) via eMAQCSplus upon the plan becoming effective.

9.2.4 Loan Modification

9.2.4.1 Overview

Servicers of MPF Traditional loans owned by **FHLB San Francisco** must only offer temporary loan modifications that meet the requirements detailed in Exhibit FF and permanent loan modifications will only be considered on an exception basis after all other loss mitigation

options have been considered (See "9.1.7. Submission for Exceptions.") All other Servicers may only offer the permanent loan modifications as provided for in this section and may **NOT** offer temporary loan modifications. See "9.2.4.2 Temporary Loan Modifications."

Servicers must consider a permanent Loan Modification when the Borrower is experiencing a permanent or long-term decrease in income or increase in expenses, who can resume a monthly payment but cannot afford their monthly contractual payments. Servicers are not required to obtain prior approval from the MPF Bank if all of the requirements outlined in this section are met but may need to submit the Loan Modification Agreement (Form 3179) for execution by MPF Bank (depending upon the entity that is the mortgagee of record) to finalize the agreement. (Note: Form 3179 is a required Form, only changes permitted by Fannie Mae or Freddie Mac are permitted), See Section "9.2.4.12 Executing and Recording the Loan Modification Agreement." Any exceptions to eligibility or other loan modification requirements must be submitted for MPF Bank approval prior to offering the loan modification in accordance to Section "9.1.7 Submission for Exceptions." If the Borrower is not eligible for a loan modification, Servicers are required to evaluate Borrowers for other options in the order based on the Workout Hierarchy in Section "9.1.24 Workout Hierarchy." Servicers are required to submit a completed Workout Worksheet (Form SG354) (Note: Form SG354 must be used, no alternative or equivalent forms are permitted) via eMAQCSplus in accordance to Section "9.2.4.8 Offering a Trial Period Plan and Completing a Loan Modification."

9.2.4.2 Temporary Loan Modifications

Borrowers in temporary loan modification plans granted prior to March 1, 2024, nearing the end of their plan, must be notified in writing of the plan termination date and the consequences of such termination, including Borrower's obligation to resume making their original contractual payments. Servicers must evaluate any Borrowers who claims to be unable to resume making such payments, for workout options based on a complete WRP and based on the Workout Hierarchy in Section "9.1.24 Workout Hierarchy."

Any such Borrower found to have experienced a permanent or long-term decrease in income or increase in expenses, who cannot afford their original monthly contractual payments should be considered for a permanent loan modification. No temporary loan modifications may be granted or extensions of existing temporary loan modifications may be granted on or after March 1, 2024.

9.2.4.3 Documentation Requirements

If the mortgage loan is current or less than 90 days delinquent, the borrower must submit a complete WRP except as described below.

If the borrower submitted a complete WRP prior to the 90th day of delinquency, the servicer must

- use the information from the WRA, or equivalent, to determine the borrower's hardship, total income and assets, and

- evaluate the borrower for all workout options in accordance with Section "9.1.24 Workout Hierarchy."

9.2.4.4 Determining Eligibility for a Loan Modification

In order to be eligible for a Loan Modification, the following criteria must all be met:

- The mortgage loan must be a conventional first lien mortgage loan and will remain in first lien position during the Loan Modification plan.
  - **Note:** The property securing the mortgage loan may not be vacant or condemned.
- The mortgage loan must be at least 60 days delinquent or the servicer has determined that the borrower's monthly payment is in imminent default in accordance with Section "9.2.4.4.1 Evaluating a Borrower for Imminent Default for Mortgage Loan Modification Eligibility."
- The mortgage loan must have been originated at least 12 months prior to the evaluation date for the mortgage loan modification and must not be considered an Early Payment Default loan according to Section "8.6 Early Payment Default."
- The mortgage loan must not be subject to:
  - a recourse or indemnification arrangement under which the MPF Bank purchased the mortgage loan or that was imposed by the MPF Bank after the mortgage loan was purchased;
  - an approved liquidation workout option;
  - an active and performing repayment plan;
  - a current offer for another mortgage loan modification or other workout option; or
  - an active and performing mortgage loan modification Trial Period Plan.
- The mortgage loan must not have been permanently modified previously, regardless of the mortgage loan modification program or dates of prior mortgage loan modifications.
  - **Note:** A payment deferral does not count as a mortgage loan modification when determining the number of times the mortgage loan has previously been modified for purposes of determining eligibility for a Loan Modification.
- The borrower must not have failed a Loan Modification Trial Period Plan within 12 months of being evaluated for eligibility for another Loan Modification.
  - **Note:** Converting from a Trial Period Plan to a forbearance plan is not considered a failed Trial Period Plan.

- The mortgage loan must not have received a Temporary Loan Modification and become 60 days or more delinquent within the first 12 months of the effective date of the temporary mortgage loan modification without being reinstated.
- The mortgage loan must not be serviced under one of the following:
  - One Mortgage Partners, LLC Mortgage Pass-Through Certificates MPF Shared Funding™ Program Series 2003-1 Trust; or
  - One Mortgage Partners, LLC Mortgage Pass-Through Certificates MPF Shared Funding Program Series 2003-2 Trust.

If the borrower converts from a Trial Period Plan to a forbearance plan, the borrower may subsequently be eligible for a Loan Modification upon successful completion of the forbearance plan and, if eligible, must be placed in a new Loan Modification Trial Period Plan based on the delinquency status at the time of the evaluation for the Loan Modification.

9.2.4.4.1 Evaluating a Borrower for Imminent Default for Mortgage Loan Modification Eligibility

For a Borrower's monthly payment to be considered in imminent default for the purpose of determining eligibility for a conventional mortgage loan modification, the borrower must satisfy:

- the initial eligibility criteria, and
- either:
  - the credit eligibility criteria; or
  - the hardship eligibility criteria.

The Servicer must confirm the following eligibility criteria:

- The mortgage loan is current or less than 60 days delinquent as of the evaluation date.
- The property securing the mortgage loan is occupied as a primary residence by at least one borrower.
- The borrower submits a complete WRP (see Section "9.1.22 Borrower Workout Request Package (WRP) for additional information).
- The borrower's non-retirement cash reserves are less than $25,000 based on information provided in the WRA, or equivalent.
- The borrower has a hardship as documented in accordance with WRA or equivalent.

Servicer must also determine whether either the following credit or hardship eligibility criteria is satisfied:

Credit	A FICO credit score less than or equal to 620, and either two or more 30-day delinquencies on the mortgage loan in the six months immediately preceding the month of the evaluation, or **Note:** The servicer must not consider a missed contractual payment that becomes 60 or more days delinquent as having two or more 30-day delinquencies in the six-month period immediately preceding the month of the evaluation. A pre-modification housing expense-to-income ratio greater than 40% calculated in accordance with the procedures in Section "9.2.4.4.1.1 Calculating the Housing Expense-to-Income Ratio for Imminent Default for a Loan Modification." **Note:** The FICO credit score must be no more than 90 days old as of the date of evaluation. If the servicer obtains multiple credit scores for a single borrower, it must select a representative credit score using the lower of two or the middle of three credit scores. If there are multiple borrowers, the servicer must determine the representative score for each borrower and use the lowest representative score as the credit score for the evaluation.
Hardship	The borrower has one of the following hardships as documented in accordance with WRA or equivalent: • death of a borrower or death of either the primary or secondary wage earner in the household; • long-term or permanent disability, or serious illness of a borrower, co-borrower, or dependent family member; • divorce or legal separation; • separation of borrowers unrelated by marriage, civil union, or similar domestic partnership under applicable law; or • an increased monthly P&I payment occurred as result of an interest rate adjustment within the last 12 months for a mortgage loan previously modified with a step-rate feature.

If a Borrower whose mortgage loan is current (i.e., not delinquent or in default) is declined a loan modification, the Servicer is responsible for providing Borrower with an Adverse Action Notice compliant with Applicable Laws within 30 days the decision, unless the servicer offers the borrower another retention workout option and the borrower accepts the counteroffer within the 30-day period.

When requesting the MPF Banks' approval of a recommendation for a loan modification for a borrower facing imminent default, the servicer must either include the draft adverse action notice in its submission, or, if the Servicer has a system that automatically sends such notices, the text of such notice and a statement certifying that it has a process to send notices in accordance with the requirements of this Guide.

9.2.4.4.1.1 Calculating the Housing Expense-to-Income Ratio for Imminent Default for a Mortgage Loan Modification

The borrower's monthly gross income is defined as the borrower's monthly income amount before any payroll deductions and includes the following items, as applicable:

- wages and salaries;
- overtime pay;
- commissions;
- fees;
- tips;
- bonuses;
- housing allowances;
- other compensation for personal services;
- Social Security payments (including Social Security received by adults on behalf of minors or by minors intended for their own support); and
- monthly income from annuities, insurance policies, retirement funds, pensions, disability or death benefits, rental income, and other income such as adoption assistance.

Note: The servicer generally should not consider temporary sources of income related to employment (such as severance payments) as part of the monthly gross income for mortgage loans being evaluated for a workout option. However, public assistance income (such as unemployment) may be considered if done in compliance with applicable laws, and if the servicer determines the probable continuance of such income. The servicer must then divide the borrower's pre-modification monthly housing expense on the property securing the mortgage loan, which includes the following items (as applicable), by the borrower's monthly gross income ($\text{monthly housing expense ratio} = \frac{\text{monthly housing expense}}{\text{total monthly income}}$):

- P&I for all mortgage liens on the property;
- property and flood insurance premiums;
- real estate taxes;
- ground rent;
- special assessments;

- HOA dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); and
- any escrow shortage currently included as part of the full monthly contractual payment.

Note: The servicer must exclude monthly mortgage insurance premiums from the monthly housing expense-to-income calculation.

9.2.4.4.2 Evaluating a Borrower with a Disaster-Related Hardship for a Loan Modification (5/28/26)[46]

When evaluating a Borrower with a disaster-related hardship for a loan modification, the following reduced eligibility criteria must be met:

- The disaster event must meet the requirements in 9.1.4 Borrower Impacted by a Major Disaster,
- The mortgage loan must be a first-lien conventional mortgage loan,
- The mortgage loan must:
  - Have been current or less than two months delinquent when the disaster occurred, and
  - Be at least three months delinquent as of the date evaluation.

Note: Any payments received after the date of evaluation that reduce the amount of delinquency do not impact eligibility, provided that the borrower is at least 30 or more days delinquent prior to the commencement of the Trial Period Plan.

- The mortgage loan must not be subject to
  - a recourse or indemnification arrangement under which the MPF Bank purchased the mortgage loan or that was imposed by MPF Bank after the mortgage loan was purchased,
  - an approved liquidation workout option,
  - an active and performing repayment plan,
  - a current offer for another workout option, or
  - an active and performing mortgage loan modification Trial Period Plan.

Note: The number of previous mortgage loan modifications, regardless of the mortgage loan modification program or dates of prior mortgage loan modifications, does not impact eligibility for a Loan Modification when evaluating a borrower with a disaster-related hardship.

[46] MPF Announcement 2025-23 (3/18/25)
MPF Announcement 2026-34 (5/28/26)

9.2.4.5 Performing an Escrow Analysis (5/14/26)[47]

An escrow analysis must be completed by the Servicer prior to offering a Trial Period Plan and again following completion of the Trial Period, prior to determining the final modified payment terms. See Section "9.2.4.7 Administering an Escrow Account in Connection with a Mortgage Loan Modification."

Any escrow account shortage that is identified at the time of the mortgage loan modification must not be capitalized and the servicer is not required to fund any existing escrow account shortage.

When Servicer was not collecting escrows on the existing mortgage loan, the Servicer is required to establish an escrow deposit account as a condition of the mortgage loan modification unless otherwise prohibited by applicable law. If applicable law prohibits the establishment of the escrow account, the servicer must ensure that the T&I payments are paid to date.

9.2.4.6 Loan Modification Term

9.2.4.6.1 Obtaining a Property Valuation

The servicer must obtain a property valuation, which must not be more than 90 days old at the time the servicer evaluates the borrower for the mortgage loan modification, using one of the following:

- an exterior BPO;
- an appraisal;
- a third-party AVM; or
- the servicer's own internal AVM, provided that
    - the servicer is subject to supervision by a federal regulatory agency, and
    - the servicer's primary federal regulatory agency has reviewed the model.

If the third-party AVM, or the Servicer's internal AVM does not render a reliable confidence score, the servicer must obtain an assessment of the property value utilizing an exterior BPO, an appraisal, or a property valuation method documented as acceptable to the Servicer's federal regulatory supervisor. The property value assessment must be rendered in accordance with the FDIC's Interagency Appraisal and Evaluation Guidelines regardless of whether such guidelines apply to mortgage loan modifications.

The servicer must attach the valuation and documentation when submitting a recommendation for exception to MPF Bank. See Section "9.1.7 Submission for Exceptions."

[47] MPF Announcement 2026-29 (5/14/26)

9.2.4.6.2 Determining New Modified Mortgage Loan Terms (7/18/25)[48]

To determine the borrower's new modified mortgage loan terms, the Servicer must determine the post-modification mark-to-market loan-to-value ("MTMLTV") ratio, which is defined as the gross UPB of the mortgage loan including capitalized arrearages, divided by the current value of the property.

If the Borrower has made a principal curtailment, the Servicer must first calculate the remaining mortgage loan term based on the interest-bearing portion of the Borrower's pre-modification UPB and the contractual P&I payment amount prior to proceeding with the steps outlined in the table below.

The servicer must complete all the steps in the order shown in the following table, unless prohibited by applicable law, to determine the borrower's new modified mortgage loan terms, until the earlier of:

- achieving a 20% P&I payment reduction target (i.e. applying the increment or amount as described in each step of the following table to result in a payment reduction that exceeds but is as close as possible to 20% (e.g., 20.01%)); or
- exhausting the steps for determining the modification terms.

Step	Servicer Action
1	Capitalize eligible arrearages. The following are considered as acceptable arrearages for capitalization: • accrued interest; • out-of-pocket escrow advances to third parties, provided they are paid prior to the effective date of the mortgage loan modification; • servicing advances paid to third parties in the ordinary course of business and not retained by the servicer, provided they are paid prior to the effective date of the mortgage loan modification, if allowed by state laws; and • any outstanding non-interest bearing balance from a previously completed loan modification or a previously completed payment deferral. **Note:** If applicable state law prohibits capitalization of past due interest or any other amount, the servicer must collect such funds from the borrower over a period not to exceed 60 months unless the borrower decides to pay the amount up-front. Late charges may not be capitalized and must be waived if the borrower satisfies all conditions of the Trial Period Plan. See Section "9.2.4.7 Administering an Escrow Account in Connection with a Mortgage Loan Modification" for additional information.

[48] MPF Announcement 2025-14 (2/10/25)
MPF Announcement 2025-58 (7/18/25)

2	Set the modification interest rate to the contractual interest rate in effect for the periodic payment due in the month of the evaluation date. **Note**: The interest rate used to determine the final modification terms must be the same fixed interest rate that was used when determining eligibility for the Trial Period Plan and calculating the Trial Period Plan payment.
3	If the mortgage loan has a post-modification MTMLTV greater than or equal to 50% and the modified interest rate is greater than the MPF Traditional Loan Modification Interest Rate (See Exhibit EE), then the Servicer must reduce the rate in 0.125% increments until the earlier of: • achieving the 20% P&I payment reduction target, or • reaching the MPF Traditional Loan Modification Interest Rate (Exhibit EE) **Note:** The MPF Traditional Loan Modification Interest Rate (Exhibit EE) is the minimum rate that may be set for a loan modification. Where the 20% P&I payment reduction target has not yet been achieved but applying a full 0.125% increment would set the modified interest rate to a rate below the MPF Traditional Loan Modification Interest Rate (Exhibit EE), the Servicer must apply a partial rate reduction increment (i.e., an amount less than 0.125%) to reach the MPF Traditional Loan Modification Interest Rate (Exhibit EE).
4	Extend the term in monthly increments until the earlier of: • achieving the 20% P&I payment reduction target, or • reaching a term that is 480 months from the mortgage loan modification effective date. **Notes**: • Any loan modification extending the maturity date by more than 20 years from original maturity date, requires MPF Bank approval prior to offering to Borrower. • When the mortgage loan is secured by a property where the title is held as a leasehold estate, the term of the leasehold estate must not expire prior to the date that is five years beyond the new maturity date of the modified mortgage loan. In the event that the current term of the leasehold estate would expire prior to such date, the term of the leasehold estate must be renegotiated to satisfy this requirement for the mortgage loan to be eligible for the mortgage loan modification.
5	Forbear principal if the post-modification MTMLTV ratio is greater than 50%, in an amount that is the lesser of • an amount that would achieve the 20% P&I payment reduction target, • an amount that would create a post-modification MTMLTV ratio of 50% using the interest-bearing UPB, or • 30% of the gross post-modification UPB of the mortgage loan.

	Note: Interest must not accrue on any principal forbearance. Principal forbearance is payable upon the earliest of the maturity of the mortgage loan modification, sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB.

Servicers are strongly encouraged to use Form SG357 Permanent Loan Modification Worksheet, or its equivalent, to determine the loan modification terms, as Servicers are required to submit that worksheet with Form SG354.

The servicer must request MPF Bank's prior written approval by submitting a request through eMAQCSplus to deviate from the prescribed steps for determining the new modified mortgage payment terms, unless a certain step is prohibited by applicable state law.

If the steps are exhausted without achieving the 20% P&I payment reduction target, then the Servicer must offer the resulting terms to the Borrower provided the Loan Modification must result in a fixed rate mortgage loan with a monthly P&I payment that is:

- less than the borrower's pre-modification P&I payment, if, at the time of evaluation, the mortgage loan is current or less than 31 days delinquent, or
- less than or equal to the pre-modification P&I payment, if, at the time of evaluation, the mortgage loan is 31 or more days delinquent.

Prior to granting a permanent mortgage loan modification, the Servicer must place the borrower in a Trial Period Plan using the new modified mortgage loan terms. See 9.2.4.8 Offering a Trial Period Plan and Completing a Loan Modification.

Servicers are required to ensure that the loan is not falling out on their TAR (Turn Around Report) and that their Monthly Summary and Remittance Report (Form SG300) reflects the correct loan level data (including UPB) Servicer is relying on to determine eligibility. Loan Level discrepancies require resolution prior to completing a Loan Modification. See Section "2.13.1 Monthly Accounting Reports."

Servicers are strongly encouraged to use the Loan Modification Worksheet (see attachment to Form SG354) when determining the modified terms, to ensure the proper amounts are being considered, as that worksheet will be required to be submitted with the Form SG354 once the loan modification is finalized.

9.2.4.7 Administering an Escrow Account in Connection With a Mortgage Loan Modification (5/14/26)[49]

When evaluating a borrower for a mortgage loan modification, the Servicer must:

- Revoke any escrow deposit account waiver and establish an escrow deposit account prior to the beginning of the trial payment period in accordance with MPF Program requirements

[49] MPF Announcement 2026-29 (5/14/26)

  - If applicable law prohibits the establishment of the escrow account, the Servicer must ensure that the T&I premiums are paid to date.

- Analyze any existing escrow account to estimate the periodic escrow deposit required, using the current available escrow data (such as most recent county tax information and hazard declarations, instead of historical or projected data) to ensure adequate funds are available to pay future charges, taking into consideration T&I payments that may come due during any Trial Period Plan. In the event the initial escrow analysis identifies an escrow shortage, the servicer must spread any escrow shortage repayment amount in equal monthly payments over a period of 60 months, unless the borrower decides to pay the escrow shortage amount in a lump sum up-front or over a shorter period, not less than 12 months. The newly calculated escrow shortage must be included in the borrower's monthly payments beginning with the first payment due on the loan modification effective date. Any subsequent escrow shortage that may be identified in the next annual analysis cycle must be spread out over either the remaining term of the initial escrow shortage repayment period or another period of up to 60 months.
- Ensure the borrower's monthly mortgage loan payments, including trial period payments, include an escrow payment and any escrow shortage payment (PITIS).

9.2.4.8 Offering a Trial Period and Completing a Loan Modification

The Servicer must communicate with the borrower that the mortgage loan modification will not be binding, enforceable, or effective unless all conditions of the mortgage loan modification have been satisfied, which is when all of the following have occurred:

- the borrower has satisfied all of the requirements of the Trial Period Plan,
- the borrower has executed and returned a copy of the Loan Modification Agreement (Fannie Mae Form 3179) (Note: Form 3179 is a required form, only changes permitted by Fannie Mae or Freddie Mac are permitted), and
- the Servicer or MPF Bank (depending upon the entity that is the mortgagee of record) executes and dates Form 3179.

The servicer must use the Form SG358 Permanent Loan Modification Trial Period Plan Notice, or an equivalent form, to document the borrower's Trial Period Plan and comply with the requirements in Section "9.1.22.4 Sending a Notice of Decision on a Workout Option," and the following:

- if the decision notice is sent on or before the 15th day of a calendar month, the first day of the following month must be the first Trial Period Plan payment due date; or
- if the decision notice is sent after the 15th day of a calendar month, the first day of the after the next month must be the first Trial Period Plan payment due date.

If the Borrower and loan modification meets all eligibility requirements of the Loan Modification Plan, the Servicer does not need to obtain approval prior to providing Borrower a Trial Period Plan Notice. Any exceptions to eligibility or other Loan Modification Plan requirements must be submitted to MPF Provider for approval prior to communicating the terms of the loan modification Trial Period Plan to Borrower.

The length of the Trial Period Plan, which must not change even if the borrower makes scheduled payments earlier than required, must be:

- Four months long if at the time of evaluation the mortgage loan is current or less than 31 days delinquent, or
- Three months long if at the time of evaluation the mortgage loan is 31 or more days delinquent.

If the Borrower fails to make a Trial Period Plan payment by the last day of the month in which it is due, the Borrower is considered to have failed the Trial Period Plan and the servicer must not grant the borrower a permanent Loan Modification.

Near the end of the Trial Plan, the Servicer must use Form SG359 Permanent Loan Modification Cover Letter, or an equivalent form, to communicate a borrower's eligibility for a permanent Loan Modification, which must be accompanied by a completed Form 3179 (Note: Form 3179 is a required Form, only changes permitted by Fannie Mae or Freddie Mac are permitted). See Section "9.2.4.11 Preparing the Loan Modification Agreement."

The Servicer must ensure that the modified mortgage loan retains its first lien position and is fully enforceable in accordance with its terms.

Electronic signatures are not permitted on any document modifying or supplementing the Note or Security Instrument. Any other document permitted to be electronically signed, must comply with Electronic documents, signatures, and notarizations for Loan Modifications are acceptable as long as the electronic record complies with the MPF Program requirements including MPF Program Guide Section 7.4 Electronic Signatures in Global and National Commerce Act (E-Sign).

The Servicer must follow the procedures in Section "9.2.4.12 Executing and Recording the Loan Modification Agreement" and Section "9.2.4.14.1 Adjusting the Mortgage Loan Account Post-Mortgage Loan Modification" for preparing, executing, recording Form 3179 and Section "9.2.4.14 MPF Reporting" for adjusting the mortgage loan account upon completion of the mortgage loan modification.

Servicers do not need to obtain prior approval from the MPF Provider, and do not need to provide the MPF Provider or MPF Bank with any documentation other than submitting a completed Workout Worksheet (Form SG354) (Note: Form SG354 must be used, no alternative or equivalent forms are permitted) via eMAQCSplus, with all required supporting documentation as indicated on the Workout Worksheet.

9.2.4.9 Resolving an Appeal of a Mortgage Loan Modification Trial Period Plan Denial for a Primary Residence

The servicer must comply with all Applicable Laws as to receiving, assessing and providing Borrower with its decision to a Borrower's appeal when a loan modification has been denied on a primary residence.

In order for the borrower to be eligible for an appeal of a denial of a mortgage loan modification Trial Period Plan, the following conditions must be met:

- the mortgage loan must be secured by a primary residence, and
- the borrower must have submitted a complete WRP 90 days or more before a scheduled foreclosure sale date, or the foreclosure sale date is unknown.

If, after review of an appeal, the servicer determines that the Borrower was eligible for a mortgage loan modification Trial Period Plan for which the borrower was previously denied, the Servicer must:

- Send the borrower an offer for such a Trial Period Plan for which the borrower was initially denied.
- Provide the borrower 14 days from the date of the servicer's appeal decision notice to indicate their intent to accept either the new offer or the initial offer, provided that the borrower continues to be eligible for the initial offer, in accordance with Section "9.1.22.4 Sending a Notice of Decision on a Workout Option."

The servicer's appeal decision is final and not subject to further appeal. The servicer must make information related to the appeals process available to MPF Provider and MPF Bank upon request.

9.2.4.10 Handling Fees and Late Charges in Connection with a Loan Modification (4/29/25)[50]

The Servicer must not charge the borrower administrative fees. No referral fees, as defined by RESPA, are allowed in connection with Modification Plans.

The Servicer is authorized to assess late charges during the Trial Period Plan, but all late charges, penalties, stop payment fees, or similar charges must be waived when the Trial Plan converts to a permanent mortgage loan modification.

Once the Loan Modification is processed and updated, any recoverable advances will be processed through the applicable remittance account during the monthly remittance process.

9.2.4.11 Preparing the Loan Modification Agreement

The servicer must prepare the Loan Modification Agreement (Form 3179) (Note: Form 3179 is a required Form, only changes permitted by Fannie Mae or Freddie Mac are permitted) early enough in the Trial Period Plan to allow sufficient processing time so that

[50] MPF Announcement 2025-35 (4/29/25)

the mortgage loan modification becomes effective on the first day of the month following the Trial Period Plan (modification effective date). The servicer is authorized to, at its discretion, complete the Loan Modification Agreement so the mortgage loan modification becomes effective on the first day of the second month following the final Trial Period Plan payment to allow for sufficient processing time. However, the servicer must treat all borrowers the same in applying this option by selecting, at its discretion and as evidenced by a written policy, the date by which the final Trial Period Plan payment must be submitted before the servicer applies this option ("cut-off date"). The cut-off date must be after the due date for the final Trial Period Plan payment as set forth in the Form SG358 Permanent Loan Modification Trial Period Plan Notice.

Note: If the servicer elects this option, the borrower will not be required to make an additional Trial Period Plan payment during the month (the "interim month") in between the final Trial Period Plan month and the month in which the mortgage loan modification becomes effective. For example, if the last Trial Period Plan month is March and the servicer elects the option described above, the borrower is not required to make any payment during April, and the mortgage loan modification becomes effective, and the first payment under the Loan Modification Agreement is due, on May 1.

The servicer must incorporate into the Form 3179 the applicable provisions in accordance with the requirements in Fannie Mae's Summary: Modification Agreement (Form 3179).

9.2.4.12 Executing and Recording the Loan Modification Agreement

The Servicer is responsible for ensuring that the mortgage loan as modified complies with applicable laws, preserves its first lien position, and is enforceable against the borrower(s) in accordance with its terms.

In order to ensure that the modified mortgage loan retains its first lien position and is fully enforceable, the servicer must take the actions described in the following table.

The Servicer must…
Ensure that the Loan Modification Agreement (Form 3179) (Note: Form 3179 is a required Form, only changes permitted by Fannie Mae or Freddie Mac are permitted) is executed by all the Borrower(s) who executed the original Note or individuals who acquired interest in the Mortgaged Property as a result of a transfer of ownership that was exempt from the Due-On-Sale Clause. **Note:** The servicer may encounter circumstances where a co-borrower signature is not obtainable for the Loan Modification Agreement, for reasons such as mental incapacity or military deployment. When a co-borrower's signature is not obtainable and the servicer decides to continue with the mortgage loan modification, the servicer must appropriately document the basis for the exception in the servicing records.
Ensure all real estate taxes and assessments that could become superior to the first lien are current, especially those for manufactured homes taxed as personal

property, personal property taxes, condo/HOA fees, utility assessments (such as water bills), ground rent, and other assessments.
Obtain a title endorsement or similar title insurance product issued by a title insurance company if the Loan Modification Agreement will be recorded.
Record the executed Loan Modification Agreement if: • recordation is necessary to ensure that the modified mortgage loan retains its first lien position and is enforceable in accordance with its terms at the time of the modification, throughout its modified term, and during any bankruptcy or foreclosure proceeding involving the modified mortgage loan; or • the Loan Modification Agreement includes assignment of leases and rents provisions. **Note:** The Servicer may charge the Borrower for any recording or similar costs associated with the Loan Modification.

If the mortgage loan is for a manufactured home, and the lien was created, evidenced, or perfected by collateral documents that are not recorded in the land records, the servicer must also take such action as may be necessary, including any amendment, recording, and/or filing that may be required, to ensure that the collateral documents reflect the mortgage loan modification, in order to preserve the first lien status for the entire amount owed.

The servicer must ensure proper execution based upon the entity that is the mortgagee of record and recording of the Loan Modification Agreement.

Servicers must allow at least 5 Business Days for any request to the MPF Provider or the MPF Bank to be reviewed. To avoid any delays, Servicers must ensure a submission is complete and accurate. See Section "9.1.8 MPF Provider and MPF Bank Response Time."

In addition, the servicer must send the Loan Modification Agreement to the document custodian. If the Loan Modification Agreement is required to be recorded, the servicer must:

- send a certified copy of the fully executed Loan Modification Agreement to the document custodian within 25 days of receipt from the borrower, and
- send the original Loan Modification Agreement that is returned from the recorder's office to the document custodian within 5 business days of receipt.

If the Loan Modification Agreement is not required to be recorded, the servicer must send the fully executed original Loan Modification Agreement to the document custodian within 25 days of receipt from the borrower.

9.2.4.13 Loan Modification Corrections (10/18/24)[51]

In the event an error is identified in a completed Loan Modification (eg: calculation errors), the MPF Provider will notify the Servicer, providing acceptable corrective actions and timeframes to correct the loan modification. Servicers are required to follow the instructions included in the notice.

9.2.4.14 MPF Reporting

The Servicer must report the mortgage loan on the Delinquent Mortgage & Bankruptcy Status Report (Exhibit B) monthly with an Action Code = 12, a Delinquency Status Code = BF during the Trial Payment Period or 28 after successful completion of the Trial Payment Period, the applicable Delinquency Reason Code, a Loss Mitigation Type = Modification or MODIFICATION accompanied by the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date or Loss Mitigation Actual Completion Date, as applicable.

While prior approval by the MPF Bank is not required for Loan Modifications, Servicers must submit the Form SG354 (**Note:** Form SG354 must be used, no alternative or equivalent forms are permitted) via eMAQCSplus upon their completion.

9.2.4.14.1 Adjusting the Mortgage Loan Account Post-Mortgage Loan Modification

The servicer must complete the mortgage loan modification in accordance with Section "9.2.4.8 Offering a Trial Period Plan and Completing a Loan Modification."

After a mortgage loan modification is executed and the Form SG354 has been submit to MPF Provider for processing via eMAQCSplus, the servicer must adjust the mortgage loan as described in the following table.

✓	The Servicer must…
	Add any amounts to be capitalized to the UPB of the mortgage loan as of the date specified in the agreement. Usually, the capitalization date is one month before the new modified payment will be due.
	Revise the borrower's payment records to provide for collection of the modified payment.
	Apply any funds that • the borrower deposited with the servicer as a condition of the mortgage loan modification, • have been deposited on behalf of the borrower in connection with the mortgage loan modification, or

[51] MPF Announcement 2024-67 (10/18/24)

	• the mortgage insurer contributed in connection with the mortgage loan modification. **Note:** Amounts due for repayment of principal, interest, or advances must be remitted promptly to MPF Bank. The remaining funds may be used to clear any advances made by the servicer or to credit the borrower's escrow deposit account.

9.3 Liquidation Workout Options

9.3.1 Short Sale

9.3.1.1 Overview

Servicers must consider a short sale when the Borrower is experiencing a permanent hardship that has not been resolved and the Borrower is not eligible for other workout options and the sale would reduce the loss that would otherwise be incurred from foreclosing on the Mortgaged Property. Servicers are required to obtain prior approval from the MPF Bank prior to agreeing to a short sale only if the proceeds of the sale, combined with the proceeds of any insurance or guarantee will result in a loss. See Section "9.1.6 Submission to MPF Banks." If a short sale is not an option, Servicers are required to evaluate Borrowers for other options in the order based on the Workout Hierarchy in Section "9.1.24 Workout Hierarchy."

When the proceeds of the sale, combined with the proceeds of any insurance or guarantee, will not result in a loss, Servicers must process the full pay off amount pursuant to Section "2.10.7 Mortgage Loan Payoffs and Liquidation Proceeds."

9.3.1.2 Government Loans

The Servicer shall make the MPF Bank 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 Bank. The Servicer will be responsible for any expenses it incurs which are not reimbursed by the Government Agency (called Unreimbursed Servicing Expenses in the Applicable Agreements). The Servicer will not be required to obtain the MPF Bank'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.

9.3.1.3 Short Sale Requirements

In addition to the requirements related to short sales provided for this Chapter, Servicers are also required to:

- Review each sales contract in detail to verify that the terms comply with this Guide.
- Review the settlement statement prior to the short sale closing for proper transfer of title.
- Work with the title company to resolve any issues that may delay the closing, including assisting in subordinate lien releases.

- Provide instructions to the title company regarding closing of the transaction in compliance with this Guide.
- Ensure that the borrower has waived reimbursement of any escrow, buydown funds, or prepaid items and assigned any insurance proceeds to MPF Bank, if applicable.
- Ensure the sales proceeds are received on a timely basis. 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. The Servicer should liquidate the Mortgage Loan within thirty (30) days of disposition of the property. Allowable related expenses will be curtailed if that time frame is not met.
- Provide evidence of the borrower's indication of intent to pursue a short sale to MPF Bank or MPF Provider upon request.

If the Servicer is responding to an unsolicited short sale request from a borrower, it is authorized to proceed directly with evaluating the borrower for a short sale without first conducting an evaluation for a home retention workout option. See Section "9.1.22 Borrower Workout Request Package (WRP)" for information on evaluating the borrower for workout options.

9.3.1.3.1 Communicating with a Borrower Regarding a Short Sale

When communicating with a Borrower regarding a short sale, the Servicer must advise Borrower that:

- Listing the property for sale may not delay the initiation of foreclosure proceedings, if the foreclosure process has not yet started.
- They must cooperate with vendor(s), including allowing timely and sufficient access to the property for the purpose of obtaining the valuation or property maintenance.
- They will remain responsible for maintenance of the property until it is sold, and the settlement has occurred.
    - In the event the borrower cannot maintain the property and the property is vacant or abandoned on a delinquent mortgage loan, the servicer must maintain the property in accordance with Sections "8.3.5 Property Inspections" and "9.1.17 Property Inspection."
- Since the sales proceeds combined with any mortgage insurance proceeds may not be sufficient to satisfy the mortgage loan debt, they may be required to contribute funds to reduce the mortgage loan holder's loss.
- There may be tax consequences if any portion of the outstanding debt is forgiven, and recommend they consult with a tax expert to gain a better understanding.

- They must execute all documents that are necessary to sell the property, even though the documents will indicate that the sales proceeds must be paid to the mortgage holder.
- All sales contracts that will not fully satisfy the outstanding debt must include a contingency clause making the sale of the property "contingent on the mortgage holder's and the mortgage insurer's, if applicable, agreement to the sale."
- All sales contracts must include the following cancellation clause: "The seller's obligation to perform on this contact is subject to the rights of the mortgage insurer (if any) and the mortgage holder relating to the conveyance of the property."

9.3.1.4 Evaluating a Borrower to Determine Eligibility for a Short Sale

If, at the time of evaluation, the mortgage loan is current or less than 60 days delinquent, the servicer must determine whether the borrower's monthly payment is in imminent default in accordance with Section "9.3.1.4.1 Evaluating a Borrower for Imminent Default for Short Sale." If the mortgage loan is between 60 days and 90 days delinquent, the Servicer must evaluate the borrower for a short sale based on a complete WRP. See Section "9.1.22 Borrower Workout Request Package (WRP)."

If the mortgage loan is between 90 days and 18 months delinquent, the Servicer must evaluate the borrower for a short sale based on a complete WRP, unless one of the following conditions applies, in which case the servicer must evaluate the borrower for a Short Sale without receiving a complete WRP:

- the borrower failed a Loan Modification Trial Plan;
- the borrower received a Loan Modification and become 60 days or more delinquent within the first 12 months of the effective date of the mortgage loan modification without reinstating;
- the borrower completed a permanent mortgage loan modification;
- the borrower received a forbearance plan as a result of a hardship where applicable law has special requirements related to credit bureau reporting (e.g., disaster event) and became 90 days or more delinquent prior to the evaluation for a short sale; or
- the borrower's FICO credit score is less than or equal to 620.

The FICO credit score used must be no more than 90 days old as of the date of evaluation. If the Servicer obtains multiple credit scores for a single borrower, it must select a representative credit score using the lower of two or the middle of three credit scores. If there are multiple borrowers, the servicer must determine the representative score for each borrower and use the lowest representative score as the credit score for the evaluation.

If the mortgage loan is greater than 18 months delinquent, the Servicer must evaluate the borrower for a short sale without receiving a complete WRP. If the borrower's debt has been discharged pursuant to Chapter 7 of the U.S. bankruptcy code, the Servicer must evaluate

the borrower for a short sale without receiving a complete WRP regardless of the delinquency status of the mortgage loan at the time of evaluation. The servicer must obtain proof that the mortgage loan was included in the borrower's Chapter 7 bankruptcy filing, such as notification from the court or a copy of the order of discharge showing the mortgage loan as discharged. For additional requirements see Section "9.1.19 Bankruptcy" and generally "Chapter 7 Bankruptcy of Borrower."

If the Servicer determines the borrower is eligible for a short sale, and the proceeds of the sale combined with the proceeds of any insurance/guarantee may result is a loss, the Servicer must obtain MPF Bank approval. See Section "9.1.5 MPF Bank Approval."

If a borrower who was evaluated without a complete WRP fully reinstated the mortgage loan after the initial short sale evaluation, the borrower is no longer eligible for a short sale based on the initial eligibility evaluation.

9.3.1.4.1 Evaluating a Borrower for Imminent Default for Short Sale

For a borrower's monthly payment to be considered in imminent default for the purpose of determining eligibility for a Short Sale, the Borrower must satisfy:

- the initial eligibility criteria, and
- either
  - the credit eligibility criteria, or
  - the hardship eligibility criteria.

The Servicer must confirm the following eligibility criteria:

- The mortgage loan is current or less than 60 days delinquent as of the evaluation date.
- The property securing the mortgage loan is occupied as a primary residence by at least one borrower.
  - If a servicemember receives a Permanent Change of Station (PCS) order where the transfer or new employment location is greater than 50 miles one way from the property securing the mortgage loan, the property securing the mortgage loan must have been or currently be the servicemember's primary residence.
- The borrower submits a complete WRP (see Section "9.1.22 Borrower Workout Request Package (WRP)" for additional information).
- The borrower's non-retirement cash reserves are less than $25,000 based on information provided in the WRA, or equivalent.
  - If a servicemember receives a PCS order where the transfer or new employment location is greater than 50 miles one way from the property securing the mortgage loan, and the property securing the mortgage loan

was or currently is the servicemember's primary residence, they are exempt from the non-retirement cash reserves requirement.

- The borrower has a hardship as documented in accordance with WRA or equivalent.

Servicer must also determine whether either the following credit or hardship eligibility criteria is satisfied:

Credit	A FICO credit score less than or equal to 620, and either • two or more 30-day delinquencies on the mortgage loan in the six months immediately preceding the month of the evaluation, or **Note:** The servicer must not consider a missed contractual payment that becomes 60 or more days delinquent as having two or more 30-day delinquencies in the six-month period immediately preceding the month of the evaluation. • a pre-modification housing expense-to-income ratio greater than 40% calculated in accordance with the procedures in Section "9.3.1.4.1.1 Calculating the Housing Expense-to-Income Ratio for Imminent Default for a Short Sale." **Note:** The FICO credit score must be no more than 90 days old as of the date of evaluation. If the servicer obtains multiple credit scores for a single borrower, it must select a representative credit score using the lower of two or the middle of three credit scores. If there are multiple borrowers, the servicer must determine the representative score for each borrower and use the lowest representative score as the credit score for the evaluation.
Hardship	The borrower has one of the following hardships as documented in accordance with WRA or equivalent: • death of a borrower or death of either the primary or secondary wage earner in the household; • long-term or permanent disability, or serious illness of a borrower, co-borrower, or dependent family member; • divorce or legal separation; • separation of borrowers unrelated by marriage, civil union, or similar domestic partnership under applicable law; or • distant employment transfer/relocation, including a PCS order, greater than 50 miles one way from the property securing the mortgage loan.

If the Borrower's debt has been discharged pursuant to Chapter 7 of the of the U.S. bankruptcy code, the servicer must evaluate the borrower for a short sale in accordance Section "9.3.1.4 Evaluating a Borrower to Determine Eligibility for a Short Sale."

9.3.1.4.1.1 Calculating the Housing Expense-to-Income Ratio for Imminent Default for a Short Sale

The borrower's monthly gross income is defined as the borrower's monthly income amount before any payroll deductions and includes the following items, as applicable:

- wages and salaries;
- overtime pay;
- commissions;
- fees;
- tips;
- bonuses;
- housing allowances;
- other compensation for personal services;
- Social Security payments (including Social Security received by adults on behalf of minors or by minors intended for their own support); and
- monthly income from annuities, insurance policies, retirement funds, pensions, disability or death benefits, rental income, and other income such as adoption assistance.

Note: The servicer generally should not consider temporary sources of income related to employment (such as severance payments) as part of the monthly gross income for mortgage loans being evaluated for a workout option. However, public assistance income (such as unemployment) may be considered if done in compliance with applicable laws, and if the servicer determines the probable continuance of such income. The servicer must then divide the borrower's monthly housing expense on the property securing the mortgage loan, which includes the following items (as applicable), by the borrower's monthly gross income ($\text{monthly housing expense ratio} = \frac{\text{monthly housing expense}}{\text{total monthly income}}$):

- P&I for all mortgage liens on the property;
- property and flood insurance premiums;
- real estate taxes;
- ground rent;
- special assessments;
- HOA dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); and
- any escrow shortage currently included as part of the full monthly contractual payment.

The servicer must exclude monthly mortgage insurance premiums from the monthly housing expense-to-income calculation.

9.3.1.5 Evaluating a Borrower's Ability to Make a Cash Contribution

The Servicer must not evaluate the borrower for a cash contribution if:

- prohibited by applicable law;
- the servicer evaluated the borrower for a short sale without receiving a complete WRP in accordance with Section "9.3.1.4 Evaluating a Borrower to Determine Eligibility for a Short Sale;" or
- they are a servicemember with Permanent Change of Station (PCS) orders relocating them greater than 50 miles one way from the property securing the mortgage loan and the property securing the mortgage loan was or currently is the servicemember's primary residence.

In all other instances, the servicer must evaluate the borrower for a cash contribution and request a cash contribution, if:

- the borrower's non-retirement cash reserves, as stated on the WRA and verified as provided for in Section "9.1.22 Borrower Workout Request Package (WRP)," are in excess of $10,000; or
- the borrower's housing expense-to-income ratio is less than or equal to 40% as calculated in accordance with Section "9.3.1.15 Calculating the Borrower's Housing Expense-to-Income Ratio for Short Sales."

The Servicer must initially request a cash contribution of the greater of the following, rounded to the nearest $100 and not to exceed the amount of the deficiency:

- 20% of the Borrower's non-retirement cash reserves, or
- four times the contractual monthly mortgage loan payment including PITI. If the servicer does not escrow for T&I, it must estimate the borrower's monthly tax and insurance premium amounts.

If the Servicer determines it is warranted based on its assessment of the Borrower's individual situation and circumstances and ability to contribute, it may:

- request a lower initial cash contribution amount,
- negotiate a lower cash contribution amount, or
- agree to no cash contribution amount.

However, if the mortgage loan is current or less than 60 days delinquent, the borrower must contribute a minimum of 20% of their non-retirement cash reserves.

The requirement for a cash contribution is waived if the contribution amount is less than $500.

When evaluating a Borrower's ability to make a cash contribution based on documentation greater than 90 days old, the Servicer must obtain a new credit report but must not request any other updated documentation from the Borrower.

9.3.1.6 Evaluating the Credit Report for New Mortgage Loans Obtained

For all short sales except those in which the Servicer evaluated the borrower for a short sale without receiving a complete WRP in accordance with Section "9.3.1.4 Evaluating a Borrower to Determine Eligibility for a Short Sale," the Servicer must review each borrower's credit report to determine:

- if the Borrower(s) obtained a new mortgage loan in the six months preceding the delinquency on the mortgage loan secured by the subject property; or
- in the case of a current mortgage loan, in the six months preceding the evaluation for a short sale.

If the Servicer determines that the borrower obtained a new mortgage loan in the six months preceding the delinquency, or preceding the evaluation for a short sale, as applicable, the mortgage loan is only eligible if the hardship, as documented on the WRA, was due to:

- a distant employment transfer/relocation greater than 50 miles one way from the property securing the mortgage loan and the property securing the mortgage loan is the borrower's primary residence,
- new employment greater than 50 miles one way from the property securing the mortgage loan and the property securing the mortgage loan is the borrower's primary residence, or
- Permanent Change of Station (PCS) orders relocating a servicemember greater than 50 miles one way from the property securing the mortgage loan and the property securing the mortgage loan was or currently is the servicemember's primary residence.

9.3.1.7 Obtaining a Property Valuation

If the borrower expresses interest in a short sale and the Servicer determines that the Borrower meets the eligibility criteria for a short sale, the Servicer must obtain a property valuation dated within 90 calendar days of the short sale approval, using one of the following:

- an exterior BPO;
- an appraisal;
- a third-party AVM; or
- the servicer's own internal AVM, provided that
    - the servicer is subject to supervision by a federal regulatory agency, and
    - the servicer's primary federal regulatory agency has reviewed the model.

If the third-party AVM, or the Servicer's internal AVM does not render a reliable confidence score, the servicer must obtain an assessment of the property value utilizing an exterior BPO, an appraisal, or a property valuation method documented as acceptable to the Servicer's federal regulatory supervisor. The property value assessment must be rendered in accordance with the FDIC's Interagency Appraisal and Evaluation Guidelines regardless of whether such guidelines apply to mortgage loan modifications.

The servicer must attach the valuation and documentation when submitting recommendation to MPF Bank. See Section "9.1.6 Submission to MPF Bank."

9.3.1.8 Short Sale Transaction Costs

The MPF Program permits typical and customary costs to be deducted from the contract sale price, but prohibits the following transaction costs to be deducted:

- any outsourcing fees or non-customary third party fees;
- real estate sales commission paid to the borrower or the purchaser;
- buyer's discount points or mortgage loan origination costs; or
- fees that are not usual or customary for the local market.

9.3.1.9 Listing the Property

If the property is listed with a real estate agent, the Servicer must ask the Borrower to provide the real estate agent's name and contact information (address, and telephone number) and must contact the agent to explain the MPF Program requirements related to the short sale.

The property must be listed with a licensed real estate agent who is not a borrower on the mortgage loan.

The Servicer must provide written correspondence to the Borrower and/or the Borrower's real estate agent providing:

- a statement that an offer at or above the list price may not automatically result in an approval of the short sale by the MPF Bank; and
- the types of transaction costs that the MPF Bank prohibits from being deducted from the contract sales price, as provided for in Section "9.3.1.8 Short Sale Transaction Costs".

The property must be listed with an active status on an MLS for a minimum of five consecutive calendar days, including a Saturday and a Sunday, prior to the Servicer submitting the short sale recommendation to the MPF Bank for approval.

The property must be listed on the applicable MLS which covers the geographic area in which the property is located. If a property is located in an area that is not covered by an MLS, the property must be advertised in a manner customary for that real estate market for at least five consecutive calendar days, including a Saturday and a Sunday.

9.3.1.10 Evaluating the Short Sale

The following table provides the required time frames for the Servicer to evaluate the short sale and close the short sale transaction.

Time Frame	The Servicer must…
Within five business days of receipt of an initial short sale offer	• Acknowledge receipt of the short sale offer. • Provide the Borrower with a checklist of required documentation, including any documentation required for a complete WRP, if necessary, if the short sale offer is submitted with incomplete information (see Section "9.3.1.4 Evaluating a Borrower to Determine Eligibility for a Short Sale").
Within 30 calendar days of receipt of a complete WRP, if required, and an initial short sale offer	Provide, in writing, the MPF Bank's response to the short sale offer, to: • approve, • counteroffer requesting a response from the Borrower within five business days (also see Section "9.1.20 Borrower in Foreclosure"), or • decline.
Within ten business days of receipt of any revised short sales offer	Communicate a decision to the Borrower on the revised short sale offer.
Within 60 calendar days of the servicer's approval of a short sale offer	The short sale transaction must close unless the servicer requests written approval from the MPF Bank to extend this time frame.

9.3.1.11 Allowable Payments to Subordinate Lienholders

Payments to subordinate lienholders must be paid from the sales proceeds at the closing of the short sale transaction and are only permitted in exchange for:

- a lien release,
- a full release of liability for the borrower, and
- extinguishment of the indebtedness secured by the subject property.

Payments from the sales proceeds to all subordinate lienholders to facilitate lien releases must not exceed $6,000 in aggregate. If an individual subordinate lien or total subordinate

liens are less than $6,000, the payoff must not exceed the subordinate lien amount owed. If there are multiple subordinate lienholders, the Servicer has discretion to divide the subordinate lien payments among the subordinate lienholders.

Funds must only be used for subordinate mortgage liens or deeds of trust recorded in the land records that constitute a valid lien against the subject property, and may not be used for payment of other types of liens which may include, but are not limited to, the following:

- HOA liens,
- judgments,
- mechanic's liens, and
- materialmen's liens.

Prior to releasing any funds to a subordinate lienholder, the Servicer must obtain written commitment from the subordinate lienholder that it will:

- release the Borrower from all claims and liability relating to the subordinate lien in exchange for receiving the agreed-upon payoff amount,
- waive all rights to seek a deficiency judgment against the Borrower, and
- not require a cash contribution as a condition for releasing its lien and releasing the Borrower from personal liability.

Servicer must submit proof of this commitment with any short sale recommendation in eMAQCSplus.

A subordinate lienholder who releases its lien but does not agree to release the borrower from liability on the note, cannot receive a payment.

The Servicer must always obtain written commitment from the subordinate lienholder(s) to release the lien, regardless of whether payment is made to the subordinate lienholder.

The servicer must require the closing law firm or settlement agent to either:

- confirm that they are in receipt of the written commitment from subordinate lienholder(s) to release the lien(s), or
- request that a copy of the written commitment provided by the subordinate lienholder be sent to the Servicer with the settlement statement which is provided in advance of the closing.

9.3.1.12 Incentive Payments to Borrower

When a property securing the mortgage loan is the borrower's primary residence at the time of the evaluation for short sale, the Servicer may offer Borrower an incentive to assist with relocation expenses following the successful completion of the short sale. Any such incentive must be pursuant to Servicer's established policies and procedures, based on industry standards, and must be included in the short sale recommendation submitted to the MPF Bank in eMAQCsplus. See Section "9.1.6 Submission to MPF Banks."

9.3.1.13 Deficiency Waiver

The servicer must release the borrower from liability for any deficiency associated with the Mortgage Loan upon successful completion of a short sale for mortgage loans that do not have MI.

The servicer must provide a deficiency waiver to the borrower at the closing, if applicable.

9.3.1.14 Anti-Fraud Measures

Servicers are required to ensure that all short sales meet the following requirements:

- The sale of the property is an "arm's length" transaction, between Seller(s) and Buyer(s) who are unrelated and unaffiliated by family, marriage, or commercial enterprise;
- There are no agreements, understandings or contracts between the Seller(s) and Buyer(s) that the Seller(s) will remain in the property as tenants or later obtain title or ownership of the property, except that the Sellers(s) are permitted to remain as tenants in the property for a short term, as is common and customary in the market but no longer than ninety (90) days, in order to facilitate relocation;
- Neither the Sellers(s) nor the Buyer(s) will receive any funds or commissions from the sale of the property except that the Seller(s) may receive a payment if it is offered by the Servicer, approved by the investor and, if the payment is made at closing of the short sale of the property, reflected on the Settlement Statement;
- The Seller's Listing Agent has presented all offers for the purchase of the property to the Borrower and no offers have been held, concealed or delayed due to action or inaction by any Agent;
- There are no agreements, understandings or contracts relating to the current sale or subsequent sale of the property that have not been disclosed to the Servicer; and
- All amounts to be paid to any person or entity, including holders of other liens on the Property, in connection with the short sale have been disclosed to and approved by the Servicer and will be reflected on the Settlement Statement.

Short sales that do not meet these requirements are ineligible.

9.3.1.15 Calculating the Borrower's Housing Expense-to-Income Ratio for Short Sales

The borrower's monthly gross income is defined as the borrower's monthly income amount before any payroll deductions and includes the following items, as applicable:

- wages and salaries;
- overtime pay;
- commissions;
- fees;

- tips;
- bonuses;
- housing allowances;
- other compensation for personal services;
- Social Security payments (including Social Security received by adults on behalf of minors or by minors intended for their own support); and
- monthly income from annuities, insurance policies, retirement funds, pensions, disability or death benefits, rental income, and other income such as adoption assistance.

Note: The servicer generally should not consider temporary sources of income related to employment (such as severance payments) as part of the monthly gross income for mortgage loans being evaluated for a workout option. However, public assistance income (such as unemployment) may be considered if done in compliance with applicable laws, and if the servicer determines the probable continuance of such income. The servicer must then divide the borrower's monthly housing expense on the property securing the mortgage loan, which includes the following items (as applicable), by the borrower's monthly gross income ($\text{monthly housing expense ratio} = \frac{\text{monthly housing expense}}{\text{total monthly income}}$):

- P&I of all mortgage liens on the property;
- property and flood insurance premiums;
- real estate taxes;
- ground rent;
- special assessments;
- HOA dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); and
- any escrow shortage currently included as part of the full monthly contractual payment.

The servicer must exclude monthly mortgage insurance premiums from the monthly housing expense-to-income calculation.

9.3.1.16 Processing a Short Sale

Within two business days of the short sale transaction closing, the servicer must review the settlement statement to validate compliance with this Guide and for accuracy, including the following items:

- that the purchaser and the sales price match the purchase contract;
- that the settlement statement is consistent with the closing instructions, particularly ineligible transfer of title to related parties; and

- that the deed has been sent for recordation in the name of the buyer.

The Servicer is also required to notify the MPF Provider within two (2) Business Days of the close of the sale by submitting copies of the buyer and seller's Settlement Statements, closing statements or escrow instructions, an estimate of total advances made to date, and a copy of the proceeds check.

The Servicer is required to deposit all short sale proceeds to the P&I Custodial Account within one (1) Business Day of receipt. 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 Bank.

For any Mortgage Loan with MI, the Servicer shall then file a mortgage insurance claim in the Servicer's name so as to cause claim proceeds to be paid directly to the Servicer. The Servicer shall simultaneously provide the MPF Provider with a copy of claim filed.

9.3.1.17 MPF Reporting

Once the Borrower agrees to the terms of the short sale, the Servicer must report the short sale on the Delinquent Mortgage & Bankruptcy Status Report (Exhibit B) monthly with an Action Code = 20, the applicable Delinquency Status Code = 15 or 17, the applicable Delinquency Reason Code, a Loss Mitigation Type = SS accompanied by the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date or Loss Mitigation Actual Completion Date, as applicable.

9.3.2 Deed in Lieu of Foreclosure (Mortgage Release)

9.3.2.1 Overview

Servicers must consider a deed in lieu of foreclosure (also known as a mortgage release or "DIL") when the Borrower is experiencing a permanent hardship that has not been resolved and the Borrower is not eligible for other workout options. The deed in lieu of foreclosure would reduce the loss that would otherwise be incurred from foreclosing on the Mortgaged Property. Servicers are required to obtain prior approval from the MPF Bank prior to agreeing to a deed in lieu of Foreclosure. See Section "9.1.6 Submission to MPF Banks."

9.3.2.2 Government Loans

The Servicer shall make the MPF Bank whole, paying all principal and interest. The Servicer will be responsible for any expenses it incurs which are not reimbursed by the Government Agency (called Unreimbursed Servicing Expenses in the Applicable Agreements). The Servicer will not be required to obtain the MPF Bank's approval to proceed with a deed in lieu of foreclosure.

9.3.2.3 Deed in Lieu of Foreclosure Requirements

In addition to the requirements related to deeds in lieu of foreclosure provided for this Chapter, Servicers are also required to:

- Evaluate the borrower to see if there are currently any legal impediments to pursuing a routine foreclosure, and if so, accept the Deed in Lieu of foreclosure.

- Advise the borrower there may be tax consequences if any portion of the outstanding debt is forgiven and recommend, they consult with a tax expert to gain a better understanding.
- Work with the borrower to complete all requirements associated with completing and executing the deed in lieu of foreclosure and ensure that there is sufficient time to complete the processing of the deed in lieu of foreclosure, including sending the Deed in Lieu of foreclosure offer to the borrower, so that an executed deed can be received no later than 30 days prior to the foreclosure sale date, or in applicable foreclosure actions where there is no foreclosure sale and title is transferred by court order, the estimated court order docket date (if known).
- Work with the title company to resolve any issues that may delay the closing, including assisting the borrower in subordinate lien releases, and ensure that the borrower can convey clear and marketable title by ordering a title search and reviewing the following:
    - readily available information provided by the borrower,
    - the borrower's credit report,
    - the mortgage loan servicing file, and
    - other sources identifying subordinate liens and other claims on title.

    Note: While the servicer is not required to order a title insurance policy, the servicer is authorized to do so if it deems it necessary to complete the Deed in Lieu of Foreclosure. The MPF Bank will reimburse the servicer for title insurance costs in accordance with the Guides, including guidance in Section "8.3.6 Costs and Expenses."
- Submit the deed for recordation within five business days of the servicer's acceptance of the executed deed from the borrower.
- Release the first lien mortgage loan within the time required by applicable state or local law or, if state or local law does not require release of the first lien mortgage loan within a specific time frame, within 30 business days after the occurrence of the following:
    - the acceptance of the deed in lieu of foreclosure by the servicer, and
    - confirmation by the interior property inspection that the subject property is vacant and secured (unless the borrower is eligible for a transition option. See Section "9.3.2.4 Evaluating a Borrower for Deed in Lieu of Foreclosure Transition Options").
- Provide evidence of the borrower's indication of intent to pursue a Deed in Lieu of foreclosure to the MPF Bank or MPF Provider upon request.

9.3.2.4 Evaluating a Borrower to Determine Eligibility for a Deed in Lieu of Foreclosure

If, at the time of evaluation, the mortgage loan is current or less than 60 days delinquent, the servicer must determine whether the borrower's monthly payment is in imminent default in accordance with Section "9.3.2.4.1 Evaluating a Borrower for Imminent Default for Deed in Lieu of Foreclosure." If the mortgage loan is between 60 days and 90 days delinquent, the Servicer must evaluate the borrower for a deed in lieu of foreclosure based on a complete WRP. See Section "9.1.22 Borrower Workout Request Package (WRP)."

If the mortgage loan is between 90 days and 18 months delinquent, the Servicer must evaluate the borrower for a deed in lieu of foreclosure based on a complete WRP, unless one of the following conditions applies, in which case the servicer must evaluate the borrower for a deed in lieu of foreclosure without receiving a complete WRP:

- the borrower failed a Loan Modification within the previous 12 months;
- the borrower received a Loan Modification and become 60 days or more delinquent within the first 12 months of the effective date of the mortgage loan modification without reinstating;
- the borrower completed three or more mortgage loan modifications;
- the borrower received a forbearance plan as a result of a hardship where applicable law has special requirements related to credit bureau reporting (e.g., disaster event) and became 90 days or more delinquent prior to the evaluation for a deed in lieu of foreclosure; or
- the borrower's FICO credit score is less than or equal to 620.

The FICO credit score used must be no more than 90 days old as of the date of evaluation. If the Servicer obtains multiple credit scores for a single borrower, it must select a representative credit score using the lower of two or the middle of three credit scores. If there are multiple borrowers, the servicer must determine the representative score for each borrower and use the lowest representative score as the credit score for the evaluation.

If the mortgage loan is greater than 18 months delinquent, the Servicer must evaluate the borrower for a deed in lieu of foreclosure without receiving a complete WRP.

If the borrower's debt has been discharged pursuant to Chapter 7 of the U.S. bankruptcy code, the Servicer must evaluate the borrower for a deed in lieu of foreclosure without receiving a complete WRP regardless of the delinquency status of the mortgage loan at the time of evaluation. The servicer must obtain proof that the mortgage loan was included in the borrower's Chapter 7 bankruptcy filing, such as notification from the court or a copy of the order of discharge showing the mortgage loan as discharged. For additional requirements see Section "9.1.19 Bankruptcy" and generally "Chapter 7 Bankruptcy of Borrower."

If a borrower who was evaluated without a complete WRP fully reinstated the mortgage loan after the initial deed in lieu of foreclosure evaluation, the borrower is no longer eligible for a deed in lieu of foreclosure based on the initial eligibility evaluation.

9.3.2.4.1 Evaluating a Borrower for Imminent Default for Deed in Lieu of Foreclosure

For a borrower's monthly payment to be considered in imminent default for the purpose of determining eligibility for a deed in lieu of foreclosure, the Borrower must satisfy:

- the initial eligibility criteria, and
- either
  - the credit eligibility criteria, or
  - the hardship eligibility criteria.

The Servicer must confirm the following eligibility criteria:

- The mortgage loan is current or less than 60 days delinquent as of the evaluation date.
- The property securing the mortgage loan is occupied as a primary residence by at least one borrower.
  - If a servicemember receives a PCS order where the transfer or new employment location is greater than 50 miles one way from the property securing the mortgage loan, the property securing the mortgage loan must have been or currently be the servicemember's primary residence.
- The borrower submits a complete WRP (see Section "9.1.22 Borrower Workout Request Package (WRP)" for additional information).
- The borrower's non-retirement cash reserves are less than $25,000 based on information provided in the WRA, or equivalent.
  - If a servicemember receives a PCS order where the transfer or new employment location is greater than 50 miles one way from the property securing the mortgage loan, and the property securing the mortgage loan was or currently is the servicemember's primary residence, they are exempt from the non-retirement cash reserves requirement.
- The borrower has a hardship as documented in accordance with WRA or equivalent.

Servicer must also determine whether either the following credit or hardship eligibility criteria is satisfied:

Credit	A FICO credit score less than or equal to 620, and either • two or more 30-day delinquencies on the mortgage loan in the six months immediately preceding the month of the evaluation, or **Note:** The servicer must not consider a missed contractual payment that becomes 60 or more days delinquent as having two or more 30-day delinquencies in the six-month period immediately preceding the month of the evaluation. • a pre-modification housing expense-to-income ratio greater than 40% calculated in accordance with the procedures in Section "9.3.2.4.1.1 Calculating the Housing Expense-to-Income Ratio for Imminent Default for a Deed in Lieu of Foreclosure." **Note:** The FICO credit score must be no more than 90 days old as of the date of evaluation. If the servicer obtains multiple credit scores for a single borrower, it must select a representative credit score using the lower of two or the middle of three credit scores. If there are multiple borrowers, the servicer must determine the representative score for each borrower and use the lowest representative score as the credit score for the evaluation
Hardship	The borrower has one of the following hardships as documented in accordance with WRA or equivalent: • death of a borrower or death of either the primary or secondary wage earner in the household; • long-term or permanent disability, or serious illness of a borrower, co-borrower, or dependent family member; • divorce or legal separation; • separation of borrowers unrelated by marriage, civil union, or similar domestic partnership under applicable law; or • distant employment transfer/relocation, including a PCS order, greater than 50 miles one way from the property securing the mortgage loan.

If the Borrower's debt has been discharged pursuant to Chapter 7 of the of the U.S. bankruptcy code, the servicer must evaluate the borrower for a short sale in accordance Section "9.3.2.4 Evaluating a Borrower to Determine Eligibility for a Deed in Lieu of Foreclosure."

9.3.2.4.1.1 Calculating the Housing Expense-to-Income Ratio for Imminent Default for a Deed In Lieu of Foreclosure

The borrower's monthly gross income is defined as the borrower's monthly income amount before any payroll deductions and includes the following items, as applicable:

- wages and salaries;
- overtime pay;

- commissions;
- fees;
- tips;
- bonuses;
- housing allowances;
- other compensation for personal services;
- Social Security payments (including Social Security received by adults on behalf of minors or by minors intended for their own support); and
- monthly income from annuities, insurance policies, retirement funds, pensions, disability or death benefits, rental income, and other income such as adoption assistance.

Note: The servicer generally should not consider temporary sources of income related to employment (such as severance payments) as part of the monthly gross income for mortgage loans being evaluated for a workout option. However, public assistance income (such as unemployment) may be considered if done in compliance with applicable laws, and if the servicer determines the probable continuance of such income. The servicer must then divide the borrower's monthly housing expense on the property securing the mortgage loan, which includes the following items (as applicable), by the borrower's monthly gross income ($\text{monthly housing expense ratio} = \frac{\text{monthly housing expense}}{\text{total monthly income}}$):

- P&I of all mortgage liens on the property;
- property and flood insurance premiums;
- real estate taxes;
- ground rent;
- special assessments;
- HOA dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); and
- any escrow shortage currently included as part of the full monthly contractual payment.

The servicer must exclude monthly mortgage insurance premiums from the monthly housing expense-to-income calculation.

9.3.2.5 Calculating the Borrower's Housing Expense-to-Income Ratio for Deed in Lieu of Foreclosure

The borrower's monthly gross income is defined as the borrower's monthly income amount before any payroll deductions and includes the following items, as applicable:

- wages and salaries;

- overtime pay;
- commissions;
- fees;
- tips;
- bonuses;
- housing allowances;
- other compensation for personal services;
- Social Security payments (including Social Security received by adults on behalf of minors or by minors intended for their own support); and
- monthly income from annuities, insurance policies, retirement funds, pensions, disability or death benefits, rental income, and other income such as adoption assistance.

Note: The servicer generally should not consider temporary sources of income related to employment (such as severance payments) as part of the monthly gross income for mortgage loans being evaluated for a workout option. However, public assistance income (such as unemployment) may be considered if done in compliance with applicable laws, and if the servicer determines the probable continuance of such income.

The servicer must then divide the borrower's monthly housing expense on the property securing the mortgage loan, which includes the following items (as applicable), by the borrower's monthly gross income ($\text{monthly housing expense ratio} = \frac{\text{monthly housing expense}}{\text{total monthly income}}$):

- P&I of all mortgage liens on the property;
- property and flood insurance premiums;
- real estate taxes;
- ground rent;
- special assessments;
- HOA dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit); and
- any escrow shortage currently included as part of the full monthly contractual payment.

The servicer must exclude monthly mortgage insurance premiums from the monthly housing expense-to-income calculation.

9.3.2.6 Evaluating a Borrower for Deed in Lieu of Foreclosure Transition Options

Once the Servicer determines that the Borrower is eligible for a deed in lieu of foreclosure and the Borrower expresses interest in a deed in lieu of foreclosure transition option, the

servicer must screen the borrower for eligibility for a three-month transition lease with no rent payment required.

For the mortgage loan and the borrower to be eligible:

- The mortgage loan must be a first lien mortgage loan secured by a single-family property.
- The subject property must be the borrower's primary residence.
- Clear and marketable title must be able to be conveyed.
- Subordinate lien releases must be able to be obtained, if applicable.

9.3.2.6.1 Processing a Deed in Lieu of Foreclosure Transition Option

When the servicer makes a deed in lieu of foreclosure recommendation to the MPF Bank, it must provide any transition option recommendation with it.

To be eligible for a transition options, the property must meet the following requirements:

- There are no zoning or HOA rental limitations that would prevent a deed in lieu of foreclosure transition option.
- If a property inspection or property valuation reveals damage to the subject property, the estimated total cost to repair the subject property must be less than 10% of its estimated market value (estimated "As Is" sales price)
- The subject property does not have any environmental contaminations or pose any potential legal risk.
- The subject property is in compliance with local rules and laws, or can be brought into compliance within 30 days.
- The subject property is not within a target area for any corporate, government, or community neighborhood stabilization plan which may need the property as part of the plan for purposes other than residential.

To be eligible for a transition option, the occupant must meet the following requirements:

- The occupant agrees to:
  - be responsible for regular maintenance,
  - keep the property in good condition, and
  - permit marketing of the property for sale beginning on the 30th day of the use and occupancy agreement.
- The number of occupants is appropriate for the home and in compliance with local laws and HOA rules, if applicable.
- If pets are present, renter's insurance is obtained, if required.

- The occupants signing the lease agreement must agree to a credit review, and all residents over 18 years of age must have an acceptable background check, including receiving clearance from OFAC.
- There are no signs or reports of illegal activities conducted at the property.
- The property is to be used as a primary residence.

The MPF Bank will inform Servicer whether or not the lease terms are acceptable and whether the deed in lieu of foreclosure is contingent on the property being vacant. Servicer will then be responsible for finalizing the deed in lieu of foreclosure accordingly.

The servicer must notify the MPF Bank if a deed in lieu of foreclosure is not successfully executed for any case that was approved for deed in lieu of foreclosure transition options consideration.

Prior to acceptance of a deed in lieu of foreclosure with a transition option, the Servicer must ensure that the borrowers execute (in favor of the MPF Bank, the servicer, and their agents) a general release of all claims arising prior to the acceptance of the deed in lieu of foreclosure which relate in any way to the mortgage loan or the subject property.

The Servicer has five weeks from the MPF Bank's approval to complete the transaction to allow enough time for the lease approval process.

9.3.2.7 Evaluating the Credit Report for New Mortgage Loans Obtained

For all deeds in lieu of foreclosure, except those in which the Servicer evaluated the borrower for a deed in lieu of foreclosure without receiving a complete WRP in accordance with Section "9.3.2.4 Evaluating a Borrower to Determine Eligibility for a Deed in Lieu of Foreclosure," the Servicer must review each borrower's credit report to determine:

- if the Borrower(s) obtained a new mortgage loan in the six months preceding the delinquency on the mortgage loan secured by the subject property; or
- in the case of a current mortgage loan, in the six months preceding the evaluation for a deed in lieu of foreclosure.

If the Servicer determines that the borrower obtained a new mortgage loan in the six months preceding the delinquency, or preceding the evaluation for a deed in lieu, as applicable, the mortgage loan is only eligible if the hardship, as documented on the WRA, was due to:

- a distant employment transfer/relocation greater than 50 miles one way from the property securing the mortgage loan and the property securing the mortgage loan is the borrower's primary residence,
- new employment greater than 50 miles one way from the property securing the mortgage loan and the property securing the mortgage loan is the borrower's primary residence, or
- Permanent Change of Station (PCS) orders relocating a servicemember greater than 50 miles one way from the property securing the mortgage loan and the property

securing the mortgage loan was or currently is the servicemember's primary residence.

9.3.2.8 Obtaining a Property Valuation and Evaluating the Condition of the Property

If the Servicer determines that the Borrower meets the eligibility criteria for a deed in lieu of foreclosure, it must obtain a property valuation to determine the market value of the property securing the mortgage loan.

Prior to the borrower executing a deed in lieu of foreclosure, the servicer must schedule property inspections to ensure that the property is free of environmental contamination and does not pose potential legal risks. See Section "9.1.17 Property Inspection" and Section "8.3.5 Property Inspections."

A Servicer who previously ordered a BPO, is authorized to use the interior BPO to determine whether the property condition is acceptable prior to final execution of the deed in lieu of foreclosure, as long as the BPO is dated within 90 days of the borrower's approval for a deed in lieu of foreclosure.

If a BPO had not previously been ordered, Servicer must order an interior inspection of the property and verify the property is in acceptable condition within 60 days of the borrower's acceptance of the deed in lieu of foreclosure.

If the property inspection or property valuation reveals that the subject property has been poorly maintained, needs major repairs, or has structural or foundation problems, see Section "4.6 Property Loss Events and Insurance Loss Settlements" for additional information.

When any property inspection or property valuation that reveals that the subject property contains environmental contamination or poses potential legal risks, Servicer should escalate immediately to MPF Provider and should not proceed with offering or processing a deed in lieu of foreclosure until it receives further instructions from the MPF Bank.

9.3.2.9 Allowable Payments to Subordinate Lienholders

Payments to subordinate lienholders are only permitted in exchange for:

- a lien release,
- a full release of liability for the borrower, and
- extinguishment of the indebtedness secured by the subject property.

Payments to all subordinate lienholders to facilitate lien releases must not exceed $6,000 in aggregate. If an individual subordinate lien or total subordinate liens are less than $6,000, the payoff must not exceed the subordinate lien amount owed. If there are multiple subordinate lienholders, the Servicer has discretion to divide the subordinate lien payments among the subordinate lienholders.

Funds must only be used for subordinate mortgage liens or deeds of trust recorded in the land records that constitute a valid lien against the subject property, and may not be used for payment of other types of liens which may include, but are not limited to, the following:

- HOA liens,
- judgments,
- mechanic's liens, and
- materialmen's liens.

Prior to releasing any funds to a subordinate lienholder, the Servicer must obtain written commitment from the subordinate lienholder that it will:

- release the Borrower from all claims and liability relating to the subordinate lien in exchange for receiving the agreed-upon payoff amount,
- waive all rights to seek a deficiency judgment against the Borrower, and
- not require a cash contribution as a condition for releasing its lien and releasing the Borrower from personal liability.

Servicer must submit proof of this commitment with any deed in lieu of foreclosure recommendation in eMAQCSplus.

A subordinate lienholder who releases its lien but does not agree to release the borrower from liability on the note, cannot receive a payment.

The Servicer must always obtain written commitment from the subordinate lienholder(s) to release the lien, regardless of whether payment is made to the subordinate lienholder.

The servicer must require the closing law firm or settlement agent to either:

- confirm that they are in receipt of the written commitment from subordinate lienholder(s) to release the lien(s), or
- request that a copy of the written commitment provided by the subordinate lienholder be sent to the Servicer with the settlement statement which is provided in advance of the closing.

9.3.2.10 Incentive Payments to Borrower

When a property securing the mortgage loan is the borrower's primary residence at the time of the evaluation for deed in lieu of foreclosure, the Servicer may offer Borrower an incentive to assist with relocation expenses following the successful completion of the deed in lieu of foreclosure. Any such incentive must be pursuant to Servicer's established policies and procedures, based on industry standards, and must be included in the deed in lieu of foreclosure recommendation submitted to the MPF Bank in eMAQCSplus.

9.3.2.11 Evaluating a Borrower's Ability to Make a Cash Contribution

The Servicer must not evaluate the borrower for a cash contribution if:

- prohibited by applicable law;

- the servicer evaluated the borrower for a deed in lieu of foreclosure without receiving a complete WRP in accordance with Section "9.3.2.4 Evaluating a Borrower to Determine Eligibility for a Deed In Lieu of Foreclosure;" or
- they are a servicemember with Permanent Change of Station (PCS) orders relocating them greater than 50 miles one way from the property securing the mortgage loan and the property securing the mortgage loan was or currently is the servicemember's primary residence.

In all other instances, the servicer must evaluate the borrower for a cash contribution and request a cash contribution, if:

- the borrower's non-retirement cash reserves, as stated on the WRA and verified as provided for in Section "9.1.22 Borrower Workout Request Package (WRP)," are in excess of $10,000; or
- the borrower's housing expense-to-income ratio is less than or equal to 40% as calculated in accordance with Section "9.3.2.5 Calculating the Borrower's Housing Expense-to-Income Ratio for Deed in Lieu of Foreclosure."

The Servicer must initially request a cash contribution of the greater of the following, rounded to the nearest $100 and not to exceed the amount of the deficiency:

- 20% of the Borrower's non-retirement cash reserves, or
- four times the contractual monthly mortgage loan payment including PITI. If the servicer does not escrow for T&I, it must estimate the borrower's monthly tax and insurance premium amounts.

If the Servicer determines it is warranted based on its assessment of the Borrower's individual situation and circumstances and ability to contribute, it may:

- request a lower initial cash contribution amount,
- negotiate a lower cash contribution amount, or
- agree to no cash contribution amount.

However, if the mortgage loan is current or less than 60 days delinquent, the borrower must contribute a minimum of 20% of their non-retirement cash reserves.

The requirement for a cash contribution is waived if the contribution amount is less than $500.

When evaluating a Borrower's ability to make a cash contribution based on documentation greater than 90 days old, the Servicer must obtain a new credit report but must not request any other updated documentation from the Borrower.

9.3.2.12 Requirements for Accepting a Deed in Lieu of Foreclosure

The Servicer must obtain the following items within 60 days of the borrower's acceptance of the offer for a deed in lieu of foreclosure:

- The deed and a personal property release executed by the borrower.
  - The personal property release form used must at minimum provide for:
    - Borrower to leave the property in broom-swept condition free of interior and exterior trash, debris or damage;
    - Borrower to remove all personal property from the property;
    - Borrower allowing Servicer to dispose of any personal property remaining in the property following the vacancy date in any manner and that the Servicer deems fit; and
    - Borrower releases and holds harmless Servicer, Investor and their servicers, representatives, agents, attorneys, Officers, Directors, employees, successors and assigns from any claim or liability, loss, cost, or expense, including reasonable attorney's fees, for any and all personal property left in the property after the agreed upon vacancy date.
- The mortgage insurer's approval, if applicable.
- Agreement(s) that the subordinate lienholder(s) will release:
  - the subordinate lien, and
  - the borrower from liability if accepting payment.
- Clear and marketable title.
- The cash contribution, if applicable.
- The interior property inspection report, if applicable, indicating that there are no environmental hazards or potential legal risks, and that the property is vacant, secure, and in broom swept condition, unless the borrower is eligible in accordance with Section "9.3.2.6 Evaluating a Borrower for Deed in Lieu Transition Options."
  - For a deed in lieu of foreclosure transition option, the servicer must review the interior property valuation to ensure the subject property's habitability.

If the servicer is unable to resolve all issues within 60 days, an extension of 30 days is permitted as long as the servicer provides the borrower with written or verbal weekly status updates indicating the reason that the deed in lieu of foreclosure is still pending. Upon receiving the first approval, if additional time is needed, the servicer will be required to submit a new recommendation to the MPF Bank in eMAQCSplus.

The servicer must request the MPF Bank's approval to accept the deed if it receives the executed deed less than 30 days prior to the foreclosure sale date, or in applicable foreclosure actions where there is no foreclosure sale and title is transferred by court order, the estimated court order docket date (if known). The servicer is responsible for any costs

incurred due to the acceptance of a deed in lieu of foreclosure that results in a delay in acquisition of the property.

9.3.2.13 Deficiency Waiver

The servicer must release the borrower from liability for any deficiency associated with the Mortgage Loan upon successful completion of a Deed in Lieu of Foreclosure for mortgage loans that do not have MI.

The servicer must provide a deficiency waiver to the borrower after the Servicer's acceptance of the executed deed from the borrower, if applicable.

9.3.2.14 Processing a Deed in Lieu of Foreclosure for a Mortgage Loan with Mortgage Insurance.

For loans with mortgage insurance, the servicer must not agree to a Deed in Lieu of Foreclosure unless the mortgage insurer agrees in writing to the following:

- to waive its property acquisition rights before the claim is filed, and
- to settle the claim by paying the lesser of the full percentage option under the terms of the master policy or the amount required to make the MPF Bank whole.

9.3.2.15 MPF Reporting (5/27/25) [52]

Once the Borrower agrees to the terms of the deed in lieu of foreclosure, the Servicer must report the deed in lieu of foreclosure on the Delinquent Mortgage & Bankruptcy Status Report (Exhibit B) monthly with an Action Code = 20, a Delinquency Status Code = 44, the applicable Delinquency Reason Code, a Loss Mitigation Type = DIL accompanied by the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date or Loss Mitigation Actual Completion Date, as applicable.

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

[52] MPF Announcement 2025-45 (5/27/25)

CHAPTER 10. FORECLOSURE PROCEDURE

10.1 General

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

10.1.1 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 Bank 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.

Most Mortgage Loans will carry some form of mortgage insurance or guarantee. 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. Failure to meet an applicable time frame will result in curtailment of reimbursable foreclosure related expenses. See Form SG332 for additional information.

For Government Mortgage Loans, 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.

10.1.2 Federal and State Law

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

10.1.3 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 Bank'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.

10.1.4 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.

10.2 Repurchase Requirements

10.2.1 MPF Bank Initiated Repurchase Request (1/10/25)[53]

At the MPF Bank'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 Bank exercise its option herein, even if the defect was caused by the Servicer's predecessor or the loan originator. See "Exhibit GG - MPF Traditional Repurchase Request."

10.2.2 Voluntary Repurchase Request - Subordinate Liens

During the Foreclosure process, the Servicer may submit a request to their MPF Bank to voluntarily repurchase a Mortgage Loan if it holds a subordinate lien interest in the Mortgaged Property that it is trying to mitigate losses for.

10.3 Foreclosure Referral

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

10.3.1 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.

10.3.2 Allowable Time Frames

The Servicer must begin the Foreclosure process the day after the Mortgage Loan reaches the 120th day of Delinquency, unless a different time frame is required by Applicable Law. Failure to meet the appropriate time frame will result in curtailment of allowable Foreclosure related expenses. See Form SG332 for additional information.

10.3.3 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.

The Servicer is required to make these advances unless it is reasonably determined that:

[53] MPF Announcement 2025-05 (1/10/25)

- Such Foreclosure advances will not increase the proceeds of the Mortgage Loan after reimbursement of the Servicer for its expenses; or
- Such expenses will be eventually nonrecoverable from any Insurance Proceeds, Liquidation Proceeds, or the Borrower.

The Servicer must obtain approval prior to stopping advances by submitting request via eMAQCSplus including the following:

- MPF Loan number;
- Borrower(s) name;
- Explanation as to why stopping advance is appropriate; and
- Any other information and supporting documents necessary to grant approval.

All Foreclosure fees and expenses shall be consistent with mortgage industry standards and shall not exceed those permitted under the applicable mortgage insurance policy or the limitations outlined in Form SG332.

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 mortgage insurer.

The Servicer is responsible for all fees incurred during the Foreclosure process that exceed the allowable limits imposed in the Guides and Form SG332 unless such fees are reimbursable under the applicable mortgage insurance policy.

10.4 Demand Letter

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

10.5 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 allow 5 business days for processing.

10.6 Postponements of Foreclosure sale (3/1/24)[54]

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

[54] MPF Announcement 2024-14 (3/1/24)

the MPF Provider by submitting the explanation of the reason and allowing 5 business days for the request to be processed. See "Chapter 9 Workouts."

The Servicer shall ensure that any action it takes to postpone Foreclosure proceedings will not affect its right to file a mortgage insurance or guaranty claim in the future. Specifically, the Servicer shall ensure any delay in Foreclosure complies with any applicable mortgage insurance company or Government Agency requirements, including, when required, obtaining their prior written approval. 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.

10.7 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 applicable mortgage insurer(s). Service 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 or Borrower information.

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 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.

10.8 Foreclosure Sale

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

10.8.1 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 Bank 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.

10.8.2 Bidding Instructions

For conventional uninsured Mortgage Loans, Servicer's must submit Bidding Instructions (Form SG404) to the MPF Provider at least 5 business days prior to foreclosure sale.

For conventional insured Mortgage Loans, bidding instructions must be obtained from the primary (PMI) and/or supplemental (SMI) insurer. If the PMI and/or SMI insurer issues specific instructions to enter a bid of less than one-hundred percent (100%) of the total

mortgage indebtedness, the Servicer must submit the proposed bidding instructions to the MPF Provider.

The Servicer's request to the MPF provider must include the following information:

- The Brokers Price Opinion (BPO) or the estimated market value from the appraisal report (must not be more than 90 days old) if an Appraisal is required by Applicable Law;
- The amount of the total indebtedness;
- If the Mortgage Loan is covered by a primary and/or supplemental mortgage insurance policy, the bid amount approved by the primary and/or supplemental mortgage insurer; and
- The Servicer must provide the MPF Provider the Bid amount as recommended by Servicer's legal counsel.

10.8.3 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.

10.8.4 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 of the Foreclosure sale;
- 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.

10.9 Foreclosure Proceedings Property Inspections

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

10.9.1 General Property Inspection Requirements

All inspections must be documented on the Property Inspection Report (Form SG331), 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 its MPF Bank 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 Bank to incur any loss, Servicer shall indemnify the MPF Bank 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.

10.9.2 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).

10.9.3 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.

10.9.4 Pre-Sale Inspection

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

10.10 Servicing During Foreclosure

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

10.10.1.1 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 using the Form SG354 to the MPF Provider and receive approval. However, the Servicer may not pursue Foreclosure while still pursuing loss mitigation options with the Borrower.

10.10.1.2 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.

10.10.1.3 Homeowners Association (HOA) Dues

For Mortgaged Properties that are located in states that provide for 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.

10.10.1.4 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).

10.11 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 Bank for any penalties the IRS may assess.

10.12 Release of Documents (5/14/26)[55]

The Servicer must complete the Request for Release of Documents (Form SG340) and submit it to the Custodian no later than the second business day of the month following payoff/liquidation.

[55] MPF Announcement 2026-28 (5/14/26)

CHAPTER 11. POST FORECLOSURE & REO PROPERTIES

11.1 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.

11.2 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, the MPF Bank or the Master Servicer unless the Servicer is explicitly instructed to do so by the MPF Provider or the MPF Bank. If the Mortgaged Property is transferred to the MPF Provider, the MPF Bank 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.

11.3 Third-Party Acquisition

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

11.3.1 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.

11.3.2 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.

11.3.3 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.

11.4 REO Property Acquisition

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

11.4.1 All Mortgage Loans

The Servicer must market the property and complete the sale of the REO per the directions from the mortgage insurer, if applicable, 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 90 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.

For all Mortgage Loans serviced under either actual/actual or actual/actual single remittance options, Principal and Interest Payments are not advanced monthly, but upon liquidation, the Servicer must remit the Liquidation Proceeds of the Mortgage Loan with interest to the date of Liquidation.

11.4.2 Government Loans

The Servicer is required to pay down the Principal Balance to zero for all Government 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; or
- Pay down the Principal Balance to zero upon receipt of the initial claim payment within the accounting period in which the initial 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.

Upon paying the Principal Balance down 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.

11.4.3 Conventional Insured or Uninsured Loans

Marketable title for the REO property must be conveyed to the Servicer or its approved designee. The Servicer must dispose of the REO property and, by the next remittance date, must make available in the Servicer's applicable DDA or A/A Account all Liquidation Proceeds, Liquidation interest, any unpaid mortgage insurance premium, and all other funds due as a result of the disposition of the REO property.

The Liquidation interest payable to the MPF Bank is calculated as follows:

- Scheduled / Scheduled: Liquidation interest payable to the MPF Bank is the Scheduled Interest due on the Mortgage Loan through the end of the month of Liquidation (30 / 360-day basis).
- Actual / Actual: Liquidation interest payable to the MPF Bank is the monthly interest due from the Borrower (30 / 360-day basis) and partial month interest due up to but not including the date of payoff (actual days / 365-day basis).
- Ineligible loans (regardless of remittance option): Liquidation interest payable to the MPF Bank shall be calculated in accordance with the repurchase provisions in the Guides.

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

For all Mortgage Loans serviced under either actual/actual or actual/actual single remittance options, Principal and Interest Payments are not advanced monthly, but upon disposition the Servicer must liquidate the Mortgage Loan with interest to the date of Liquidation.

The Servicer must submit the Calculation of Realized Loss or Gain (Form SG332) for expense reimbursement.

The REO property should be liquidated within thirty (30) days of disposition. Allowable related expenses on Form SG332 will be curtailed if that time frame is not met.

11.5 REO Property Servicing

This section covers the guidelines for servicing REO properties.

11.5.1 Change of Property Insurance Policy

For all Government Mortgage Loans and Conventional Mortgage Loans, the Servicer shall during the period any Mortgaged Property is REO (property is vested in the Servicer's name on behalf of the MPF Bank), 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.

11.5.2 Property Management

The Servicer must arrange for the proper securing, routine inspection, and maintenance of the REO property 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.

11.5.3 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 prior to stopping rehabilitation advances.

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 obtain submit request to the MPF Provider, and receive approval for rehabilitation work according to the following schedule:

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

11.5.4 Foreclosure Deed Upon Sale

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.

11.5.5 Escrow Items

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

11.6 Mortgage Insurance Claim

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

11.6.1 Government Mortgage Insurance Claims

The Servicer must file the mortgage insurance claim for Government 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.

11.6.2 Conventional Mortgage Insurance Claims

The Servicer must take all necessary steps to ensure the payment of the maximum benefits payable under the terms of the mortgage insurance policy. The Servicer shall prepare and file mortgage insurance claims in accordance with the timing requirements specified by the applicable mortgage insurer. All allowable to-date expenses are to be paid by the Servicer and included in the Servicer's initial claim to the mortgage insurer.

The Servicer must inform the applicable mortgage insurer of any listing agreement or purchase offers received prior to the final disposition of the claim. If an REO property is covered by a mortgage insurance policy that will not provide coverage up to one hundred percent (100%) of losses, prior to listing and marketing the REO property, the Servicer must submit a request for approval to the MPF Provider, and receive approval.

Hazard insurance premiums and HOA dues will accrue as an expense to the Servicer only subsequent to the Servicer acquiring the Mortgaged Property via the Foreclosure sale. To the extent provided by Applicable Laws, HOA dues prior to the Foreclosure sale are not an obligation of the mortgagee and are discharged by the Foreclosure sale. Therefore, only those dues incurred after the Foreclosure sale are allowable, and are paid directly by the Servicer to the HOA.

If the mortgage insurance company is settling its primary and/or supplemental mortgage insurance claims with a combination of an upfront cash payment and a deferred payment obligation (DPO), the Servicer must:

- Complete the Calculation of the Realized Loss or Gain (Form SG332);
- Assign the DPO to the MPF Bank in accordance with the mortgage insurance company's requirements;
- Retain records of, track, and manage the receipt and payout of both assigned and unassigned DPO payments;
- Forward to the MPF Bank the quarterly reports from the applicable mortgage insurance companies that inform the Servicer of its outstanding DPOs; and
- Send all DPO related information and documentation in its possession to any Subservicer it uses.

The Servicer is responsible for working with each mortgage insurer to determine whether such insurer will settle the claim by taking title to the Mortgaged Property in question or in some other manner. The Servicer must notify the MPF Provider immediately in writing of any decision made by the applicable mortgage insurer relative to a claim. The Servicer must also provide the MPF Provider with copies of all notices, mortgage insurance explanation of benefits forms, claims forms, and other papers sent to or received from the applicable mortgage insurer.

The Servicer must deposit any mortgage Insurance Proceeds into the appropriate Custodial P&I Account immediately upon receipt.

After final disposition of the Mortgaged Property, the Servicer must submit a Calculation of the Realized Loss or Gain (Form SG332) to the MPF Provider for defaulted Conventional Mortgage Loans.

11.6.3 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.

11.6.4 Loss Claims Forms

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

11.7 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. Failure to meet this time frame will result in curtailment of allowable related expenses. See Form SG332 for additional information.

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

11.8 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 fs in managing an REO property may not be quantified in advance of the MPF Provider assuming or transferring responsibility for such REO property.

11.9 Realized Losses or Gains

This section covers the guidelines for obtaining reimbursement of certain Servicing related expenses, by submitting a Calculation of Realized Loss or Gain for a defaulted Conventional Mortgage Loan (Form SG332).

11.9.1 Submitting Form SG332

The Servicer must complete and submit a Calculation of Realized Loss or Gain Form and applicable supporting documents (collectively "Form SG332") to the MPF Provider within the following time frames:

- For Conventional Mortgage Loans without PMI or Supplemental MI (SMI) coverage: within ninety (90) days of the date the Guides require for Liquidation;
- For Conventional Mortgage Loans with PMI but without SMI: within ninety (90) days of the date of the PMI settlement; and
- For Conventional Mortgage Loans with SMI: within ninety (90) days of the date of the SMI settlement.

The REO property should be liquidated within thirty (30) days of disposition. Allowable related expenses will be curtailed if that time frame is not met.

If additional claimable items are received after a Form SG332 is submitted, they must be provided to the MPF Provider no later than forty-five (45) days after the initial claim is approved, using a supplemental Form SG332. A supplemental Form SG332 should not show a cumulative loss or gain calculation. It should only include claimable items received after the initial Form SG332 was submitted.

Failure to submit the Form SG332 on time to the MPF Provider will result in the Servicer forfeiting its right to file a claim.

If the Mortgage Loan is covered by PMI or SMI and the mortgage insurance company is settling its mortgage insurance claims with Insurance Proceeds that are a combination of an upfront cash payment and a deferred payment obligation (DPO), the Servicer must:

- Immediately upon acquisition of the Mortgaged Property as REO or Liquidation, notify the mortgage insurer which MPF Bank is the investor/owner of the Mortgage; and
- Complete and submit the Form SG332.

The MPF Provider may deny or curtail any late submission.

11.9.2 Calculating Realized Losses or Gains (4/29/25)[56]

For purposes of the Form SG332, the Realized Loss or gain is calculated as follows:

- THE SUM OF:
  - The actual Principal Balance;
  - Unpaid interest accrued at the Note Rate, which includes Servicing Fees;
  - Attorneys' fees and other Foreclosure expenses advanced by the Servicer;
  - Taxes and other nontax charges advanced by the Servicer;
  - Property maintenance expenses advanced by the Servicer;
  - Hazard insurance premiums advanced by the Servicer;
  - Hazard loss expenses advanced by the Servicer; and
  - Fee incurred to confirm valuation of property at origination.
- MINUS THE SUM OF:
  - The balance of the Escrow Account;
  - Any refund of property insurance premiums;
  - Gross rental income received by the Servicer;
  - Property loss Insurance Proceeds;
  - Mortgage Insurance Proceeds (if applicable, as described in this chapter);
  - Net proceeds from sale of the REO or Liquidation of the Mortgaged Property; and
  - Any amounts received by the Servicer from the Borrower or pursuant to bankruptcy or insolvency proceedings.

Servicers must familiarize themselves with the additional limitations imposed on certain expenses and certain time frames in the Guides and in Form SG332. In addition, for mortgage loans previously modified, Servicers must ensure that advances reported on Form SG332, only include amounts advanced post loan modification.

Any Realized Loss will be allocated in accordance with the terms of the Master Commitment based on the requirements of the applicable MPF Mortgage Product.

If a gain is reported on Form SG332, then the MPF Bank agrees to make the amount of the Reported Gain available to reduce any subsequent reported Realized Loss for that Master Commitment beginning in the month of the Reported Gain. The Servicer should report the full amount of any Realized Loss/Reported Gain for each Mortgage Loan without regard to any prior Reported Gain. The MPF Provider will ensure any previous Reported Gain

[56] MPF Announcement 2024-74 (12/2/24)
MPF Announcement 2025-35 (4/29/25)

amounts are appropriately applied to Realized Losses subsequently allocated under the terms of the Master Commitment.

11.9.3 Mortgage Insurance Proceeds

Mortgage Insurance Proceeds must be reported on the Form SG332 as follows:

- Primary MI Proceeds / Cash proceeds amount as shown on the explanation of benefits (EOB) from the mortgage insurance company: include in the calculation of the MPF Realized Loss or gain;
- Primary MI Proceeds / DPO amount (if applicable) as shown on EOB from the mortgage insurance company: do not include in the calculation of the MPF Realized Loss or gain;
- Total MI Claim Proceeds (Cash proceeds plus DPO amount): include only in the SMI Claim Loss or gain calculation, if applicable;
- SMI Proceeds / Cash amount as shown on the explanation of benefits (EOB) from the mortgage insurance company: include in the calculation of the MPF Realized Loss or gain;
- SMI Proceeds / DPO amount (if applicable) as shown on EOB from the mortgage insurance company: do not include in the calculation of the MPF Realized Loss or gain or the SMI Claim Loss or gain; and
- Total SMI Proceeds (Cash plus DPO amounts): include only in the SMI Claim Loss or gain calculation.

11.9.4 Approval of Form SG332

Servicers are expected to make every effort to reduce Servicing related expenses in a manner consistent with any limitations imposed in the Guides or the Form SG332, and where no such limitations are provided, Fannie Mae guidelines and Applicable Law.

The MPF Provider will ensure review of all submitted Form SG332 and will provide the Servicer with a final determination as to the Realized Loss or Gain. If a Form SG332 is not submitted timely, is not complete, reflects expenses that exceed the maximum allowable amount, or reflects activities that have occurred outside allowable time frames, the request may be denied or curtailed, as more fully described in Form SG332.

CHAPTER 12. LEGAL

12.1 Lawsuits

This section covers the guidelines for handling legal actions.

12.1.1 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 Bank 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.

12.1.2 Notification Time Frames

The Servicer shall provide appropriate notice of any legal action in accordance with the time frames 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.

12.1.3 Servicer Initiating Litigation

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

12.1.4 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 Bank 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.

12.1.5 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.

12.1.6 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.

12.1.7 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.

12.2 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.

12.2.1 HOA Liens

For Mortgaged Properties that are subject to an 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.

12.3 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 13. TRANSFERS OF SERVICING

13.1 General Transfer of Servicing Requirements

This chapter covers transfers of Servicing made after the associated Mortgage Loans have been sold under the MPF Program. This chapter also applies when Servicing activity occurs after the Mortgage Loans have been sold to the MPF Bank but prior to the effective Servicing transfer date. For Servicing released options, see MPF Traditional Selling Guide Section 17.2.

13.1.1 Assuming Servicers

Transfers of Servicing may be made to a Servicer who is a member of an MPF Bank or a Non-Member Servicer (NMS).

The Servicer may not sell or transfer the Servicing Rights of any Mortgage Loan without the prior written consent of the MPF Bank. 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 the Mortgage Loans it is Servicing) in writing to the MPF Bank. 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 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 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.

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

13.1.2 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 Income 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 Bank at least forty-five (45) days prior to the requested date of transfer.

13.1.3 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.

13.1.4 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) or the applicable MPF Bank 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.

13.2 Non-Member Servicers

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

13.2.1 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.

13.2.2 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.

13.2.3 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.

13.3 Servicing Transfer Process

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

13.3.1 Transfer Requests

After receiving consents from their MPF Banks, 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.

13.3.2 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, 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.

13.3.3 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.

13.3.4 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, but not limited to:
  - 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 notification of a borrower's enrollment in a state Address Confidentiality Program in compliance with all applicable state requirements and the legal mailing address provided;
  - loss mitigation requests received in process of being reviewed; 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.

13.3.5 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.

13.3.6 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.

13.3.7 Custody Documents

The custodial documents for the Mortgage Loans shall continue to be held by the MPF Program Custodian.

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.

13.3.8 Certification with the MPF Program Custodian

The Selling Servicer is responsible for the Initial Certification of the Collateral Files, resolving Initial Certification issues with the MPF Program 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 Program Custodian in order to correct certification exceptions until the servicing transfer date.

13.3.9 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.

13.3.10 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 (NMS must use the Servicer ID number assigned by the MPF Provider) 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.

13.3.11 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.

13.3.12 Unreimbursed Servicing Expenses

When Servicing is transferred to a NMS, the Selling Servicer is responsible for Unreimbursed Servicing Expenses for Government Loans until the MPF Provider notifies the Selling Servicer and NMS in writing of the effective date this obligation transfers to the NMS.

The NMS will assist in administering the reimbursement process of such expenses in accordance with the following requirements:

- The NMS shall promptly provide written notice to the MPF Provider upon making any demand to a Selling Servicer for reimbursement of Unreimbursed Servicing

Expenses and for the cost of maintaining the government insurance or guaranty as set forth in the Sale of Servicing Contract;

- The NMS shall provide written notice to the MPF Provider in the event that reimbursement payment was not made by the Selling Servicer in accordance with Sale of Servicing Contract. Each such notice from the Servicer to the MPF Provider shall provide an itemization of the amounts demanded and a total;
- Upon request of the MPF Provider, the NMS shall provide satisfactory documentation as determined and required by the MPF Provider, to prove any amount itemized in any demand for reimbursement from a Selling Servicer; and
- The NMS shall coordinate with the MPF Provider in pursuing and exercising its rights and remedies against the Selling Servicer under the Sale of Servicing Contract.

13.3.13 MI and SMI Notification

If the Mortgage Loans involved in the servicing transfer are insured under an MI and/or SMI policy, the Selling Servicer must notify the MI and/or SMI company of Servicing transfer and if necessary, obtain the approval of the MI and/or SMI company.

It is the responsibility of the Selling Servicer and the Assuming Servicer to adhere to all requirements of the applicable MI or SMI policy.

13.4 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 Custodian in accordance with MPF Program requirements; and
- Any violations of the Servicing Obligations that occur prior to the Servicing Transfer Date.

13.5 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 receiver 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).

13.6 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.

13.7 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.

13.8 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.

13.9 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 has 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, 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.

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