



May 31, 2011

Principal Reduction Alternative (PRA) Reporting Requirements

Overview

This bulletin serves as notification of PMI's reporting requirements for Loans that are impacted by the Principal Reduction Alternative (PRA) program or similar earned principal reduction programs. PRA, a part of the Home Affordable Modification Program (HAMP), is a deferred principal reduction program which allows a Borrower to earn principal reduction over a three-year period. The deferred principal reduction amount will be initially treated as non-interest bearing principal forbearance. On the first, second and third anniversaries of the Borrower's trial period effective date, one-third of the original principal reduction amount will be forgiven as long as the Borrower remains in good standing as defined by HAMP.

Reporting Requirements

In addition to the existing monthly loss mitigation workout reporting, PMI requires that Delegates report not only the initial loan modification terms, but also the subsequent principal forgiveness transactions. On the anniversary of the Borrower's trial period effective date, the revised terms of the modification including the updated deferred principal and earned principal forgiveness amounts must be reported. Delegates must notify PMI in writing within 30 days of the principal forgiveness.

The following are examples of how to appropriately report the principal forgiveness transaction using either PMI's Delegated Workout Reporting Template or the MICA HAMP Template. The definitions in PMI's Delegated Workout Reporting Template have been updated and are available at http://www.pmi-us.com/servicers/programs_forms.html.

PMI's Delegated Workout Reporting Template

Data Elements	Definition	Example			
		At Modification	1 st earned forgiveness	2 nd earned forgiveness	3 rd earned forgiveness
Workout Effective Date	Date that workout was finalized/official (borrower signed documents, etc). For HAMP Trial Period, Forbearance or Payment Plan use Start Date. For earned principal forgiveness, the date of the principal reduction. May not be a future date.	4/19/2011	4/19/2012	4/19/2013	4/19/2014
Workout Program Name	Identification of workout program	HAMP PRA	HAMP PRA	HAMP PRA	HAMP PRA
Start Date	1st payment due date under the modified terms of the loan (Official)	5/1/2011	5/1/2012	5/1/2013	5/1/2014
New Term	Number of monthly payments due under the loan at modification	480	480	480	480
Gross Modified UPB	Gross Unpaid Principal Balance after loan modification; this includes any deferred principal.	\$100,000	\$90,000	\$80,000	\$70,000
Net Modified UPB	The unpaid principal balance of a loan after the loan modification excluding any deferred principal; can also be referred to as Amortizing Modified UPB Amount.	\$70,000	\$70,000	\$70,000	\$70,000
Deferred Principal Amount	Provide amount of principal forbearance granted as part of the modification.	\$30,000	\$20,000	\$10,000	\$0
Principal Forgiveness	Provide amount of principal forgiven as part of the modification.	\$0	\$10,000	\$10,000	\$10,000
Scheduled Principal Forgiveness	Provide amount of principal forgiveness that is scheduled to be forgiven in the future.	\$30,000	\$20,000	\$10,000	\$0



MICA HAMP Template

Data Elements	Definition	Example			
		At Modification	1 st earned forgiveness	2 nd earned forgiveness	3 rd earned forgiveness
Modification Effective Date	The date on which the loan terms will be modified.	4/19/2011	4/19/2012	4/19/2013	4/19/2014
First Payment Due Date after modification	First payment due date under the modified terms.	5/1/2011	5/1/2012	5/1/2013	5/1/2014
Amortization Term after modification	The number of months used to calculate the periodic payments of both principal and interest that will be sufficient to retire a mortgage obligation.	480	480	480	480
Unpaid Principal Balance after modification (Gross UPB)	The unpaid principal balance of a loan after the loan modification including any applicable forbearance amount and can also be referred to as Gross UPB Amount.	\$100,000	\$90,000	\$80,000	\$70,000
Unpaid Principal Balance after modification	The unpaid principal balance of a loan after the loan modification. The unpaid principal balance after modification excludes any applicable forbearance amount and can also be referred to as Net UPB Amount.	\$70,000	\$70,000	\$70,000	\$70,000
Principal Forbearance Amount	The total amount in dollars of the principal that was deferred through loss mitigation.	\$30,000	\$20,000	\$10,000	\$0
Principal Write-down (Forgiveness)	Amount of principal written-down or forgiven.	\$0	\$10,000	\$10,000	\$10,000



Premium Billing

When the Loan is adjusted and the principal forgiveness transaction is reported, PMI will reduce the Modified UPB by the amount of the principal forgiveness.

Monthly/Annual Premiums: Premium will be calculated based on the Gross Modified UPB of the Loan after principal forgiveness.

- **For Loans with a constant renewal rate**, the premium amount will be calculated using the Modified Gross UPB *after principal forgiveness* multiplied by the existing premium rate. Then, divided by 12, to express it as a monthly premium.
- **For Loans with an amortizing renewal rate**, the premium will be calculated using the Current UPB *at the time of premium calculation*. Then, divided by 12, to express it as a monthly premium.

Single Premiums: No changes will be made.

For additional information or questions, please contact workouts@pmigroup.com.