



PMI Performing Loan Modification Program Guidelines and Process

Introduction:

To assist servicers with PMI-insured loans on which borrowers are at risk of default, PMI has introduced a Performing Loan Modification program. An “at risk” performing loan may include: (1) a loan to value ratio that precludes a traditional refinance due to loss of equity through home price decline and/or negative amortization on the existing loan, or (2) an impending interest rate increase which will impair the borrower’s ability to meet their obligation. This modification program does not replace PMI’s Instant Modification program which continues to be available for modification of terms specified in the loan instrument, such as balloon resets and ARM conversions, or its Streamlined Refinance program.

In addition, PMI supports the Home Affordable Modification Program. For more details click the link below:

<http://www.pmi-us.com/homeownership/index.html>

A PMI-insured loan can be modified or refinanced by the originator under PMI’s Refinance-To-Modification program or by the servicer under a PMI-approved remedial modification program to allow the servicer to provide relief to a borrower at risk of becoming delinquent. The PMI Certificate of Insurance will be modified to reflect the new loan terms; however, the percentage level of coverage and the premium rate will remain unchanged.

Policy Statement:

The new transaction must improve the borrower’s financial position by reducing the mortgage payment, interest rate or principal balance; extending the ARM fixed payment period; extending the loan or amortization term; or, providing a more stable payment product.

Reasonable and customary closing costs to be financed into the loan amount are limited to the lesser of 4% or \$5,000. A prepayment penalty cannot be financed with the new loan.

For modified or new loans that meet the following criteria, PMI waives certain rights to prior notification and approval contained in the Lender’s applicable master policy of insurance.

- The loan cannot be more than 30 days past the most recent due date at the time of modification or refinance and cannot have been 60-days past due on more than one occasion in the last 12 months.
- The new or modified loan instrument must improve the borrower’s ability to meet his or her financial obligations.
 - The new or modified loan must be a fully amortizing fixed rate/fixed payment or adjustable rate mortgage with an initial fixed rate for no less than 5 years from the date of PMI’s modification. If the modification is in accordance with the American Securitization Forum Segment 2 guidance, modified terms, as allowed under the securitization documents, will be accepted.
 - The new or modified loan cannot provide for potential or scheduled negative amortization.

PMI Performing Loan Modification Program Guidelines and Process

(continued)

- A verbal verification of employment is required to be performed for all loans.
- If the mortgage payment (principal and interest) increases by more than 20%, the borrower should be qualified using current income and debts at a total debt-to-income ratio of 50%.
- For loans with a payment increase of more than 20%, the borrower's capacity must be verified by requiring:
 - Verification of income and employment using the most recent paystub(s) or W-2 which reflects, at minimum, 30-days' income; for self-employed borrowers, the most recent individual federal income tax return should be provided.
 - Current credit report, which should be used to verify the borrower's outstanding debts.
- No new subordinate financing is allowed. Existing junior lien(s) must be re-subordinated or released.
- The property may be owner-occupied, a second home, or held for investment.

Loans that do not meet the above eligibility criteria may be submitted to PMI on a non-delegated basis for our review and approval. **The PMI Non Delegated Request for Modification—Performing Loans** form can be found by clicking on the link below and scrolling to the Performing Loan Modification Section:

<http://www.pmi-us.com/homeownership/index.html>

The servicer is responsible for ensuring that a loan modification complies with applicable laws, regulations and the provisions of any applicable securitization documents and/or has obtained investor approval. PMI is not a party to these agreements and has no obligation to confirm whether the proposed modification of a loan complies with applicable legal requirements or, if in a security, conforms to the relevant terms and conditions contained in the securitization documents.

By its approval of a modification hereunder, PMI does not intend to alter, waive, or otherwise abrogate in any way any of PMI's rights under the lender's applicable master policy and/or endorsements and/or other agreements with respect to the modified loan, including but not limited to the right to rescind or exclude coverage on a loan at any time (pre- or post-modification) under the negligence and fraud exclusion

Process:

If the loan meets our Performing Loan Modification guidelines, the servicer can proceed with the transaction and notify PMI within 30 days by completing the **Delegated Workout Reporting Template** that can be found by clicking on the link below and scrolling to the Performing Loan Modification Section:

<http://www.pmi-us.com/homeownership/index.html>

For non-delegated transactions the PMI Non Delegated Request for Modification—Performing Loans form can be found by clicking on the link below and scrolling to the Performing Loan Modification Section:

<http://www.pmi-us.com/homeownership/index.html>

PMI Performing Loan Modification Program Guidelines and Process

(continued)

Because the template and form contain certain non-public personal information, it should be sent via a secure channel, such as any of the following:

- Encrypt the Delegated Workout Reporting Template and send to workouts@pmigroup.com
- Encrypt the Non Delegated Request for Modification Form and send to uwoperations@pmigroup.com
- In a separate email send the password for the encrypted file to either workouts@pmigroup.com for delegated modifications or uwoperations@pmigroup.com for approval of the request for modification of a non delegated modification—performing loans
- Established, secure proprietary channel
- WebTrader, PMI's secure document exchange website

PMI will only notify the Servicer if we are unable to process the modification of a delegated transaction (due to incomplete or invalid information, inactive coverage, etc.). For non-delegated transactions, we will notify the customer once a decision has been made.



800.966.4PMI (4764)

www.pmi-us.com