



PMI.

MI Retention Solutions Program (RSP) FAQ

1. What is a “failed NPV (NPV Negative)” test?

A loan has “failed” the Treasury’s Net Present Value model (NPV Negative) when it is more expensive for the investor to modify the loan than to let the borrower go into foreclosure.

2. The Pooling and Servicing Agreement (PSA) for the loan does not allow modifications other than HAMP; can I submit for RSP Pre-Claim Advance?

Yes, if the PSA doesn’t allow for any other types of modifications beyond HAMP and the borrower qualifies for HAMP, with the exception of an NPV negative result; PMI will treat the loan as if all modification options have been exhausted. PMI will evaluate the request and determine the PCA needed to create an NPV positive result.

3. How do I determine the Pre-Claim Advance amount?

- Non-HAMP modification – amount needed in the loan modification transaction to create positive cash flow; may be the past due amount, payment relief needed to a certain period of time, etc.
- HAMP modification – amount needed to create an NPV positive result

4. How does a Pre-Claim Advance affect my total MI benefit?

The total MI benefit does not change if a Pre-Claim Advance is issued. However, the Pre-Claim Advance amount will be deducted from any future Claim payment. Thus, the total MI benefit will be the sum of the Pre-Claim Advance and any future claim payment. In the Retention Solutions Program the investor benefits from application of the advance now to cure a default, enabling continuation of cash flows. The modification reduces the risk that the loan will go to claim at a later date.

5. How are re-defaults handled?

If a loan re-defaults after PMI has paid a Pre-Claim Advance, and subsequently goes to claim, the amount of the advance will be deducted from the claim.

6. Are there tax implications to the borrower if an advance is applied to the loan?

The MI companies cannot provide tax advice. Taxpayers should consult their own tax advisors concerning applicability of this advance to their particular circumstances under the Internal Revenue Code and the laws of any other taxing jurisdictions.

7. How do I apply a Pre-Claim Advance?

PMI will not determine how the PCA will be applied and recommends that servicers review their existing modification programs to determine how a PCA can be incorporated into the program. All

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modifications must cure the default in order to be eligible for RSP.

However, some suggested options include:

- **Apply to the delinquent amount**
The Borrower is close but unable to qualifying for the modification, however if the delinquent amount was not capitalized they would qualify.
- **Create a fund used to offset the borrower's payment over a set period of time**
The terms of the loan may be modified or remain unchanged and the servicer applies a portion the PCA toward the loan on a monthly basis for a limited period of time.

Borrower's proposed monthly cash flow without PCA	-\$75.00
PCA applied monthly for 60 months	\$275.00
Borrower's proposed monthly cash flow with PCA	\$200.00
Total PCA amount requested (\$275 times 60 months)	\$16,500.00

- **Pass through to the investor**
In the event a modification program requires the use of an NPV model in its cash flow analysis, the servicer can solve for the amount that would enable the investor to be indifferent to a modification or foreclosure outcome.
- **Investor determined use of funds**
The investor has specific guidelines for determining the required PCA amount and how it will be applied.

8. Can I submit GSE Loans for RSP consideration?

While GSE loans are eligible for RSP, at this time they are not systemically equipped to accept a Pre-Claim Advance offered by the MI companies under this program. Updates will be provided as this status changes.

9. For non-GSE HAMP loans, what if the Pre-Claim Advance amount provided by PMI doesn't make the NPV result positive?

Please submit the updated NPV data and clearly indicate in the subject line of the email that the request is a resubmission where the PCA amount proposed by PMI does create a NPV Positive result. PMI will re-evaluate the request.

For questions regarding the RSP program, please contact:

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