



MI Retention Solutions Program (RSP)

April 5, 2010

To help more borrowers retain their homes, on February 1, 2010 the Mortgage Insurance Companies of America (MICA) introduced a new program, **MI Retention Solutions Program (RSP)** and retired the “MI Second Look” with an estimated effective date of March 1, 2010. See [Bulletin 01-2010: New “MI Retention Solutions Program” Adds Features and Flexibility \[2.1.10\]](#) for details.

As a follow up to Bulletin 01-2010, this document provides PMI’s **MI Retention Solutions Program** details and submission requirements effective immediately.

After working with servicers throughout the latter half of 2009 on the implementation of the “MI Second Look” process, both servicers and the members of MICA have come to the realization that the MI Second Look process was operationally difficult for servicers to implement. As a result, the MI *Second Look* has been replaced with RSP, which has a new structure, additional options and better enables servicers to close more loan modifications through the utilization of RSP’s Pre-Claim Advance (PCA) feature. A Pre-Claim Advance is where an MI company provides a benefit to an Insured prior to the Insured meeting all of the conditions precedent to payment of a claim, as an advance against an anticipated future claim in an identifiable loss mitigation program.

The significant differences between the programs are the timing of when a loan is required to be submitted to the MI and the potential inclusion of GSE loans. In the MI Second Look process requests were typically submitted during the HAMP evaluation stage, whereas in **RSP**, the request is required after all modification options have been exhausted, but before the loan is evaluated for liquidation. One of the main objectives of RSP is to more closely align with servicers’ current loss mitigation waterfall ([RSP Waterfall Comparison](#)) and facilitate more loan modifications by extending beyond HAMP. Because MI loans will now use a similar loss mitigation waterfall as non-MI loans, servicer workflows will be consistent, enabling more loan modifications while maintaining the opportunity to request PMI support when those options fail.

This program is subject to modification or cancellation at any time without prior notice.

Eligibility Criteria

A borrower is eligible for RSP if they have failed to qualify for all available modification programs, including HAMP and non-HAMP modifications, and the loan and/or borrower meets all of the eligibility criteria below:

MI Coverage Type	Loan with primary coverage only
▪ Investor (upon investor approval)	▪ GSE Non-GSE
Minimum Delinquency	90+ days
Current Occupancy	Owner-occupied

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Property Type	Single-family 1-4 units
Default	Modification must cure the Default.
Maximum Modified Term	480 months
Hardship	<p>Must have a verifiable hardship. Hardship means a Mortgagor's household income and/or liquid assets have been materially impaired, as a direct result of a verifiable unforeseen occurrence which is beyond the Mortgagor's control, thereby making it impossible to meet all required monthly payment obligations, including regularly scheduled monthly payments on a Loan insured by PMI; such hardships include, but not limited to any of the following:</p> <ul style="list-style-type: none"> ▪ Death, serious illness or long-term incapacity of Mortgagor or a member of Mortgagor's immediate family; ▪ Divorce or legal separation of Mortgagor; ▪ Involuntary job loss of Mortgagor or member of Mortgagor's immediate family; ▪ Call of Borrower or a member of Borrower's immediate family to active duty military service which actually results in reduction of income.
Mark-to-Market Loan-to-Value (MTM LTV) Minimum	Greater than or equal to 85% MTM LTV based on a current value that was obtained within 90 days of RSP submission.
Early Payment Default (EPD)	Loans where the borrower defaulted during the first twelve (12) months after origination must have cured at least once.
Ineligible product types:	<ul style="list-style-type: none"> ▪ Scheduled or potential negative amortization ▪ Interest only may not be added ▪ May not change from fixed rate to ARM
Penalty & Late Fees	Capitalization of penalty fees and late charges is not allowed.
Prior Pre-Claim Advance	Loan may not have previously received a PCA.
Property value	Variance between the "as is" and "as repaired" value of the Property may not exceed the lesser of \$20,000 or 10% of the "as repaired" value of the Property.
Bankruptcy	Loan can not be in an active bankruptcy.

Submission Process

Once a borrower has failed to qualify under all of the available modification options, the servicer needs to determine if a PCA from PMI could make a modification possible.

To determine if a PCA could make a modification possible the servicer should check the following:

- ✓ If the delinquent amount was removed, would the modification be possible? If so, submit a request for the delinquent amount.
- ✓ Is the borrower's monthly surplus inadequate to qualify for the modification, if so by how much? Would a supplemental payment for the next 3 to 5 years make the borrower eligible for the

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modification? If so, submit a request for the monthly amount needed times the number of months.

- ✓ Does the investor have another calculation that would specify an amount that would be required to allow the modification? If so, submit a request for that amount.
- ✓ Is the loan a non-GSE loan where the Pooling and Servicing Agreement (PSA) does not allow a Non-HAMP modification (no other investor modification authorized) other than HAMP? In the scenario where the borrower is otherwise eligible and qualified for HAMP, however failed the NPV test (NPV Negative), submit the request without a PCA request amount and indicate that it is a HAMP loan. PMI will calculate the amount based on the Treasury's NPV model.

To submit a request the servicer must electronically submit the [RSP Submission Request Form](#) with the following required documentation:

- Financial Statement
- Income verifications supporting the monthly income including W-2 for salaried borrowers, and tax returns, quarterly or year-to-date profit and loss statement or other third party documentation for self-employed borrowers
- Credit Report and Occupancy Verification
- Hardship Letter
- Additional documentation may be requested as needed

Because these documents contain certain non-public personal information, it should be sent via a secure channel, such as:

- Encrypted e-mail to RSP@pmigroup.com
- Established, secure proprietary channel
- WebTrader, PMI's secure document exchange website

RSP Review and Response

PMI will review and respond with a Commitment for a PCA, Request for Follow-up or a Denial.

Commitment for a PCA

PMI will issue a MI PCA commitment if a RSP request meets the PMI's approval criteria. Commitment of a PCA will also serve as PMI's approval of the corresponding modification terms. For a loan where a commitment has been issued, PMI will remit a lump sum payment to the servicer once the modification is reported as closed. Modifications must be reported closed to PMI via written notice by the Servicer within 30 days of the effective date of the modification. The loan default cure must also have been reported to PMI through normal delinquency reporting. Funds will be sent to the servicer that requested the PCA unless PMI is notified otherwise.

Request for Follow-up

PMI may request additional information or documentation in order to make a decision on a RSP request.

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Denial

If the PCA is denied or withdrawn, the servicer should work with the borrower to assess other foreclosure avoidance alternatives.

Promissory Notes

Under RSP, the borrower will not be required to sign a promissory note with PMI.

Subsequent MI Claims

The PCA shall be recoverable by PMI as a deduction against any future claim or in the event of later rescission or denial of coverage from the original and any subsequent Servicer/investor of the loan through the exercise of a right of setoff. Acceptance of this requirement by the Servicer is a condition to participation in this program.

PMI's Retention Solutions Program includes the following documents

- [Retention Solutions Program Waterfall Comparison](#)
- [Retention Solutions Program Submission Form](#)
- [MI Retention Solutions Program \(RSP\) FAQ](#)

For questions regarding PMI's RSP program, please contact:

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