

LOSS MITIGATION GUIDELINES

DHCD SINGLE FAMILY LOSS MITIGATION GUIDELINES

THESE GUIDELINES ARE ONLY FOR MARYLAND HOUSING FUND (MHF) INSURED LOANS AND UNINSURED, STATE-FUNDED LOANS. FOR ALL OTHER LOAN TYPES, PLEASE FOLLOW THE REQUIREMENTS OF THE MORTGAGE INSURER/GUARANTOR.

I LOSS MITIGATION OPTIONS

- A DELINQUENCY** - Within 5 business days after the 60th day of delinquency, the Servicer will send a detailed Loss Mitigation letter (see Attachments) to the mortgagor. This new requirement is effective as of November 1, 2000.
- B FORBEARANCE** – Forbearance plans may include temporary suspension of payments, graduated payments, and plans with fixed payments that include part of the delinquent amount.
- 1** Servicer may grant forbearance plans for loans no more than 5 months delinquent with forbearance plan terms no longer than one year without DHCD Single Family Collections' ("SFC") approval.
 - 2** Informal, verbal forbearance plans of short duration (1-2 months) are acceptable unless the mortgagor has had a previous broken forbearance plan. Forbearance plans of longer duration (3 months or more) or for mortgagors with a previous broken forbearance plan **must be in writing**. A copy of the written plan must be submitted to SFC within 10 business days after mortgagor acceptance/signature.
 - 3** Servicers are encouraged to refer mortgagors to HUD-approved housing counseling agencies (see Attachments), where available, for budget counseling. In instances where forbearance plans must be approved by SFC, housing counseling is required.
 - 4** If legal action has started, legal fees must be paid in advance--not included in the forbearance plan. If there are extenuating circumstances, this may be waived with SFC approval.
 - 5** Forbearance plans for the following situations/types of loans must be submitted to SFC for approval before being offered to the mortgagor:
 - Loan where the mortgagor has defaulted on previous forbearance plans 3 or more times;
 - Loan more than 5 months delinquent; or
 - Loan which requires a forbearance plan of more than one year.

- 6 The following information must be submitted when requesting SFC approval:
 - Servicer's written forbearance plan recommendation, including terms;
 - Completed Delinquency Status Report (an Attachment);
 - Financial forms listing income and debts/expenses;
 - Verification of employment (written VOE or two most recent paystubs) for all jobs, for all mortgagors;
 - Most recent two months of checking and savings statements for all mortgagors;
 - Federal income tax returns for the last two (2) years for all mortgagors.
 - Verification that the mortgagors have received housing counseling related to the current delinquency.
 - Two years of payment and collection history.

Upon receipt of the forbearance request, a SFC Asset Management Officer will review the information and present the case to SFC's Loss Mitigation Committee. The Committee's decision will be forwarded to the servicer in writing.

- C **REFINANCING** - Servicer may request that SFC delay legal action up to 60 days. If the mortgagor makes additional payments, more time may be granted. SFC will require the following documentation:

- Completed Delinquency Status Report (see Attachments);
- Written request to defer legal action; and
- Copy of the application for refinancing from the lending institution.

- D **LOAN MODIFICATIONS** – SFC will consider a loan modification on a loan where the reason for delinquency is not the mortgagor's fault, such as unemployment, illness, accident, permanent loss/reduction of income, etc. The mortgagor's income cannot be sufficient for a forbearance plan. The type of modification available will depend on the loan program. Servicer is to use HUD's guidelines to determine mortgagor's eligibility for a loan modification. (with the exception of requiring title searches or allowing escrow items to be included in the loan modification) SFC may use HUD's guidelines to determine approval for loan modifications.

- 1 Servicer must submit the following documentation to SFC for approval:
 - Completed Delinquency Status Report (see Attachments);
 - Financial form listing income and debt/expenses;
 - Verification of employment (written VOE or two most recent paystubs) for all jobs, for all mortgagors;
 - Most recent two months of bank savings and checking statements for all mortgagors;
 - Copy of a current credit report for all mortgagors;

- Federal income tax returns for all mortgagors for the last two (2) years;
 - Verification that the mortgagor has received housing counseling related to the current delinquency;
 - Written documentation of hardship (letter, bills, receipts, etc.); and
 - Two years of payment and collection history.
- 2 The Asset Management Officer will review the information and present the case to the SFC Loss Mitigation Committee. The Committee's decision will be forwarded to the Servicer in writing.
 - 3 Any required legal paperwork will be forwarded to the Servicer to obtain the mortgagor's signatures.
 - 4 Servicer will forward the original executed documents back to SFC.
 - 5 If it is determined that the loan modification agreement must be recorded, Servicer will need to confirm other mortgages (obtain a property and judgment report). If property has junior liens, Servicer must apply for a subordination of the junior liens. Not all loan modification agreements must be recorded.

E **SALE OF PROPERTY** - Servicer may request that SFC delay legal action if the mortgagor has the property listed for sale or has a fully ratified contract of sale as long as the property is no more than 180 days delinquent. Additional time may be granted to sell the property if the mortgagor can continue making full or partial payments while the property is listed for sale.

- 1 The following documentation must be submitted to SFC for approval:
 - A completed Delinquency Status Report (see Attachments);
 - A written request to delay legal action to allow time to sell;
 - A copy of the listing agreement; and
 - A listing of recent (last 6 months) comparable sold properties.
 - A copy of the fully ratified contract (if applicable); and
 - A copy of the buyer's prequalification approval from a lending institution (if applicable).

Servicer will be sent **written** approval or denial of the request to delay legal action.

F **SHORT SALE** – If the mortgagor either wants to sell or has an offer to buy which will not generate enough proceeds to pay the loan in full, the Servicer may request that SFC approved a short payoff of the loan.

- 1 Property must be at least 60 days delinquent;
- 2 Property must be listed with a licensed Real Estate Agent;
- 3 Servicer may request SFC delay legal action for 60 to 90 days while the property is being marketed. Additional time may be granted to sell the property if the mortgagor can continue making full or partial payments. SFC may still decide to initiate foreclosure or deed in lieu of foreclosure during this time.
- 4 DHCD must be the only mortgagee/lien holder on the property; otherwise, a written

agreement must be obtained from the junior lien holder(s) agreeing to a short sale of their loan(s).

- 5 SFC must approve the proposed contract of sale **before the mortgagor signs the contract.**

- 6 Servicer must submit the following documentation:
 - Completed Delinquency Status Report (see Attachments)
 - Financial form listing income and debts/expenses;
 - Verification of employment (written VOE or two paystubs) for all jobs, for all mortgagors;
 - One month's checking and savings statements (including retirement accounts, stocks, bonds, etc.) for all mortgagors;
 - Federal income tax returns for all mortgagors for the last two (2) years;
 - Documentation of property value (copy of appraisal or Realtor market analysis)
 - Payoff statements for all mortgages/liens;
 - Copy of listing agreement (if applicable);
 - Copy of the proposed contract of sale (if applicable);
 - Accurate estimate of net proceeds from settlement;

- 7 SFC will obtain investor/mortgage insurer approval for Maryland Housing Fund insured loans and investor approval for uninsured loans.
- 8 The Servicer will receive **written** approval or denial of the short sale request.
- 9 The Servicer must instruct the settlement company to forward a copy of the signed HUD I and a check for the agreed upon short payoff to:

MHF-Insured Loans: **Make check payable to:**
Community Development Administration
Finance Section
100 Community Place, 4th Floor
Crownsville, MD 21032
Attn: Ms. Mabel Cline

Uninsured Loans: **Make check payable to:**
Department of Housing and Community Development
P.O. Box 500
Crownsville, MD 21032

NOTE: Any funds available over the agreed upon short payoff proceeds must also be forwarded as instructed above and not disbursed to the buyer or the seller.

- 9 Upon receipt of the agreed upon short payoff check and copy of the signed HUD 1,

- DHCD will issue a certificate of satisfaction and consider our loan paid in full.
- 10 SFC will forward a copy of the signed HUD I and check to the Servicer. For MHF-insured loans, the Servicer should file a mortgage insurance claim with MHF within 15 business days after receipt of the copy of the HUD1 and short payoff check.
 - 11 For uninsured loans the servicer is to send any escrow deficit bill to SFC.

G DEED IN LIEU OF FORECLOSURE – SFC will consider a deed in lieu of foreclosure for loans that are 60 days or more delinquent.

- 1 The property must be free of other liens and mortgages and in a condition acceptable to DHCD.
- 2 Mortgagor must attempt to sell the property for at least 90 days. This may be waived due to extenuating circumstances.
- 3 The Servicer should submit the following documentation:
 - Completed Delinquency Status Report (see Attachments);
 - Completed Statement of Mortgage Debt (see Attachments);
 - Financial form listing income and debts/expenses;
 - Documentation of mortgagor hardship (letter, bills, receipts, etc.), as applicable;
 - Two years of payment and collection history;
 - Written letter signed by all mortgagors listed on Deed of Trust requesting the deed in lieu and agreeing to sign whatever documents are required; and
 - If property is listed with a Realtor, a copy of the listing agreement and Realtor market analysis;
- 4 SFC will issue a **CONDITONAL written** approval which will be subject to a title search, the property being vacated, and an inspection by DHCD's REO section determining that the property is in a condition acceptable to DHCD.
- 5 SFC will forward the file to our attorney to start legal work.
- 6 Our attorney will prepare the paperwork and send the documents to the mortgagor for signature.
- 7 Once all conditions are met and the signed documents have been returned to the attorney, the deed in lieu will be recorded.
- 8 After recordation, DHCD will issue a certificate of satisfaction and consider our loan paid in full.
- 9 For MHF-insured loans, the Servicer should file a mortgage insurance claim with MHF within 15 business days after the deed has been recorded.

H FORECLOSURE RECOMMENDATION - When Servicer's efforts to offer all available loss mitigation options have been unsuccessful, a foreclosure recommendation package should be submitted.

- 1 The foreclosure recommendation package should be submitted by the 120th day of delinquency if there is no loss mitigation workout in place.
- 2 The following documentation must be submitted:
 - Completed Delinquency Status Report (see Attachments);
 - Completed Statement of Mortgage Debt (see Attachments);
 - Two years of payment and collection history;
 - Copy of the SFC-required 60 day loss mitigation letter (see Attachments);
 - Copy of the acceleration letter;

 - Any original loan documents in the Servicer's possession (Deed of Trust, Deed of Trust Note, Title Policy, and any other applicable original documents);
 - Any other pertinent information; i.e., previous forbearance agreements, financial documentation, real estate listing agreement, recent appraisal, etc.
- 3 SFC will review the foreclosure recommendation, **and if in agreement**, will forward it to our Legal Office for processing.
- 4 Our Legal office will assign an attorney to the case, forward the foreclosure package to the attorney, and notify the Servicer of the attorney assignment.
- 5 If SFC is not in agreement with the foreclosure recommendation, the Asset Management Officer will contact the Servicer with instructions to pursue other options.

II. REPORTING REQUIREMENTS ON DEFAULTED LOANS

- A. Loans 60 or more days delinquent are required to be reported on the CDA/MHF Monthly Delinquency Report (Reports 8A and 8B). See the Maryland Mortgage Servicing Manual, pages VI1 – VI3.
NOTE: New Requirement: Delinquent loans on the 8B detail report must be sorted by mortgage insurer/guarantor, and then under mortgage insurer/guarantor, sorted by delinquency types 1 through 5 (see Attachments for explanation of delinquency types). This new requirement is effective as of November 1, 2000.
- B. **NOTE: New Requirement: A copy of all written forbearance plans must be submitted to SFC within 10 business days after mortgagor's acceptance/signature. This new requirement is effective as of October 1, 2000. See Section A-Forbearances - for the requirements for written forbearance plans. In addition, Servicers should submit to SFC any written forbearance plans that have been initiated during the period of July 1, 2000 through September 30, 2000**
- C. If there is a loss mitigation workout in place on the loan by the 120th day of delinquency, Servicer must send to SFC a completed Delinquency Status Report (see Attachments).

D. If there is no loss mitigation workout in place on the loan by the 120th day of delinquency, Servicer must submit a foreclosure package to SFC. **See Section H - Foreclosure Recommendation.**