

May 1, 2008

«First» «Last»

«Title»

«Servicer_Name»

«Mailing_Address1» «Suite»

«City», «State» «Zip»

Re: Reducing Loss

Dear «First»:

At MGIC, our mission is to not only help Americans become homeowners, but also to help them to *successfully maintain* homeownership. When homeownership succeeds, borrowers build equity and mortgage debt is repaid. When it fails, the result is loss — to the homeowner, the lender, the community.

As all of us in the mortgage industry face these troubled times, MGIC stands firmly behind its mission. We continue to work hard to help at-risk homeowners keep their homes, or at the very least, help minimize their loss. When homeownership doesn't succeed, it's everyone's loss. We want you to know that we are here to help you help your borrowers and to prevent or minimize loss to your company.

Success begins with a plan

Timely response to the challenges we all face can reduce losses on existing defaults and possibly prevent future defaults. Since the end of last year, we've spent a lot of time interviewing customers and industry partners regarding their loss mitigation needs and processes.

As a result of these discussions, MGIC has developed strategies we believe can help you reduce the number of defaults, prevent costly foreclosure expenses, minimize expensive REO inventory and reduce financial losses. But a plan only goes so far. We ask for your help and cooperation — as we all agreed to in the terms of our Master Policy — to make the plan work for you, your company, your community and your neighbors.

As a servicer, you are in the unique position of having relationships with your borrowers. Any loss mitigation strategy begins with contacting the borrower. Who better than you to put the plan into action?

- **Loan Reinstatement plan**

Offer all delinquent borrowers who have a reasonable ability and desire to reinstate their loans a repayment plan, forbearance plan, loan modification or a combination of these plans. MGIC provides flexible, delegated loan modification options so you can easily modify MGIC-insured loans. In some cases, MGIC also offers an advance claim payment to help borrowers in bring their loans current or reduce their monthly payment.

- **Short Sales plan**

Offer short sales to delinquent borrowers who cannot afford to keep their properties, unless you demonstrate that there is a better way to mitigate the loss. We can help you with short sales by working with borrowers and realtors to list and market the property.

Your Role in Loss Mitigation

Under MGIC's Master Policy, the Insured must actively cooperate with and assist MGIC to prevent and mitigate loss resulting from default. Because the servicer is itself the Insured or represents the Insured, you are obligated to comply with the policy. Cooperation and assistance includes obtaining a cure of the default and collecting payments from the borrower to bring the loan current. It may also be necessary to:

- present the borrower with a loan restructuring or modification plan to make the payments affordable
- allow the borrower time to bring the loan current
- help a loan originator refinance a more affordable loan for the borrower.

MGIC relies on your cooperation to contact the borrower and to present loan modification and refinance plans. Without your cooperation, these steps cannot be implemented and there is much less chance of success in mitigating loss. Failure to meet these obligations may result in a claim reduction or even denial of the claim in full.

Equal treatment for MGIC-insured loans

A servicer needs to exhibit no less diligence in pursuing loss mitigation on MGIC-insured loans than it does on loans that are uninsured. Some servicers may believe that the presence of mortgage insurance allows them to focus their loss mitigation efforts on their uninsured loans and provide MGIC-insured loans less attention. This is inconsistent with the Master Policy's requirement for assistance and cooperation in loss mitigation.

Don't miss opportunities

In our recent observations of current practices in the industry, we've found that the most successful servicers are those who:

- Respond affirmatively and promptly to a borrower's questions about resolving a delinquency.
- Participate in organized and frequent call campaigns to contact borrowers who are in the early stages of delinquency and for whom some assistance would be of value.
- Accept, rather than return partial payments from borrowers and use the funds to establish repayment plans.
- Identify borrowers eligible to participate in refinance programs to improve their chances to retain their homes under more favorable loan terms.

Help us get to know you

The better we understand your approach to default management and resolution of delinquency issues, the better we can customize our loss mitigation strategies to meet your needs.

We would like to meet with you to observe operations at your offices. Affording us this opportunity will help MGIC determine how our loss mitigation plans apply to your delinquent loans and ways in which each others' strategies can be enhanced.

We look forward to working with you and will be contacting you soon.

If you have any questions or comments about this letter, please don't hesitate to contact me at 1-800-558-9900, ext. 6903, or kathy_valenti@mgic.com.

Sincerely,



Kathleen Valenti
Vice President-Claims Administration

New Requirements for Foreclosure Initiation and Bankruptcy Relief

To ensure more diligent and timely pursuit of loss mitigation, MGIC is establishing new guidelines for foreclosure initiation and bankruptcy relief applicable to loans insured now or in the future. Effective May 15, 2008, the new guidelines will be in effect for loans that go into default June 1, 2008 or after, and until further notice from MGIC:

- **Foreclosure actions** or notice of sale must be filed by the end of the 4th month in default (the 120th day of delinquency). Please disregard MGIC's Default Servicing Guide or other communications related to foreclosure initiation.
- **Bankruptcy relief.** In order to promptly resolve delays associated with bankruptcy filings, MGIC is revising its current instructions as follows:
 - a. *Motion for relief from the automatic stay in a Chapter 13* must be filed within 60 days from the date of the last payment under the bankruptcy plan. MGIC will allow an additional 60 days to obtain the order lifting the stay; and
 - b. *Foreclosure start* after bankruptcy relief must be initiated within 60 days after the automatic stay is lifted, the bankruptcy case is dismissed or the borrower is discharged.

If you believe additional time will help you to resolve a default or bankruptcy, just ask your MGIC Mortgage Loan Counselor. We welcome your recommendations.