

# MGIC's Process For Non-GSE Modification Programs That Use An NPV Model

June 1, 2009

On March 1, 2009, MGIC, together with the other member companies of the Mortgage Insurance Companies of America ("MICA") reached an understanding with the Housing Policy Council and the United States Department of the Treasury relating to a model procedure as to how loans insured by a private mortgage insurer ("MI Company") should be handled when the decision to modify a loan is based on the use of a net present value ("NPV") calculation. A copy of the Memorandum of Understanding ("MOU") is attached hereto (Exhibit A).

This document provides the procedures for MGIC-insured loans that either:

- 1) Pass the NPV test (NPV "Positive"), or
- 2) Fail the NPV test (NPV "Negative") and are delivered to MGIC for a Mortgage Insurance Second Look Review ("**Second Look**").

## 1) Delegation of Authority for Loans That Pass the NPV Test (NPV "Positive"):

To facilitate a streamlined process for modifying loans passing the NPV test, the MI Companies have developed a Home Affordable Modification Program (HAMP) delegation model for Servicers/investors. See Exhibit B for the MGIC delegation agreement. For other modification programs, refer to [www.mgic.com](http://www.mgic.com).

Standard loan level reporting will apply for all loan modifications closed under the delegated authority agreement. See Exhibit C for the reporting requirements.

## 2) MGIC *Second Look* Review for Loans That Fail the NPV Test (NPV Negative):

### *Second Look* Review Criteria

Non-GSE loans that have not passed the required NPV test must be sent to MGIC for the *Second Look* promptly after determining the NPV results in order to minimize the risk of losing the opportunity to modify the loan. The Servicer may submit a loan for the *Second Look* immediately after determining the NPV results or after the Servicer has determined that the borrower does not qualify for other modification programs allowed by the investor.

### *Second Look* Operating Guidelines

Following the Servicer's determination that the non-GSE modification failed the NPV test, the Servicer will promptly submit the *Second Look* review workout package to MGIC.

### Submission Package Requirements:

(1) Use the Mortgage Insurance *Second Look* Request Form (See Exhibit D) or append the *Second Look* data elements to the NPV Data Inputs file (See (3)(a) below). The following data would need to be appended:

- Servicing Company Name
- Investor Name
- Servicer Contact Name
- Servicer Contact Email
- Servicing Company Phone
- NPV Model Used

(2) Each request submitted for the *Second Look* review should be identified as an "MI Second Look Request" in the subject line for email or fax submissions.

(3) With the *Second Look* submission, the Servicer must also deliver the NPV data inputs and NPV model outputs as described below to MGIC at HMP\_SecondLook@mgic.com:

**(a) Treasury's Base NPV Model Data Inputs:**

The Servicer will send an electronic copy of the Microsoft® Excel® back up copy of the NPV Model Submission Tool with validated data used in the NPV submission for the applicable loan. See page 9 in the User Guide – Home Affordable Modification Program Base Net Present Value Model Spreadsheet Tool (“User Guide”), dated April 14, 2009, available at [www.hmpadmin.com](http://www.hmpadmin.com). This file will contain all input data elements as currently noted in the User Guide or as revised in future versions. The Servicer will append to this file the following data elements:

- Servicing Company Name
- Fannie Mae MI Company code – Primary
- Fannie Mae MI Company code – MGIC
- Primary MI certificate number
- Pool MI certificate number
- Pool Contract ID
- Gross Unpaid Principal Balance after modification
- Total Dollar Amount Delinquent
- Total Capitalized Dollar Amount

**(b) Treasury's Base NPV Model Data Outputs:**

The Servicer will send an electronic copy of the NPV model outputs returned to the Servicer in the “\_out.csv” file format as described on pages 9-10 in the User Guide referenced above.

**(c) NPV Models Other Than Treasury's Base NPV Model:**

In addition to the NPV model inputs and outputs described above, the Servicer must provide a copy of the model used.

## **Advance Claim Payment Review Process:**

MGIC will review the *Second Look* request and determine whether we will approve an advance claim payment (“Advance Claim Payment”) in connection with the proposed modification. If the request is approved, MGIC will issue a written Advance Claim Payment Commitment identifying the amount approved and that MGIC will remit the Advance Claim Payment when the loan has been modified and reported in writing to MGIC as current.

### Preliminary Advance Claim Payment Commitment

MGIC will determine whether or not to approve an Advance Claim Payment based on a full review of the submitted documentation for each borrower including, but not limited to, an assessment of the borrower’s cash flow and monthly surpluses.

If additional documentation is required to evaluate the *Second Look* request, MGIC may provide conditional approval for an Advance Claim Payment by issuing a Preliminary Advance Claim Payment Commitment indicating that final approval and payment of the Advance Claim Payment will be subject to MGIC’s receipt and satisfactory review of all required documentation, including, but not limited to:

- Hardship letter,
- Income verifications,
- Debt verifications (credit report)
- Identification of investor incentives, if applicable

The Advance Claim Payment will be reduced by any investor incentives not already factored into the NPV model results.

If there is any variance in the documentation or verification information provided, MGIC may modify or withdraw the preliminary commitment.

### Advance Claim Payment Commitment

If an Advance Claim Payment is approved, the final Advance Claim Payment Commitment will be issued and MGIC will remit the Advance Claim Payment when the loan has been modified and reported in writing to MGIC as current.

### Denial

If the Advance Claim Payment request is denied, MGIC will then work with the Servicer to assess other foreclosure avoidance alternatives for the borrower.

## **Advance Claim Payment Requirements:**

The Servicer must report to MGIC information about the modified loan within 30 days of the effective date of the modification (Exhibit C). MGIC will remit the Advance Claim

Payment to the Servicer when the Servicer reports to MGIC in writing that the trial period has ended and the loan is current.

**Recovery of Advance Claim Payment:**

The Advance Claim Payment shall be recoverable by MGIC as a dollar-for-dollar deduction from a future claim payment on the modified loan. In the event of rescission or denial of coverage, MGIC will be entitled to be reimbursed for that portion of the Advance Claim Payment that is not applied to pay a claim, and MGIC may recover such amount owed by offset against other payments owed by MGIC to the insured investor.

**Attachments:**

- Exhibit A – Memorandum of Understanding between Members of the Mortgage Insurance Companies of America and the Housing Policy Council Regarding the Consideration of Primary Mortgage Insurance in the Proposed NPV Test for Loan Modifications
- Exhibit B – Limited Delegation of Modification Authority on Non-GSE Under HAMP
- Exhibit C – MICA HAMP Reporting Template
- Exhibit D – MGIC *Second Look* Request Form