



Loss Mitigation Options and Procedures Loan Services Manager

Effective as of 3/5/2016
Updated as of 3/5/2016

Loss Mitigation

Whereas when a borrower becomes delinquent in their mortgage the Real Estate Settlement and Procedures Act along with the Federal Truth in Lending act mandate that policies and procedures be established to help the borrower understand and apply for all applicable loss mitigation options the lender has established. The lender is not required to use particular criteria in evaluating consumers for loss mitigation.

And whereas Habitat for Humanity of the St. Vrain Valley seeks to help homebuyers remain in their homes through hardships Habitat for Humanity of the St. Vrain Valley will work with the borrower to find possible solutions to help buyers when they are suffering a financial hardship.

Procedure for Loss Mitigation

Homeowners will be given a loss mitigation application along with information about loss mitigation when they indicate to the homeowner services staff that they are experiencing a financial hardship or when they become 60 days delinquent in their mortgage.

When a Loss Mitigation Application is received by the office a notice of receipt will be sent within 5 days of receipt. If the application is incomplete a notice will be sent to the applicant requesting more information.

If a homeowner has a significant change in circumstances which results in an inability to pay they may request assistance or a modified payment through a Loss Mitigation Application.

1. Circumstances will be evaluated individually and proof will need to be submitted to verify claims.
2. Homeowner must demonstrate a willingness to partner with Habitat for Humanity by requesting assistance, providing documents requested in a timely manner, and maintaining good communication throughout the assistance process.
3. Homeowner must comply with all items described in their loss mitigation option.

If the homeowner has a temporary (2 months or less) interruption in their ability to pay their mortgage and they have not requested assistance within the last 12 months they may work directly with the Loan Services Manager and will not need to complete a Loss Mitigation Application.

If the homeowner's circumstance are seen as longer term (3 months or longer) and will cause an inability to pay the mortgage or they have requested assistance from the Loan services Manager within the last 12 months they will need to seek approval from the Mortgage Servicing Committee. A Loss Mitigation Application will be submitted to the office and the Mortgage Servicing Committee will review the application. If the homeowner turns in a Loss Mitigation Application before foreclosure has begun, foreclosure will be postponed until the application has been reviewed.

The Mortgage Servicing Committee will be utilized if the homeowner's request for assistance or any form of modified payments will exceed 2 months and/or the homeowner has requested modified payments within the

last 12 months. The following is the process for seeking approval from the Mortgage Servicing Committee for Loss Mitigation Options.

1. The Homeowner Services Department (HSD) will collect a Loss Mitigation application from the homeowner along with any letters explaining the circumstances, financial information including income and debts (if applicable), previous modifications (if applicable).
2. The Mortgage Servicing Committee will review modification packet including written letters by homeowner requesting assistance, financial background and documentation, and other documentation necessary to provide context for the request.
3. The Mortgage Servicing Committee will make their recommendations based on the list of approved Loss Mitigation Options.
4. When the MSC give its final approval, HSD will notify the homeowner and carry out the proper documenting, signing and monitoring of the approved plan.

Homeowner Services Approved Loss Mitigation Options

Promise to Pay Agreement

A Promise to Pay is a firm commitment of payment arrangements made between the homeowner and the Homeowner Services Department to bring the account current within 2 months. Homeowner must contact the HSD prior to the first missed payment, meet with the HSD and sign a Promise to Pay agreement.

Mortgage Servicing Committee Approved Loss Mitigation Options

Delinquency Workout Agreement (DWA)

A Delinquency Workout Agreement is an approved plan by the MSC to bring the account current. A DWA allows a homeowner to pay an additional amount above the regular monthly payment to cure a past due amount. The homeowner must demonstrate the ability to pay based on an analysis of their financial circumstances. The homeowner must complete and submit a Loss Mitigation Application and submit proof of income, and other documents as deemed necessary. Financial analysis will then be reviewed by the MSC. Upon approval the homeowner will sign an DWA for 6 months. A DWA agreement will be signed between the homeowner and the HSD.

Moratorium

In extreme circumstances, beyond the homeowners control including loss of job, death in the family, accident, illness or injury a moratorium stops the clock or suspends regular monthly payments for 6-24 months and allows the homeowner to recover from a significant loss of income or unexpected expense. This option is only considered in extreme circumstances where the income loss is temporary or when waiting on disability approval. Proceeding the moratorium, the MSC will consider whether a DWA, amortization or modified note is appropriate. A moratorium agreement will be signed between the homeowner and the Executive Director.

Payment Rendered On Time Option (PRONTO)

PRONTO is used when the mortgage has reached 4 months of non-payment and is able to be referred for foreclosure. The homeowner must demonstrate the ability to pay based on an analysis of their financial circumstances. The homeowner will be required to resume their normal monthly payments for 6 months on time. If they are able to successfully complete the 6-month transition period the past due amount or arrears will then be amortized over the remaining term of the loan. This option is only available to a homeowner once during the life of the mortgage. A PRONTO agreement will be signed by the homeowner and the HSD.

New Amortization

A New Amortization of the loan established a new, revised schedule of equal monthly payments of principal over the remaining term of the loan. This option may be applied to homeowners who are struggling to maintain their DWA due to higher payments or following a moratorium. Homeowners must demonstrate their income so a financial analysis can be performed by the HSD and reviewed by the MSC. A New Amortization agreement will be signed between the HSD and the homeowner.

Modified Note

A Modified Promissory Note can be used if their homeowner's circumstance requires a permanent change in the terms of the loan including the principal amount or length of the loan. Circumstances might include permanent disability, death of a co-applicant, divorce or other similar change in circumstance. The homeowner will submit financial information to be reviewed by the HSD and approved by the MSC. Loan terms will be determined at 27% of the total household income or 30 years from the inception of the loan. If the loan is to exceed 30 years it would need to be approved by the board of directors. A Modified Note will be signed by the homeowner and the Executive Director.

Loss Mitigation Letter

This is a legally required notice. We are sending this notice to you because you are behind on your mortgage payment. We want to notify you of possible ways to avoid losing your home. We have a right to invoke foreclosure based on the terms of your mortgage contract. Please read this letter carefully.

Name

Address

Dear

As of X you are currently behind on your mortgage. We highly encourage you to contact our office by calling 303.682.2485 to speak with Julie Gallegos as soon as possible to talk about potential loss mitigation options. Call us today to learn more about your options and instructions for how to apply. The longer you wait, or the further you fall behind on your payments, the harder it will be to find a solution.

Our address is 303 Atwood St. Longmont, CO 80501

Email: jgallegos@stvrainhabitat.org

Phone: 303.682.2485

Loss mitigation options might be available to you include

- Refinancing your loan with another lender
- Modifying your loan terms with us
- Payment Moratorium
- If you are not able to continue paying your mortgage your best option may be to find more affordable housing. As an alternative to foreclosure, you may be able to sell your home and use the proceeds to pay off your current loan.

(Not all homeowners may qualify for the listed options and all will be subject to demonstrated hardship and lender approval)

Boulder County Housing and Human Services provides free foreclosure and financial counseling. We encourage you to set up an appointment with them by calling 720.564.2279 or by going online to www.bouldercountyhc.org

Other options for help include the Federal government. It provides contact information for housing counselors, which you can access by contacting The Consumer Financial Protection Bureau at www.cfpb.gov or www.hud.gov or by calling HUD at (800) 569-4287.

If you intend to seek a loss mitigation option please complete the Loss Mitigation Application and submit supporting documentation related to the hardship you are experiencing so we can better process and evaluate your request.

Sincerely,

Loss Mitigation Application

This application is for purposes of reviewing and responding to a financial hardship that has or will cause a difficulty in making monthly mortgage payments longer than 2 months.

This application does not guarantee that Habitat for Humanity will be able to grant the request.

| | |
|--|--|
| Borrowers Name | |
| Property Address | |
| Explanation of Hardship (please use additional paper if necessary and include documentation such as doctor's note, application for SSI, child support documentation, birth certificate, death certificate, termination notice, etc.) | |
| Income (documentation required) | |
| Estimated time frame for consideration How long is the hardship expected to last? | |
| Borrowers request What are you asking for? (please use additional paper if necessary) | |

For Office Use Only

| | |
|---|--|
| Date Received in office | |
| Receipt Sent | |
| Date Processed and by whom | |
| Resolution or loss mitigation option extended (include documentation, letters sent) | |

Promise to Pay Agreement

This is an agreement between Habitat for Humanity of the St. Vrain Valley and _____

| | |
|--|----|
| Original Loan Amount | \$ |
| Current Balance on Loan | \$ |
| Original Promissory Note Principal Payment | \$ |
| Original Promissory Term | |
| Current Escrow Payment | \$ |

Explanation of Financial Hardship:

I (We) _____ agree to pay _____ monthly payment to Habitat for Humanity of the St. Vrain Valley from _____ to _____.

Starting on _____ I agree to pay _____ to make up for the difference in arrears for Principal until _____ at which time my mortgage will resume at current principal and escrow amounts.

Other Parameters:

Homeowner Signature

Date

Homeowner Signature

Date

Director of Homeowner Services

Delinquency Workout Agreement

This is an agreement between Habitat for Humanity of the St. Vrain Valley and _____

| | |
|--|----|
| Original Loan Amount | \$ |
| Current Balance on Loan | \$ |
| Original Promissory Note Principal Payment | \$ |
| Original Promissory Term | |
| Current Escrow Payment | \$ |

Explanation of Financial Hardship:

I am currently behind by \$ _____

Starting on _____ I agree to pay _____

I (We) _____ agree to make monthly payment to Habitat for Humanity of the St. Vrain Valley from _____ to _____ to make up for the difference in arrears for Principal and shortage in escrow until _____ at which time my mortgage will resume at current principal and escrow amounts.

If I continue to pay as agreed with on time monthly payments I will not be considered late during the agreement time and will not receive delinquency notices. When the agreement is complete my account will be brought current.

If I fail to pay before the 5th of the month this contract will be voided and my mortgage will be considered late. A separate Loss Mitigation Application would need to be submitted to the Homeowner Services Department for consideration. Depending on where the mortgage is I could be turned over to foreclosure.

Other Parameters:

Homeowner Signature

Date

Homeowner Signature

Date

Director of Homeowner Services

Payment Moratorium Agreement

The borrower has demonstrated an extenuating financial hardship. As explained below:

Habitat for Humanity of the St. Vrain Valley honors the request for a Payment Moratorium for _____(borrower name) starting on _____(Date) and continuing until _____(end date).

There will be no attempt to collect payments during this time.

Regularly scheduled payment will begin again on _____.

The borrower is required to meet with Habitat for Humanity of the St. Vrain Valley during the month of _____ to review the agreement and determine the next course of action. If the borrower fails to meet with Habitat for Humanity of the St. Vrain Valley during the aforementioned month and an agreement for future payments cannot be reached the entire sum of the unpaid payments could be due by _____.

The borrower is encouraged to seek financial counseling through one of the HUD approved financial counselors as outlined on their website including Boulder County Housing and Human Services.

Other Parameters:

Homeowner Signature

Date

Homeowner Signature

Date

Director of Homeowner Services

New Amortization Notice

The borrower has demonstrated an extenuating financial hardship. As explained below:

Habitat for Humanity of the St. Vrain Valley honors the request for a new amortization of the loan for _____(borrower name) starting on _____(Date).

| | |
|--|----|
| Original Loan Amount | \$ |
| Current Balance on Loan | \$ |
| Original Promissory Note Principal Payment | \$ |
| Original Promissory Term | |
| New Monthly Principal Payment | \$ |
| Current Escrow Payment | \$ |
| Total for New Monthly Payment | \$ |

The borrower is encouraged to seek financial counseling through one of the HUD approved financial counselors as outlined on their website including Boulder County Housing and Human Services.

Other Parameters:

Homeowner Signature

Date

Homeowner Signature

Date

Director of Homeowner Services

Promissory Note Modification Notice

The borrower has demonstrated an extenuating financial hardship. As explained below:

Habitat for Humanity of the St. Vrain Valley honors the request for a Promissory Note Modification of the loan for _____(borrower name) starting on _____(Date).

| | |
|--|----|
| Original Loan Amount | \$ |
| Current Balance on Loan | \$ |
| Original Promissory Note Principal Payment | \$ |
| Original Promissory Term | |
| New Monthly Principal Payment | \$ |
| Current Escrow Payment | \$ |
| Total for New Monthly Payment | \$ |
| New Term for entirety of loan | |
| Term Remaining | |

The borrower is encouraged to seek financial counseling through one of the HUD approved financial counselors as outlined on their website including Boulder County Housing and Human Services.

A Modified Promissory Note will need to be signed which will supersede the original promissory note within the next 30 days for this request to be valid.

Other Parameters:

Homeowner Signature

Date

Homeowner Signature

Date

Director of Homeowner Services

PRONTO (Payment Rendered on Time Opportunity) Notice

Habitat for Humanity of the St. Vrain Valley honors the request for a PRONTO Agreement of the loan for _____(borrower name) starting on _____(Date) to avoid foreclosure.

| | |
|--|----|
| Original Loan Amount | \$ |
| Current Balance on Loan | \$ |
| Original Promissory Note Principal Payment | \$ |
| Original Promissory Term | |
| Current Escrow Payment | \$ |

Explanation of Financial Hardship:

I am currently behind by \$ _____

Starting on _____ I agree to pay _____ for 6 months.

A PRONTO Agreement (separate from this notice) will need to be signed within the next 30 days for this request to be valid.

The borrower is required to meet with Habitat for Humanity of the St. Vrain Valley during the month of _____ to review the agreement and determine the next course of action. If the borrower fails to meet with Habitat for Humanity of the St. Vrain Valley during the aforementioned month and an agreement for future payments cannot be reached the borrowers account could be turned over to foreclosure.

The borrower is encouraged to seek financial counseling through one of the HUD approved financial counselors as outlined on their website including Boulder County Housing and Human Services.

Other Parameters:

Homeowner Signature

Date

Homeowner Signature

Date

Director of Homeowner Services