



State of New York Mortgage Agency

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JOSEPH STRASBURG
Chairman

STEPHEN J. HUNT
President/CEO

By Mail and E-mail

January 3, 2006

RE: Servicing Updates/Reminders

Dear SONYMA Servicer:

Periodically, SONYMA's Internal Audit staff will perform on-site audits of Servicers to ensure that our guidelines and procedures are being adhered to in accordance with our Servicer's Guide and Servicing Agreement. In general, the findings have been very positive with few issues.

However, our Internal Audit staff have found that certain requirements of the Servicer's Guide and the Servicing Agreement are not being consistently followed. **This letter serves as a formal notice regarding the proper procedures for completing various functions performed by SONYMA Servicers.** In addition, the letter addresses a recent change to New York State law regarding providing borrowers with timely loan satisfactions as well as other changes to our servicing requirements.

NEW YORK STATE LAW CHANGE

Change in New York State Law Regarding Execution of Mortgage Satisfactions

Effective November 7, 2005, New York State Assembly Bill A4540C (Chapter 467 of the Laws of 2005) imposes a monetary penalty on a mortgagee who does not within 30 days of a loan payoff: (a) present a satisfaction of mortgage for recording with the recording officer of the county where the mortgage is recorded, or (b) present a satisfaction of mortgage to the mortgagor or the mortgagor's designee, if so requested by the mortgagor or the mortgagor's designee. The penalty is increased after 60 and 90 days, respectively.

Please be advised that SONYMA holds the Servicer responsible for compliance with this law and payment of any penalty against SONYMA. Be reminded that, upon Servicer's request, SONYMA will provide a limited Power of Attorney enabling the Servicer to execute satisfactions on the Agency's behalf. Most Servicers already have Powers of Attorney recorded in each county clerk's office where they currently service SONYMA loans. We urge you to please check your records to ensure that you have a recorded Power of Attorney agreement in each county you service. If you require an additional Power of Attorney(s), please send a request via e-mail to Mildred Lizardi at mlizardi@nyhomes.org.

Because Servicers have the ability to control this process, any penalties assessed to SONYMA for non-compliance of this law will be passed onto the Servicer.

Please note that Servicers cannot use this Power of Attorney to sign any other documents on behalf of SONYMA.

NOTICE AS TO CERTAIN PROCEDURES REQUIRED TO BE FOLLOWED WHICH SONYMA HAS DETERMINED ARE NOT BEING CONSISTENTLY FOLLOWED

Primary Mortgage Insurance (PMI) Cancellation Policy

SONYMA requires primary mortgage insurance (PMI) coverage on each loan which results in a loan-to-“value of the property” ratio (LTVP) in excess of 80%. SONYMA defines value of the property as the lower of: (a) the original sales price, or (b) the original appraised value. The PMI coverage amount must be sufficient so that the uninsured portion of each mortgage loan does not exceed 72% of the LTVP.

PMI coverage must remain in force until one of the following occurs, at which time coverage must **automatically be cancelled by Servicer**, provided borrowers also meet the below policy change regarding late payments:

- (i) The principal amount of the mortgage loan is reduced to 80% of the original LTVP; or
- (ii) The mortgage loan reaches the mid point of its amortization schedule.

Servicers may not eliminate PMI coverage based solely on the original appraised value (the LTVP must be used) or on a subsequent increase in the appraised value of the financed property. SONYMA understands that its PMI policy may be contrary to that of other mortgage investors, but the policy is consistent with New York State and Federal laws. For more information, please see Section 2.00 of the SONYMA Servicer’s Guide.

Please note that effective immediately, SONYMA is hereby modifying its cancellation policy to only permit cancellations if no mortgage payments have been 30 days past due in the prior 12 months and no payments have been more than 60 days past due in the prior 24 months.

Hazard Insurance – Mortgagee Clause

The borrower’s hazard insurance policy, effective upon SONYMA’s purchase of a mortgage loan, must be endorsed to SONYMA naming us as first mortgagee. Each policy must contain or have attached the standard mortgagee clause. The Servicer’s address must be used in the endorsement in lieu of the SONYMA’s address. A sample of the mortgagee clause is as follows:

State of New York Mortgage Agency
c/o Servicing Institution
Servicer’s Address
City, State, Zip Code

It is the Servicer’s responsibility to ensure that each insurance policy is properly endorsed and to provide any necessary notices of transfer in order to fully protect, under the terms of the policy and applicable law, SONYMA’s interest as first mortgagee.

Further, Section 2.01(f) of the Servicer's Guide requires that SONYMA is named as a mortgagee or additional insured on any condominium, cooperative, or PUD master or blanket insurance policy. Servicers should use their best efforts to comply with this requirement. However, we understand that particularly with condominiums, it may be difficult to accomplish this. Servicers have advised us that instead they have purchased insurance that covers SONYMA for this purpose or in the event that the condominium (or homeowner) association or cooperative corporation allowed the hazard insurance policy to lapse. This type of insurance, if purchased by Servicer, is acceptable to SONYMA and will satisfy the provisions of Section 2.01(f).

For more information, please see Section 2.01 of the SONYMA Servicer's Guide.

Hazard Insurance Loss Settlements

Please review Section 2.02 of the Servicer's Guide regarding hazard insurance losses. Servicers are authorized to endorse any loss draft in an amount of \$15,000 or less. Loss drafts in excess of \$15,000 must be endorsed by SONYMA. Servicers must ensure that they are conforming to this policy.

Required Insurance Coverage for Owned Real Estate (ORE) Properties

Section 2.13 of the Servicer's Guide requires, among other things, that Servicers must obtain liability and vandalism insurance coverage to insure SONYMA against any potential losses. This coverage must be immediately placed on any property SONYMA acquires via foreclosure or deed in lieu of foreclosure. **Effective for all properties owned by SONYMA as of February 1, 2006 and thereafter, Servicers will also be required to obtain hazard insurance for these properties in addition to the current guidelines of liability and vandalism coverage.**

The amount of hazard and vandalism insurance on each property must be sufficient enough to cover the unpaid principal balance of the mortgage with a maximum deductible of \$1,500 per property. The liability coverage must be a minimum of \$1,000,000 per occurrence.

Bankruptcy Proceedings – Documentation Required to be Submitted to SONYMA

Servicer must adhere to the requirements of Section 2.17 of the Servicer's Guide when notified that the borrower has filed for bankruptcy.

Servicers are required to submit to SONYMA all documents listed in Section 2.17, as applicable, in a timely manner. In particular, Servicers must promptly submit the court-stipulated mortgage repayment schedule to SONYMA so that our accounting personnel can properly post monthly remittances.

Maintenance of Separate Trust and Custodial Accounts by SONYMA Bond Indenture

In accordance with Section 1.08 of the Servicer's Guide and the provisions of the Servicing Agreement, Servicer is required to establish and maintain separate trust accounts for the deposit of payments of principal and interest on mortgage loans and separate custodial accounts for deposits of all other payments on mortgage loans for each bond resolution under which mortgage loans are purchased and serviced. SONYMA has three bond resolutions - two of which we are still actively purchasing loans. Funds deposited in these accounts must be limited to the mortgage loans collateralizing the bond indenture and should not be commingled with other bond resolution funds.

The balance in these accounts should never exceed \$100,000. Any excess funds should be wire transferred to SONYMA and credited to the designated revenue trust accounts.

For more information on setting up or maintaining these accounts, please contact Henry Hauk, Assistant Comptroller at 212-688-4000 x567 or henry@nyhomes.org.

OTHER UPDATES/MODIFICATIONS

Calculator for Payoff of Closing Cost Assistance Loans

In February 2003, SONYMA introduced its Closing Cost Assistance Loan (CCAL) product to assist borrowers with the costs associated with the purchase of a home. Since its inception, over 90 percent of all SONYMA borrowers have elected to utilize CCAL. The assistance does not need to be repaid unless the SONYMA loan is paid off within 10 years from origination. Servicers are required to “flag” these loans on their loan servicing system, and prior to satisfying a mortgage with a CCAL, the Servicer is required to contact SONYMA’s mortgage servicing department (Diane Sclafani at 212-688-4000 x397 or dianes@nyhomes.org) to determine if any of the CCAL must be recaptured and remitted to SONYMA.

To assist you in making this determination, SONYMA has devised a CCAL Recapture Calculator. By accurately inputting certain information, Servicers will be able to determine the amount of CCAL, if any, to be recaptured. Please note that the calculator does not eliminate the requirement for Servicers to submit the CCAL Recapture Worksheet (Exhibit K of the Servicer’s Guide) (with the required supporting documentation) and SONYMA must still approve the final amount prior to loan payoff. The calculator is available for download from our website (<http://www.nyhomes.org/home/index.asp?page=445>). It may be opened with *Microsoft Excel 97 or a newer version* and contains instructions. We recommend that all Servicers use the calculator and submit the completed worksheet with Exhibit K. If there are any questions or issues regarding the calculator, please contact Susan Pline at 212-688-4000 x391 or susanp@nyhomes.org.

Requests for Original Cooperative Loan Documents

When requesting original cooperative loan document files from SONYMA for a loan payoff, please allow ten (10) business days. Advise the mortgagor not to set a closing date until the file has been returned by SONYMA to the Servicer.

Required Mold Disclosure Documents for Owned Real Estate (ORE) Properties

SONYMA has developed two new disclosure forms – one of which must be incorporated into each sales contract when selling a property owned by SONYMA. The first disclosure, labeled as “ORE General Disclosure” in the lower left-hand corner of the form, must be attached to each sales contract when Servicer is **not** aware of the presence of mold at the property. The second disclosure, labeled as “ORE Mold Disclosure”, must be attached to each sales contract when Servicer **is** aware of the presence of mold at the property. If the ORE Mold Disclosure form is used, Servicer must list in the appropriate space of the form, all correspondence, documents, reports, etc. it has in its possession that discusses any matters related to the mold. Servicers must also attach these documents to the disclosure form itself. Attached are copies of both disclosure forms.

We are hereby providing you with formal notice reiterating the above requirements and we request that you distribute this information to all relevant personnel within your organization. **Failure to comply with this letter or any other term or provision of the Servicer’s Guide or Servicing Agreement may result in the Servicer’s repurchase of the mortgage loan.** SONYMA is in the process of revising its Servicer’s Guide. Any changes reflected above will be incorporated into the revised version. The Servicer’s Guide may be viewed on or downloaded from SONYMA’s website (<http://nyhomes.org/home/index.asp?page=132>).

We appreciate your attention to these matters. If you have any questions, please contact Susan Pline at 212-688-4000 x391 or susanp@nyhomes.org or June Vogt at 212-688-4000 x485 or june@nyhomes.org.

Sincerely,

A handwritten signature in black ink, appearing to read "George M. Leocata". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

George M. Leocata
Vice President/Single Family Programs

RADON GAS AND MOLD NOTICE AND RELEASE AGREEMENT

Seller: State of New York Mortgage Agency (“SONYMA”)

Purchaser(s): _____

Property Address: _____

PURCHASER(S) IS HEREBY NOTIFIED AND UNDERSTAND THAT RADON GAS AND SOME MOLDS HAVE THE POTENTIAL TO CAUSE SERIOUS HEALTH PROBLEMS.

Purchaser acknowledges and agrees that the property described above (“Property”) may contain the presence of mold and/or radon gas. Radon is an invisible and odorless gaseous radioactive element. Mold is a general term for visible growth of fungus, whether it is visible directly or is visible when barriers, such as building components (for example, walls) or furnishings (for example, carpets), are removed.

PURCHASER ACKNOWLEDGES AND ACCEPTS THAT THE PROPERTY IS BEING OFFERED FOR SALE “AS IS” WITH NO REPRESENTATION AS TO THE CONDITION OF THE PROPERTY.

Purchaser represents and warrants that Purchaser has not relied on the accuracy or completeness of any representations that have been made by SONYMA and/or their agents, independent contractors, (including without limitation Safeguard Properties, Inc.), directors, officers, employees, successors and assigns (collectively, the “Seller”) as to the presence of radon or mold and that the Purchaser has not relied on the Seller’s failure to provide more information regarding the presence or effects of any radon or mold found on the Property.

Real Estate Brokers and Agents are not generally qualified to advise purchasers on radon or mold treatment or its health and safety risks. **PURCHASERS ARE ENCOURAGED TO OBTAIN THE SERVICES OF A QUALIFIED AND EXPERIENCED PROFESSIONAL TO CONDUCT INSPECTIONS AND TESTS REGARDING RADON AND MOLD PRIOR TO CLOSING.** Purchasers are hereby notified and agree that they are solely responsible for any required remediation and/or resulting damages, including, but not limited to, any effects on health, due to radon or mold in, on or around the Property.

In consideration of the sale of the Property to the undersigned Purchaser, Purchaser does hereby release, indemnify, hold harmless and forever discharge SONYMA and their agents, independent contractors, (including without limitation Safeguard Properties, Inc.), directors, officers, employees, successors and assigns (collectively, the “Seller”), from any and all claims, liabilities, or causes of action of any kind that the Purchaser may now have or at any time in the future may have against the Seller resulting from the presence of radon or mold in, on or around the Property.

Purchaser has been given the opportunity to review this Release Agreement with Purchaser’s attorney or other representatives of Purchaser’s choosing, and hereby acknowledges reading and understanding this Release. Purchaser also understands that the promises, representations and warranties made by Purchaser in this Release are a material inducement for Seller entering into the contract to sell the Property to Purchaser.

Words defined or described in the singular herein have the same meaning when used in the plural and vice versa.

Dated this ____ day of _____, 20__.

PURCHASER

RADON GAS AND MOLD NOTICE AND RELEASE AGREEMENT

Seller: State of New York Mortgage Agency (“SONYMA”)

Purchaser(s): _____

Loan #: SONYMA # _____
Servicer Loan # _____

Property Address: _____, New York

PURCHASER(S) IS HEREBY NOTIFIED AND UNDERSTAND THAT RADON GAS AND SOME MOLDS HAVE THE POTENTIAL TO CAUSE SERIOUS HEALTH PROBLEMS.

Radon is an invisible and odorless gaseous radioactive element. Mold is a general term for visible growth of fungus, whether it is visible directly or is visible when barriers, such as building components (for example, walls) or furnishings (for example, carpets), are removed.

PURCHASER ACKNOWLEDGES AND ACCEPTS THAT THE PROPERTY IS BEING OFFERED FOR SALE “AS IS” WITH NO REPRESENTATION AS TO THE CONDITION OF THE PROPERTY.

Purchaser acknowledges and agrees that the property described above (“Property”) may contain the presence of mold and/or radon gas.

Purchaser also acknowledges receipt of the following reports, correspondence and/or pictures (collectively, the “Documents”) with respect to the Property regarding mold: _____

_____.

Purchaser represents and warrants that they have had sufficient opportunity to review the Documents prior to entering into a contract for sale or purchase of the Property.

Purchaser represents and warrants that Purchaser has not relied on the accuracy or completeness of the Documents or any representations that have been made by SONYMA and/or their directors, officers, employees, agents, successors and assigns (collectively, the “Seller”) as to the presence of radon or mold and that the Purchaser has not relied on the Seller’s failure to provide more information regarding the presence or effects of any radon or mold found on the Property.

Real Estate Brokers and Agents are not generally qualified to advise purchasers on radon or mold treatment or its health and safety risks. **PURCHASERS ARE ENCOURAGED TO OBTAIN THE SERVICES OF A QUALIFIED AND EXPERIENCED PROFESSIONAL TO CONDUCT INSPECTIONS AND TESTS REGARDING RADON AND MOLD PRIOR TO CLOSING.** Purchasers are hereby notified and agree that they are solely responsible for any required remediation and/or resulting damages, including, but not limited to, any effects on health, due to radon or mold in, on or around the Property.

In consideration of the sale of the Property to the undersigned Purchaser, Purchaser does hereby release, indemnify, hold harmless and forever discharge SONYMA and their directors, officers, employees, agents, successors and assigns (collectively, the “Seller”), from any and all claims, liabilities, or causes of action of any kind that the Purchaser may now have or at any time in the future may have against the Seller resulting from the presence of radon or mold in, on or around the Property.

ORE Mold Disclosure

Purchaser has been given the opportunity to review this Release Agreement with Purchaser's attorney or other representatives of Purchaser's choosing, and hereby acknowledges reading and understanding this Release. Purchaser also understands that the promises, representations and warranties made by Purchaser in this Release are a material inducement for Seller entering into the contract to sell the Property to Purchaser.

Words defined or described in the singular herein have the same meaning when used in the plural and vice versa.

Dated this ____ day of _____, 20__.

Purchaser's Signature

Purchaser's Signature

Purchaser's Printed Name

Purchaser's Printed Name