



State of New York Mortgage Agency

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JOSEPH STRASBURG
Chairman

STEPHEN J. HUNT
President/CEO

By E-mail and Mail

November 29, 2005

RE: Non-Owner Occupied Properties

Dear SONYMA Servicer:

Section 1.16 of the SONYMA Servicer's Guide requires the Servicer to notify SONYMA immediately if it has reason to believe that a SONYMA mortgaged property is not occupied by the mortgagor as his or her principal and permanent place of residence, a requirement for retaining a SONYMA mortgage loan for the property.

Servicers must use reasonable diligence in assessing whether SONYMA-financed properties are occupied by at least one of the mortgagors. Once notified of a non-owner occupied property, the Servicer must send a letter notifying the mortgagor that the property must be reoccupied immediately as the mortgagor's primary residence, or the entire unpaid principal balance of the mortgage loan, together with accrued interest, will become immediately due and payable. If SONYMA should choose to accelerate the mortgage loan, the Servicer will be required to institute foreclosure proceedings in accordance with Section 2.11 of the Servicer's Guide. **Please note that the Servicer can not institute foreclosure proceedings without SONYMA's consent.**

However, if the mortgagor can prove that the non-owner occupancy is the result of an undue hardship caused by circumstances beyond his or her control, the mortgagor must submit information to substantiate the cause of the hardship. Examples of hardship may include job relocation of the mortgagor required by a current employer, death, illness, or divorce, coupled with a significant decrease in the value of the mortgaged property relative to the purchase price that, based on the Agency's evaluation, would make it financially difficult for the mortgagor to refinance the mortgage loan or sell the home. The Agency will review each individual circumstance and make a final determination. To assist in that determination, the Servicer will be required to procure a third party appraisal of the property at the mortgagor's expense.

Proof of residency or undue hardship must be delivered to the Servicer within twenty (20) days of the date of the letter to the mortgagor. If the mortgagor fails to timely provide satisfactory evidence of residency or proof of hardship, the Agency may instruct the Servicer to accelerate the Note. **Again, the Servicer must not institute foreclosure proceedings without SONYMA's consent.**

SONYMA has designed four letters that the Servicer should send to the mortgagor under these circumstances. Effective with this announcement, Servicers will be required to submit a monthly

report advising us as to who is getting these letters and when. Servicers may devise their own method of providing this information to SONYMA on a monthly basis. For this purpose, SONYMA will accept a copy of each letter that is sent out or a monthly report/spreadsheet outlining, at minimum, which letter was sent to the mortgagor, the date of the letter and the current status.

The first letter (labeled Initial Letter) should be sent to the mortgagor immediately upon the Servicer's knowledge that the property is not the primary residence of the mortgagor. The second letter (labeled Second Notice) should be sent to the mortgagor if the stated conditions have not been met by the mortgagor within the twenty day timeframe. If applicable, the third letter (labeled Consent Letter) notifies the mortgagor that SONYMA has consented to their request to consider that the property is not the mortgagor's principal and permanent place of residence as the result of an undue hardship.

Lastly, the fourth letter (labeled 2-Year Reminder Letter) should be sent to the mortgagor two year's after SONYMA granted consent for the non-owner occupancy status. This follow-up letter requests that the mortgagor provide proof of his or her continuing undue hardship. The mortgagor is required to submit new information with twenty days of the notice.

You will note that the letters require that the borrower obtain, if not already in place, renter's coverage for their hazard insurance policy. If the borrower does not obtain such coverage, we will require the Servicer to force place the coverage and charge the premium to the borrower's escrow account. If the property is vacant, please refer to Section 2.07(B) of the Servicer's Guide.

Servicers may begin using the letters immediately and **must use the new letters for all non-owner occupied status loans on or after March 1, 2006**

SONYMA is in the process of making revisions to the Servicer's Guide. The above changes will be incorporated into the revised guide upon completion. The current version of the Guide may viewed or downloaded from our website by accessing <http://www.nyhomes.org/home/index.asp?page=132>.

If you have any questions regarding the above, please contact June Vogt at extension 485 or Susie Pline at extension 391.

Sincerely,



George M. Leocata
Vice President

Enclosures

INITIAL LETTER

Date

Borrower Name
Borrower Address
Borrower Address

RE: Non-owner Occupancy Status
Loan No.:
Property Address:

Dear Mortgagor(s):

Based upon information we have received, we have been instructed by the State of New York Mortgage Agency (the "Agency") to notify you that it is the Agency's conclusion that you do not occupy (*Property Address*) as your principal and permanent place of residence, a requirement for retaining a SONYMA mortgage loan for the property. A failure to so occupy conflicts with the mortgage document you signed, which states:

"I covenant and agree that I shall within 60 days from the date hereof and thereafter occupy the Property as my primary residence. In the event I shall fail to occupy the Property as aforesaid, then the entire principal balance together with accrued interest under the Note shall, at the option of the Lender, become immediately due and payable."

The Agency has notified us, as the servicer for the mortgage loan on the subject property, that unless the property is reoccupied immediately as your primary residence, the Agency intends to exercise its rights to declare the entire principal balance, together with accrued interest, immediately due and payable.

However, if the non-owner occupancy was the result of an undue hardship caused by circumstances beyond your control, please submit information to substantiate the cause of your hardship. Examples of hardship may include job relocation required by your current employer, death, illness, or divorce, coupled with a significant decrease in the value of the mortgaged property relative to the purchase price that, based on the Agency's evaluation, would make it financially difficult for you to refinance your mortgage loan or sell the home. The Agency will review your individual circumstances and make a final determination. To assist in that determination, the Agency will procure a third party appraisal of the property at your cost.

Proof of residency or undue hardship and proof that your hazard insurance policy on the property has renter's coverage must be delivered to us, as servicer of the mortgage loan, within twenty (20) days of the date of this letter. If you fail to timely provide satisfactory evidence of residency or proof of hardship and of hazard insurance coverage, the Agency will instruct us to accelerate the Note.

No failure or delay on the part of the Agency, the undersigned or any of their respective agents or representatives (collectively, the "Mortgagee") in exercising any of the Agency's rights and remedies hereunder or under the Agency's mortgage loan with respect to the subject property shall constitute a waiver thereof, and no single or partial waiver by Mortgagee of any default or other right or remedy which the Agency may have shall operate as a waiver of any other default, right or remedy or of the same default, right or remedy on a future occasion.

Sincerely,

Servicer

SECOND NOTICE

Date

Borrower Name
Borrower Address
Borrower Address

Second Notice

RE: Non-owner Occupancy Status
Loan No.:
Property Address:

Dear Mortgagor(s):

As stated in our previous letter, dated *(DATE)*, we have been instructed by the State of New York Mortgage Agency (the "Agency") to notify you that since you do not occupy *(Property Address)* as your principal and permanent place of residence, you have violated one of the requirements for retaining a SONYMA mortgage loan for the property. A failure to so occupy conflicts with the mortgage document you signed, which states:

"I covenant and agree that I shall within 60 days from the date hereof and thereafter occupy the Property as my primary residence. In the event I shall fail to occupy the Property as aforesaid, then the entire principal balance together with accrued interest under the Note shall, at the option of the Lender, become immediately due and payable."

As stated in our previous letter, you have been provided with an opportunity to submit information to substantiate any undue hardships which were caused by circumstances beyond your control and contributed to your non-owner occupancy status or to submit proof that you have reoccupied the property as your primary residence. You have not responded to our request. As a result, the Agency intends to exercise its rights to accelerate the Note and to institute foreclosure proceedings.

Further, since you have not provided evidence of hazard insurance with renter's coverage, we have forced into place this coverage on the mortgaged property. The premium will be deducted from your escrow account until your loan pays in full. In addition, please contact your tax consultant regarding your income tax returns. IRS regulations state that once a property financed from the proceeds of tax-exempt bonds (such as yours) has not been occupied by the owner for a period of 12 months or longer, unless waived by the IRS, you may not claim mortgage interest as a deduction on your federal income tax returns.

No failure or delay on the part of the Agency, the undersigned or any of their respective agents or representatives (collectively, the "Mortgagee") in exercising any of the Agency's rights and remedies hereunder or under the Agency's mortgage loan with respect to the subject property shall constitute a waiver thereof, and no single or partial waiver by Mortgagee of any default or other right or remedy which the Agency may have shall operate as a waiver of any other default, right or remedy or of the same default, right or remedy on a future occasion.

Sincerely,

Servicer

CONSENT LETTER

Date

Borrower Name
Borrower Address
Borrower Address

RE: Non-owner Occupancy Status
Loan No.:
Property Address:

Dear Mortgagor(s):

We have been instructed by the State of New York Mortgage Agency (the "Agency") to notify you that based upon the information provided by you, the Agency has consented to your request to consider that the property located at *(Property Address)* is not your principal and permanent place of residence as the result of an undue hardship which was caused by circumstances beyond your control.

By this notice, we remind you that you are required to maintain the proper hazard insurance coverage on the mortgaged property. The policy must include renter's coverage. If it is determined that this coverage is not in place, we will force into place this coverage on the property and the premium will continue to be deducted from your escrow account until your loan pays in full. In addition, please contact your tax consultant regarding your income tax returns. IRS regulations state that once a property financed from the proceeds of tax-exempt bonds (such as yours) has not been occupied by the owner for a period of 12 months or longer, unless waived by the IRS, you may not claim mortgage interest as a deduction on your federal income tax returns.

The Agency reserves the right, at any time but not later than two years from the date hereof, to request proof of residency or continuing undue hardship. New information must be delivered to us, as servicer of the mortgage loan, within twenty (20) days from the date of such request. Thereafter, the Agency will review your individual circumstances and make a final determination whether or not to continue to consent to your request. To assist in that determination, the Agency may procure a third party appraisal of the property at your cost.

If at that time you fail to provide satisfactory evidence of residency or proof of undue hardship, the Agency will instruct us to accelerate the Note and to institute foreclosure proceedings.

No failure or delay on the part of the Agency, the undersigned or any of their respective agents or representatives (collectively, the "Mortgagee") in exercising any of the Agency's rights and remedies hereunder or under the Agency's mortgage loan with respect to the subject property shall constitute a waiver thereof, and no single or partial waiver by Mortgagee of any default or other right or remedy which the Agency may have shall operate as a waiver of any other default, right or remedy or of the same default, right or remedy on a future occasion.

Sincerely,

Servicer

2-YEAR REMINDER LETTER

Date

Borrower Name
Borrower Address
Borrower Address

RE: Non-owner Occupancy Status
Loan No.:
Property Address:

Dear Mortgagor(s):

On *(Date of Approval Letter)*, the State of New York Mortgage Agency (the "Agency") granted consent to continue your non-owner occupancy of the property located at *(Property Address)* due to an undue hardship which was caused by circumstances beyond your control.

The Agency has requested that we, as servicer of the mortgage loan, once again verify the status of your residency. Please provide proof of residency or your continuing undue hardship. New information must be delivered to us within twenty (20) days from the date of this notice. The Agency will review your individual circumstances and make a final determination whether or not to continue to approve your request. To assist in that determination, the Agency may procure a third party appraisal of the property at your cost.

If you fail to timely provide satisfactory evidence of residency or proof of undue hardship, the Agency will instruct us to accelerate the Note and to institute foreclosure proceedings.

We also remind you that you are required to maintain the proper hazard insurance coverage on the mortgaged property. The policy must include renter's coverage. If it is determined that this coverage is not in place, we will force into place this coverage on the property and the premium will continue to be deducted from your escrow account until your loan pays in full. In addition, please contact your tax consultant regarding your income tax returns. IRS regulations state that once a property financed from the proceeds of tax-exempt bonds (such as yours) has not been occupied by the owner for a period of 12 months or longer, unless waived by the IRS, you may not claim mortgage interest as a deduction on your federal income tax returns.

No failure or delay on the part of the Agency, the undersigned or any of their respective agents or representatives (collectively, the "Mortgagee") in exercising any of the Agency's rights and remedies hereunder or under the Agency's mortgage loan with respect to the subject property shall constitute a waiver thereof, and no single or partial waiver by Mortgagee of any default or other right or remedy which the Agency may have shall operate as a waiver of any other default, right or remedy or of the same default, right or remedy on a future occasion.

Sincerely,

Servicer