



State of New York Mortgage Agency

641 Lexington Avenue, New York, NY 10022
(212) 688-4000 • Fax: (212) 872-0789

PRISCILLA ALMODOVAR
President and CEO

By Mail and E-mail

November 12, 2008

RE: Servicing Updates/Reminders

Dear SONYMA Servicer:

In March 2007, the State of New York Mortgage Agency (“SONYMA”) sent a letter to all servicers reminding them, based mostly upon findings made by SONYMA when conducting on-site audits of servicers, that certain requirements of SONYMA’s Servicer’s Guide, the Servicing Agreement, and subsequent servicer bulletins (all available on our website at <http://www.nyhomes.org/home/index.asp?page=132>) were not being consistently followed. The letter reminded servicers of the proper procedures required for completing various functions under these documents.

With this letter, we are repeating many of the items covered in last year’s letter because our 2007 servicer audits revealed many of the same issues. In addition, the letter addresses additional matters as discussed below.

Submission of Seller/Servicer Annual Certification and Financial Statements

Servicers must complete and submit to SONYMA within 90 days of servicer’s fiscal year-end date the Seller/Servicer Annual Certification (Form 240/1-07). This form combines lender and servicer information and certifications into one comprehensive document. We ask that you coordinate your response with your selling counterparts within your organization. If you need assistance in identifying the appropriate person, please contact Susan Pline at 212-872-0391 or spline@nyhomes.org.

A fully interactive pdf version of the form may be downloaded from our website by accessing the link, http://www.nyhomes.org/docs/exh_f_form_240.07.pdf. Please submit the original completed and executed form to Susan Pline, Vice President, Single Family Programs, 641 Lexington Avenue, New York, NY 10022.

In addition, servicers are required to submit their fiscal year-end audited financial statements and if a bank, the corresponding FDIC, FHLBB, OTS, or FFIEC call report (for the quarter ending the same date as the audited financials). Please note that Section I, Item 17 of the Seller/Servicer Annual Certification requires that servicers submit to SONYMA, a copy of their Mortgage Bankers Association of America’s *Uniform Single Attestation Program for*

Mortgage Bankers (“USAP”) or the certification in Item 1122, Servicing Criteria, of SEC Regulation AB, along with the annual certification. If the servicer indicates a response of “No” to Item 17, an explanation for this response should be provided.

New York State Subprime Loan Foreclosure Legislation (S.8143/A10817) Not Applicable to SONYMA Loans

Servicers are advised that SONYMA loans are not subject to the provisions of the recently enacted statute regarding foreclosing subprime mortgages and servicers should not apply the new State law to SONYMA loan foreclosures.

Repayment Plans, Special Forbearance Relief and Modifications

Servicers are encouraged to offer a repayment plan, forbearance plan, or loan modification to borrowers who have encountered temporary financial hardships. Section 2.10 of the Servicer’s Guide provides different options for servicing delinquent accounts. Servicers must use diligence in utilizing these options, when appropriate, prior to requesting SONYMA’s consent to pursue foreclosure action. The repayment plan or forbearance agreement must outline specific dates for the repayments. Servicer must submit a copy of the executed Repayment Plan or Special Forbearance Relief Agreements to SONYMA.

Effectively immediately, SONYMA has amended its policy regarding the maximum length of Repayment Plans and Forbearance Agreements. SONYMA will allow Repayment Plans and Forbearance Agreements to exceed the prior requirement of no more than 12 months, to up to the maximum amount allowed by the PMI/Pool insurer. Servicer must obtain the mortgage insurer, pool insurer and SONYMA approval prior to executing the plan or agreement. Be reminded that servicer must notify SONYMA immediately if the borrower defaults on the plan and the servicer begins the foreclosure process.

Modifications require SONYMA’s prior consent and the approval of the mortgage insurer and the pool insurer. *SONYMA will not approve any modification of an existing mortgage loan that extends the mortgage term and/or changes the interest rate.*

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.

Be reminded that SONYMA must be listed as creditor on the Proof of Claim. The servicer’s address must be used on the claim in lieu of SONYMA’s address. A sample of the Proof of Claim is as follows:

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

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. Servicers are also required to obtain hazard insurance for these properties in addition to 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.

Foreclosure Documentation Process

SONYMA will allow the servicer to execute certain legal documents, on the Agency's behalf, with respect to foreclosure (e.g. Summons and Complaint, Motion for Summary Judgment, etc). The exception is Kings County, where local practice requires the office of the plaintiff, not the office of the plaintiff's servicing entity, to sign the affidavit to compute in connection with motions for summary judgment in foreclosure actions where the defendant borrower has defaulted (not appeared in court).

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 obtain a blanket policy with SONYMA as an additional insured. 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. If SONYMA is not named on the loss draft due to servicer's non-compliance with the hazard insurance requirements stated above, servicer must obtain SONYMA's consent before applying the proceeds of the loss draft. Servicers must ensure that they are conforming to this policy.

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 events occur, at which time coverage must **automatically be cancelled by servicer**, provided borrowers also meet the below policy regarding late payments:

- (i) The current principal balance 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 cancel PMI if any mortgage payments have been 30 days past due in the prior 12 months and if any payments have been more than 60 days past due in the prior 24 months.

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.

Non-Owner Occupied Properties

Section 1.16 of the 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 on the property. Please see our [November 29, 2005 Servicer Announcement](#) for details on the proper procedures for addressing non-owner occupied properties. Note that in the future, SONYMA may elect to change its' policy regarding the timeframe in which to pursue owner occupancy requirements.

New York State Law Regarding Execution of Mortgage Satisfactions

New York State Law 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 Diane Sclafani at dsclafani@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.

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.

Servicer Compliance with the US Patriot Act and Bank Secrecy Act

Servicers must comply with Seller/Servicer Annual Certification, Section VI, paragraph vii, which states: Seller/Servicer is in compliance with all Federal, State and local laws and regulations including relevant consumer and privacy laws. Seller/Servicer shall regularly maintain any procedures required by applicable Federal or State law reasonably designed to determine the identity of mortgagors, as part of the Seller/Servicer's Know Your Customer programs.

General Servicing Matters; Opinions of Servicer's Counsel

The Servicer's Guide requires SONYMA's consent to easements, requests of waiver of any right under the mortgage loan, and other matters affecting the mortgage loan or the subject property. In these cases, servicer shall request in writing SONYMA's approval by furnishing detailed information including, but not limited to, supporting appraisals, surveys, and legal instruments as well as a *recommendation as to a specific course of action*. When the approval of a PMI insurer and/or a pool insurer is required, it should be obtained first together with the consent of all mortgagors. Servicer shall have the responsibility to see that the legal instruments used in connection with changes affecting a mortgage loan are in proper form, and that all requirements under applicable law are met. Any document requiring the mortgagee's consent must be executed by SONYMA. Servicer shall also submit a letter of opinion from servicer's attorney to SONYMA stating (to SONYMA's satisfaction) that all documents presented to SONYMA are complete and accurate, and that the course of action recommended by the servicer and any documents to be executed by SONYMA in connection therewith comply with all applicable Federal, state, and local laws, regulations and ordinances.

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.

We appreciate your attention to these matters. If you have any questions, please contact Susan Pline, Vice President at 212-872-0391 or spline@nyhomes.org or Diane Sclafani, AVP/Servicing Manager at 212-872-0397 or dsclafani@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
Senior Vice President
Single Family Programs