

# SONYMA

## The Mortgage Insurance Fund

### Single Family - Changes to the Revised Servicing Guide

1. Paragraphs, captions, sentences, and phrases were added to broaden and clarify the various topics of the manual in terms of mortgage insurance premiums, loss mitigation, loan workouts and claims filing. The changes are as follows:
  - “Foreclosed loans should not be reported as Paid or Satisfied.”
  - “Insurance coverage for a foreclosed loan should not be cancelled.”
  - “Foreclosed property should be promptly listed with a broker. Delays in the process may affect the claim payment amount”
  - “Additional supplemental claims can be considered with acceptable explanation from the Servicer.”
  - “Reasonable attorneys’ fee is acceptable.”
  - “The submission of a timely claim for loss is recommended.”
  - “Hazard insurance premiums paid prior to default is not claimable.”
2. Section VII (Release of Liability) has been added to clearly states the documentation and conditions required for mortgagors to qualify for a “Release of Liability,” where as one mortgagor is wishing to be released and the acceptance of the responsibility by the other mortgagor.
3. Section II (Loss Mitigation/Loan workouts) was broadened to include Repayment /Forbearance Plan in which partial payments are accepted over a specific period of time, after which the account becomes current.

Section II (Loss Mitigation/Loan workouts) paragraph was added “Loan in jeopardy”- It defines a loan with the potential of defaulting for which the mortgagor has reached out for assistance and advised the loan Servicer of an imminent default.
4. Section III (Sale of an Owned Real Estate Property) was broadened to include acceptable repairs to avoid serious deterioration of an insured property.

**TABLE OF CONTENTS**  
**STATE OF NEW YORK MORTGAGE AGENCY**  
**THE MORTGAGE INSURANCE FUND**

**SINGLE FAMILY SERVICING GUIDE**

**MORTGAGE INSURANCE PREMIUMS**

<b>I</b>	<b>CHANGING A COMMITMENT/CERTIFICATE TO A POLICY IN FORCE</b>	<b>1</b>
<b>II</b>	<b>RENEWAL OF COVERAGE</b>	<b>1</b>
<b>III</b>	<b>TRANSFER OF SERVICING</b>	<b>1</b>
<b>IV</b>	<b>CANCELLATION OF COVERAGE/REFUND OF PREMIUM</b>	<b>1</b>
<b>V</b>	<b>PAYMENT PLANS AND RENEWAL BILLING</b>	<b>2</b>
	Premium Plan Types	2
	Renewal Premium Billing	3
	Renewal Premium Payment	3
	Premium Reminder Notice	3
	Termination of Coverage for Nonpayment of Premium	4
	Termination of Coverage for Unsatisfied Special Conditions	4
<b>VI</b>	<b>EXPIRED INSURANCE COMMITMENTS</b>	<b>4</b>
<b>VII</b>	<b>RELEASE OF LIABILITY</b>	<b>4</b>

**LOSS MITIGATION**

<b>I</b>	<b>DELINQUENT LOAN SERVICING</b>	<b>5</b>
	Contact with the Mortgagor	5
	Non-Owner Occupied Property	5
<b>II</b>	<b>LOAN WORKOUTS</b>	<b>5</b>
	<b>Repayment/Forbearance Plan</b>	<b>5</b>
	Pre-Foreclosure Sale	6
	Deed-In-Lieu (DIL) of Foreclosure/Voluntary Conveyance	6

**TABLE OF CONTENTS**  
**STATE OF NEW YORK MORTGAGE AGENCY**  
**THE MORTGAGE INSURANCE FUND**

**SINGLE FAMILY SERVICING GUIDE**

Loan in Jeopardy .....	7
Foreclosure .....	7
Bankruptcies .....	8
<b>III SALE OF AN OWNED REAL ESTATE PROPERTY .....</b>	<b>8</b>
<b><u>CLAIMS PROCEDURES</u></b>	
<b>I FILING OF CLAIM FOR LOSS .....</b>	<b>8</b>
<b>II EVICTION OF TENANTS .....</b>	<b>9</b>
<b>III CLAIM FOR LOSS .....</b>	<b>9</b>
Type of Claim and Documents Needed .....	10
Claimable Primary Insurance Expenses .....	10
Claimable Pool Insurance Expenses .....	11
Non-Claimable Expenses .....	11
Limitation of Coverage .....	11
Claim Payment Policy .....	11
<b>TRANSFER OF SERVICING FORM .....</b>	<b>Appendix A</b>
<b>CANCELLATION REQUEST FORM .....</b>	<b>Appendix B</b>
<b>CLAIM FOR LOSS FORM .....</b>	<b>Appendix C</b>

**STATE OF NEW YORK MORTGAGE AGENCY  
MORTGAGE INSURANCE FUND**

**SINGLE FAMILY SERVICING GUIDE**

The primary objective of SONYMA's Mortgage Insurance Fund ("MIF") is to assist in the creation and preservation of affordable housing by utilizing its credit enhancement capability. This guide is intended to assist Servicers regarding premium payments, loss mitigation and claims procedures in connection with single-family pool and primary insurance provided by the MIF.

**MORTGAGE INSURANCE PREMIUMS**

**I CHANGING A COMMITMENT/CERTIFICATE TO A POLICY IN FORCE**

A Commitment/Certificate becomes a Policy In Force upon the closing of the insured mortgage loan. The insured must notify the MIF within fifteen (15) days of the mortgage loan closing by submitting the fully executed Commitment/Certificate with the appropriate initial premium.

**II RENEWAL OF COVERAGE**

The MIF will give the insured prior notice of the due date of payment of the applicable renewal premium for continued coverage of each policy. The entire renewal premium must be paid on the due date, with a 45 day grace period.

**III TRANSFER OF SERVICING**

A servicing change takes place when the responsibility for collection of mortgage payments and/or delinquencies, and payment of a renewal premium is transferred to another institution. When this occurs MIF should be notified by submitting a completed Transfer of Servicing Form (sample can be found in Appendix A) to the MIF with the executed Commitment/Certificate. Renewal premium notices will be sent to the Servicer indicated on the Transfer of Servicing Form.

**IV CANCELLATION OF COVERAGE/REFUND OF PREMIUM**

When it becomes necessary to cancel insurance coverage because the mortgage loan has been paid off (**except by foreclosure**) or the loan-to-value ratio has decreased to a level at which insurance is no longer required, please follow these procedures:

1. The Servicer must complete and remit to our office a Cancellation Request Form (sample form can be found in Appendix B).

2. Request for cancellation must be received by the MIF within 90 days following the loan payoff date.

When a mortgage payoff is received, a pro-rata insurance premium refund will be issued to the Servicer once the proper cancellation notice is received by the MIF. The proration is based on the actual number of days the policy was in force. If the coverage being canceled is part of a monthly plan or an annual plan collected in arrears, a premium may be due to the MIF. The MIF will bill the Servicer for the number of days coverage was in place.

The MIF will issue refund checks made payable to the Servicer. Should the refund amount equal zero, the MIF will notify the Servicer that coverage is canceled and that the refund amount is zero.

Should coverage be canceled by the Servicer in error, the MIF will consider reinstatement of the insurance only if the following criteria are met:

1. The policy has not been canceled for more than two years.
2. The mortgage loan payment history shows no more than one 30-days late charge in the previous 12 month period.
3. The property value has not materially declined.

Please do not report foreclosed loans as **paid off** or **satisfied**. By doing so could jeopardize claim payments.

## V PAYMENT PLANS AND RENEWAL BILLING

The MIF offers lenders various plan types and payment methods to select from.

### **Premium Plan Types**

- a. Monthly Renewal Plans  
Premiums under the monthly premium option are calculated by multiplying the original mortgage loan balance by the appropriate premium rate and then dividing by 12. No up-front mortgage insurance payment is required. After closing, forward the MIF Commitment/Certificate to MIF and make sure to provide the loan closing date. The first premium payment is due the same month as the mortgagor's first principal & interest payment, and will be applied in arrears for the previous months. The initial bill may include multiple months. Subsequent billings will apply to the current month due. Unpaid premiums will appear on MIF's subsequent bills.

b. Annual Renewal Plans

Declining/Standard Option

Declining renewal premium is computed by multiplying the outstanding mortgage loan balance on the annual anniversary date by the applicable renewal rate.

Constant /Level Option

Constant renewal premium is computed by multiplying the original mortgage loan amount by the applicable renewal rate on each annual anniversary date.

**Renewal Premium Billing**

a. Annual Coverage

MIF remits a monthly renewal bill for each loan on the anniversary of its effective date. This statement is mailed to the Servicer approximately 45 days before the premium due date.

b. Monthly Coverage

MIF's monthly billing program is billed for the current month due. Premiums billed each month will include any previously billed, but unpaid premiums.

**Renewal Premium Payment**

The following information should be used in the preparation of renewal premium payments:

- a. Bills should be compared with lenders' records to ensure that payment is made for all mortgage loans on which renewal premiums are due.
- b. It is the Servicer's responsibility for remitting the renewal premium for all insured mortgage loans, whether or not a renewal premium bill was sent by MIF. If a bill is missing, the MIF must be promptly notified in writing.
- c. The Servicer can correct any information on the bill (error can be such as: the spelling of the mortgagor's name, address, and premium amount due).
- d. Premium payment must be made payable and remitted to:

**State of New York Mortgage Agency  
Mortgage Insurance Fund  
641 Lexington Avenue  
New York, NY 10022**

**Premium Reminder Notice**

The MIF should receive all annual and monthly premiums due on insured mortgage loans by the end of the month shown at the top of the bill. If the MIF has not received premium payments by this date, a second premium bill will be sent to the Servicer (for annual plans only). The bill will show the mortgage loans for which premiums are past due. Payments for past due premiums are due immediately.

### **Termination of Coverage for Nonpayment of Premium**

Coverage will be terminated if payment of the premium due was not received by the end of the grace period. A notice will be sent to the Servicer showing that the coverage was canceled.

Should coverage be canceled for nonpayment of the premium, the MIF will consider reinstatement of the insurance only if the following criteria are met:

- a. The policy has not been canceled for more than two years.
- b. The loan payment history shows no more than one 30-day late charge in the previous 12 months.
- c. The property value has not materially declined.

### **Termination of Coverage for Unsatisfied Special Conditions**

Insurance commitments canceled because the Special Conditions have not been met will be reviewed for certification and reinstatement upon submission of the following to the MIF Servicing Department:

- a. A request for reinstatement.
- b. All Special Conditions as listed on the Commitment/Certificate of Insurance.
- c. A payment history for the life of the loan showing no late payments.
- d. A check for the initial premium and renewal premium, if applicable.
- e. An updated in-file credit report will be required, if certificate has expired.
- f. A re-certification of value may be requested, depending on local market conditions as determined by MIF.

## **VI EXPIRED INSURANCE COMMITMENTS**

MIF's insurance commitments are valid for a period of six months. Upon expiration of a commitment the Servicer may request an extension for an additional six months new income, credit and asset documents are required. If the appraisal is less than 12 months old, a re-certification of value may be submitted. If the appraisal is more than 12 months old, a new appraisal is required.

## **VII RELEASE OF LIABILITY**

There are instances where a Mortgagor may request release from liability. In such cases, the Servicer must submit the following documentation to MIF for review.

- a. A transmittal letter requesting approval of the release request with the Servicer's reasons for recommending same.
- b. A properly completed FNMA/FHLMC residential loan application by the mortgagor remaining on the mortgage loan.

- c. A residential mortgage credit report on the remaining mortgagor.
- d. A completed verification of employment form or equivalent on the remaining mortgagor.
- e. A completed verification of deposit form or equivalent on the remaining mortgagor.
- f. A current appraisal report on a FNMA/FHLMC form.
- g. A notarized affidavit from mortgagors, establishing the relinquishment of all rights on the part of the mortgagor wishing to be released and the acceptance of full responsibility under the Mortgage Loan by the remaining mortgagor.
- h. Such other documents as MIF may reasonably request.

## **LOSS MITIGATION**

### **I DELINQUENT MORTGAGE LOAN SERVICING**

Communication with the mortgagor is extremely important in servicing delinquent mortgage loans. The Servicer should contact the mortgagor to determine the specific reason for default. This is critical in determining whether an alternative to foreclosure is feasible.

#### **Contact with the Mortgagor**

A Servicer must make every effort to contact the mortgagor before sending the mortgage loan to an attorney to begin foreclosure proceedings. Federal law requires that mortgagor counseling be offered. The Servicer has to make sure that the mortgagor is completely informed that failure to make the mortgage loan payments can result in a foreclosure of the property.

During the initial contact with the mortgagor, a detailed description of the reason for default should be requested. The mortgagor should then be asked when he/she intends to resume payments.

#### **Non-Owner Occupied Property**

SONYMA does not allow renting or leasing of properties. All eligible properties must be owner-occupied. Non-owner occupied status must be promptly communicated to SONYMA.

### **II LOAN WORKOUTS**

Whenever possible, MIF will consider approving a loan workout to avoid a costly mortgage foreclosure.

#### **Repayment/Forbearance Plan (Pool and Primary)**

The MIF allows Repayment/Forbearance Agreements in which partial payments are accepted over a specific period of time, after which the account becomes current.

For loans in active foreclosure status, where the borrower makes a payment to partially reinstate the loan, the foreclosure is paused and the balance of the reinstatement is paid over a specific number of months in installments along with regular payments. In the event of a default on the agreement, the foreclosure action is resumed at the stage where it was paused.

### Conditions

- The minimum partial reinstatement payment is for Attorney's fees/costs and two months of P&I.
- The maximum repayment of the remaining arrears is 24 months.
- The agreement must specify that default of the stipulation terms will result in the foreclosure action resuming at the stage where it paused.
- The loan Servicer may approve a Repayment /Forbearance Agreement, if after reviewing the mortgagor's explanation for the default and the income and credit documentation, the workout specialist feels it is viable. The Servicer may approve a maximum repayment of remaining arrears of 12 months. The Servicer must notify the MIF of the agreement and the terms.

### **Pre-Foreclosure Sale**

Pre-foreclosure sale is more commonly known as a short sale. This is a sale of a property in which the proceeds from sale is not enough to satisfy the mortgage loan. Although this is the most common type of workout, it should not be utilized in every instance.

Before the Servicer recommends a Pre-Foreclosure Sale, the mortgagor's reason(s) for default and circumstances should be evaluated. When it is evident that the mortgagor can no longer afford to keep the property, a private sale may be the only alternative. The mortgagor should list the property with a real estate broker and the list price should be in line with market value. The Servicer should advise the MIF when the property is listed for sale and provide the list price and all sales agent information. A Pre-Foreclosure Sale package should include the following:

- A copy of the sales contract.
- Estimate of seller's closing costs.
- Payoff statement.
- Current financial statements for each party on the mortgage.
- Mortgagor letter explaining reason for default.
- W-2s and tax returns for the past two years for each party.
- Two months prior bank statements.
- Broker's price opinion/appraisal.
- Primary insurer's acceptance letter (unless MIF is the primary insurer).

MIF will promptly review the package and will notify the Servicer in writing of its decision regarding the sale.

### **Deed-In-Lieu (DIL) of Foreclosure/Voluntary Conveyance**

- a. In some cases the MIF will agree to allow the mortgagor to convey title of the property to the lender as an alternative to foreclosure.
- b. The Servicer should discuss some form of cash contribution from the mortgagor for whom a DIL is under review.
- c. The Servicer should recommend that the mortgagor list the property for sale for some period of time before accepting a DIL.

- d. The Servicer submitting a DIL request should make sure that the property's title is clear from liens or encumbrances which could prevent conveyance.
- e. A DIL package for approval must include the following documents.
  - Current financial statements for each party on the mortgage.
  - Mortgagor letter explaining reason for default.
  - W-2s and tax returns for the past two years for each party.
  - Two months prior pay stubs and bank statements.
  - Broker's price opinion/appraisal.
  - Copy of listing agreement.
  - Title search.
  - Primary insurer's acceptance letter (unless MIF is the primary insurer).

### **Loan In Jeopardy**

Loan In Jeopardy is a loan that may not be in default, but where the mortgagor has requested assistance and has advised the loan Servicer of an imminent default.

If a mortgagor with a current loan submits a sales contract, hardship letter, and documentation to evidence the hardship, the MIF will consider approving a Pre-Foreclosure sale.

### **Foreclosure**

- a. Process  
If no mortgage loan workout options are appropriate, foreclosure proceedings should be initiated promptly.

#### When to Begin Foreclosure

Foreclosure proceedings must begin once the mortgage loan is 120 days past due.

#### Diligent Pursuit of Foreclosure

Once foreclosure begins, its completion must be pursued diligently. If the mortgagor initiates legal action or proceeding to forestall foreclosing, the MIF should be notified immediately.

- b. Documents  
The MIF may request copies of all documents related to the foreclosure of the property.
  - Pre-foreclosure title search
  - Foreclosure complaints
  - Referee's Report (if property is sold to a third party at foreclosure sale)
  - Other notices
- c. Bid Price  
MIF requires that the Servicer bid the lower of the outstanding amount owed by the mortgagor or the current market value of the property at the time of the foreclosure sale (documented by a recent appraisal and/or broker's price opinion).

## **Bankruptcies**

When faced with foreclosure some mortgagors seek protection under various chapters of the Federal Bankruptcy Act. In order to proceed with the foreclosure and obtain title, the MIF requires notification of bankruptcy filings and action taken to remove these cases from the protection of bankruptcy court.

- a. Notification to MIF  
If the mortgagor files for protection under the Federal Bankruptcy Act, the MIF should be notified, even if the mortgage loan remains current.
- b. Relief of Automatic Stay  
Appropriate action must be taken to release the automatic stay in any bankruptcy filing if the mortgagor misses two post-petition payments, or immediately in the case of a Chapter 7, no asset filing.

### **III SALE OF AN OWNED REAL ESTATE PROPERTY**

#### Listing the Property for Sale

Once title has been obtained, the property should be promptly listed for sale (for MIF's pool insured loans). Delays in listing the property for sale may adversely affect the claim payment amount.

The Servicer should submit for approval

- a) Broker's price opinion and/or an appraisal.
- b) Recommendation of a list price.

The MIF will promptly notify the Servicer in writing of the list price.

#### Repairs

Some minor repairs are necessary to avoid further deterioration of an insured ORE property and/or to cure cited violation(s).

Approval for necessary repair(s) must be obtained from SONYMA's Servicing manager. A copy of the approval should be included with the claim package to MIF.

#### ORE Purchase Offer

All sale offers received for the property and considered acceptable to the servicer should be submitted to the MIF for approval.

### **CLAIMS PROCEDURES**

#### **I FILING OF CLAIM FOR LOSS**

When filing a claim it is important to comply with the following procedures:

##### When to File the Claim

- a. Primary Claim for Loss should be filed with the MIF within 60 days after title is obtained through a foreclosure sale.

- b. Pool Claim for Loss should be filed within 60 days after the property has been marketed and sold.
- c. Supplemental Claim for Loss should be filed within 90 days after payment of the final claim. If more than one supplemental claim is filed, the loan Servicer must provide an acceptable explanation in order for the additional claim(s) to be considered.

Voluntary Conveyance (DIL): If title was acquired through voluntary conveyance, the 60 day claim for loss filing will begin when the mortgagor signs the deed.

**The failure by the Servicer to submit a Claim for Loss within the time allowed specified may affect the claim settlement.**

## **II EVICTION OF TENANTS**

In some cases, a holdover tenant or mortgagor may still be occupying the property after the foreclosure sale. In this case, the Servicer must promptly start legal eviction proceedings.

MIF will allow the Servicer to offer an occupant “Cash for Keys” (up to \$1,000) if he or she agrees to vacate the subjected property. Once the property has been vacated, the Servicer must arrange for the locks to be changed. Once this has occurred, the Servicer may send the former occupant a check in the amount agreed upon.

### Physical Possession of the Property

Claim for Loss can not be filed prior to getting physical possession of the property.

### Rental Income Received

Rental income received before and after foreclosure mitigate loss for all parties and therefore shall be deducted from any Claim for Loss submitted.

### Eminent Domain or Condemnation

In the event of the taking of a property through the exercise of eminent domain or condemnation, the entire proceeds awarded must be applied toward the reduction of the indebtedness of the mortgage loan.

## **III CLAIM FOR LOSS**

A Claim for Loss form must be completed and submitted to the MIF promptly. A sample form can be found in Appendix C. A generic claim for loss form approved by the Mortgage Insurance Companies of America and the Mortgage Bankers Association can be used as a substitute.

There are different requirements for a Pool Claim and a Primary Claim for Loss.

## **Type of Claim and Documents Needed**

### a. Primary Claim for Loss

- Evidence of mortgagor's title, except when there is an approved pre-foreclosure sale.
- All information requested on such form, as well as any documentation required by MIF in connection with its review of the claim.
- If the MIF elects to purchase the property, evidence that the lender has acquired and can convey merchantable title.
- Complete chronology if foreclosure took more than 24 months to complete.
- Evidence of payments (copies of invoices used for payments - attorney's fees, property taxes, insurances, preservation, condo/coop fees and miscellaneous).
- Loan payment history.

### b. Pool Claim for Loss

- Copy of the HUD1/closing statement regarding the sale of the property.
- Copy of current Appraisal/Broker's Price Opinion.
- All information requested on such form, as well as other documents required by MIF in connection with its review of the claim.
- Evidence of payments (copies of invoices used for payments - attorney's fees, property taxes, insurance, preservation, condo/coop fees and miscellaneous).
- Loan payment history.
- Copy of primary insurer's settlement letter (unless MIF is primary insurer).
- Complete chronology if foreclosure took more than 24 months to complete.

## **Claimable Primary Insurance Items**

- Unpaid principal balance.
- Accrued interest (calculated on 30/360 day year basis through foreclosure).
- Attorney's fees not to exceed 3% of the total principal and accumulated interest.
- Hazard insurance premiums advanced from default through claim submission.
- Real estate taxes due and advanced from default until the next taxable status date after the date of foreclosure.
- Reasonable property preservation expenses.
- Statutory expenses.
- Appraisal/broker's opinion of value fees.

## **Claimable Pool Insurance Items**

- Unpaid principal balance.
- Accrued interest (calculated on 30/360 day year basis through sale of property).
- Reasonable Attorney's fees.
- Hazard insurance premiums advanced from default through sale of property.
- Real estate taxes due and advanced from default until the next taxable status date after the date of foreclosure.
- Condo/cooperative maintenance fees advanced from time of default through sale of property/cooperative shares.
- Reasonable property preservation expenses.
- Statutory expenses.
- Appraisal/broker's opinion of value.
- Real estates commission is limited to the higher of 6% of the sales price or \$2,500.

## **Non-claimable Expenses**

- Late charges.
- Interest penalty.
- Taxes and insurance paid from mortgagor's escrow account.
- Mortgage Insurance premiums.
- Delinquent taxes prior to default.
- Hazard Insurance premiums prior to default.

## **Limitation Of Coverage**

The MIF's coverage is limited to the normal risk of a default caused by a change in the mortgagor's economic circumstances. It does not extend to other risks, such as those from casualty, title problems or fraud.

## **Claim Payment Policy**

### Timing of a Claim

The MIF will pay a claim within 60 days after all required documentation is submitted, subject to the following conditions and requirements.

- a. Additional Documentation  
The MIF may request additional documentation upon receipt and review of a claim. Until MIF receives the additional documentation, the 60 day limit will be suspended.
- b. Access  
If the MIF elects to acquire the property, the 60 day period will be suspended until access is made available.
- c. Acquisition  
If the MIF elects to acquire the property, the 60 day period shall be extended insofar as necessary for there to be 10 days remaining after the insured tenders Merchantable Title to MIF.