Second Look Program

For Non-GSE Modification Programs that use an NPV Model, Effective June 1, 2009

On March 1, 2009, the Mortgage Insurance Companies of America (MICA) reached an understanding with the Housing Policy Council and the United States Department of the Treasury relating to a model procedure as to how loans insured by a private mortgage insurer should be handled when the decision to modify a loan is based on the use of a net present value ("NPV") calculation. A copy of the Memorandum of Understanding is attached as Exhibit A.

This document provides Triad Guaranty Insurance Corporation's ("Triad") procedures for loans that either:

1) Pass the NPV test (NPV "Positive"), or
2) Fail the NPV test (NPV "Negative") and are delivered to Triad for a Mortgage Insurance *Second Look* Review ("*Second Look*").

1) Delegation of Authority for Loans Passing the NPV Test (NPV "Positive"):

To facilitate a streamlined process for modifying loans passing the NPV test, Triad has provided process information and delegation guidelines for the Home Affordable Modification Program (HAMP) for Servicers/Investors. These guidelines apply to GSE and non-GSE loans, as indicated on our website at http://www.tgic.com/hasp.aspx.

Triad's delegation of authority to the Servicer for all programs is conditioned upon the Servicer's adherence to Triad's **HAMP Reporting Requirements,** found at http://www.tgic.com/hasp.aspx.

2) *Second Look* Review for Loans Failing the NPV Test (NPV "Negative"):

Second Look Review Criteria

Non-GSE loans that have not passed the required NPV test must be sent to Triad for the ***Second Look*** promptly after determining the NPV results to minimize the risk of losing the opportunity to modify the loan. A Servicer is permitted to submit for the *Second Look* program immediately after this initial determination of a failed NPV or after considering other modification programs allowed by the investor.

Second Look Operating Guidelines

Following the Servicer's determination that the non-GSE modification failed the NPV test, the Servicer will promptly submit the ***Second Look*** review workout package to Triad, or first review alternative modification programs offered by the investor prior to promptly submitting the package to Triad at HOPE@tgic.com

Submission Package Requirements:

(1) Use Triad's **HAMP *Second Look* Request Form,** found at http://www.tgic.com/hasp.aspx or append the ***Second Look*** data elements to the NPV Data Inputs file (See (3)(a) below). The following data would need to be appended:

- Servicing Company Name
- Investor Name
- Servicer Contact Name
- Servicer Contact Email
- Servicing Company Phone
- NPV Model Used

(2) Each request submitted for the ***Second Look*** review should be identified as an ***MI Second Look Request*** in the subject line for email or fax submissions.

(3) With the ***Second Look*** submission, the Servicer must also deliver the NPV data inputs and NPV model outputs as described below:

(a) Treasury's Base NPV Model Data Inputs:

The Servicer will send an electronic copy of the Microsoft® Excel® back up copy of the NPV Model Submission Tool with validated data used in the NPV submission for the applicable loan. See page 9 in the User Guide – Home Affordable Modification Program Base Net Present Value Model Spreadsheet Tool ("User Guide"), dated April 14, 2009, or subsequent versions, available at www.hmpadmin.com. This file will contain all input data elements as currently noted in the User Guide or as revised in future versions. The Servicer will append to this file the following data elements:

- Servicing Company Name
- Fannie Mae MI Company code – Primary
- Fannie Mae MI Company code – Pool
- Primary MI certificate number
- Pool MI certificate number
- Pool Contract ID
- Gross Unpaid Principal Balance after modification
- Total Dollar Amount Delinquent
- Total Capitalized Dollar Amount

(b) Treasury's Base NPV Model Data Outputs:

The Servicer will send an electronic copy of the NPV model outputs returned to the Servicer in the "_out.csv" file format as described on pages 9-10 in the User Guide referenced above.

(c) NPV Models Other Than the Treasury's Base NPV Model:

In addition to the NPV model inputs and outputs described above, the Servicer must provide a copy of the model used.

Triad Guaranty Insurance

MI Claim Advance Review Process:
Triad will review the ***Second Look*** request and determine whether it will approve an advance claim payment ("MI Claim Advance") in connection with the proposed modification. Triad will determine whether or not to approve an MI Claim Advance based on a full review of the submitted documentation for each borrower including, but not limited to, an assessment of the borrower's cash flows and monthly surpluses.

Preliminary MI Claim Advance Commitment
If approved, Triad will initially send the Servicer an approval notice with a preliminary commitment by Triad to forward the MI Claim Advance when the loan has been modified and is reported to Triad as current.

The Preliminary Commitment Notice will be conditioned for receipt of all required documentation including, but not limited to:

- Hardship letter,
- Income verifications,
- Debt verifications (credit report),
- And all other documentation required in the Preliminary Commitment Notice.

The MI Claim Advance will be reduced by any investor incentives not already factored into the NPV model.

Final MI Claim Advance Commitment
All required documents must be delivered to Triad upon receipt by the Servicer in order for Triad to review for final commitment. If there is a variance in any of the documentation and/or income verification provided by the borrower Triad may modify or withdraw the MI Claim Advance.

Denial
If the MI Claim Advance is denied or withdrawn, Triad will then work with the Servicer to assess other foreclosure avoidance alternatives for the borrower.

MI Claim Advance Payment Requirements:
Triad will remit the MI Claim Advance payment to the Servicer once the modification is reported by the Servicer as closed via Triad's standard **HAMP Reporting Requirements** process (found at http://www.tgic.com/hasp.aspx) within 30 days of the effective date of the modification. The loan default cure must be reported to Triad through normal delinquency reporting.

Subsequent MI Claims:
The MI Claim Advance shall be recoverable as a deduction against a future claim, or, in the event of later rescission or denial of coverage from the original, and any subsequent Servicer/Investor of the loan.

Triad Guaranty Insurance

For questions regarding delegation, workout approval or the *Second Look* Program, please contact:

Loss Management
Phone: 800-628-4744
Fax: 336-723-1001
Email: HOPE@tgic.com

Second Look submissions – HOPE@tgic.com
Website: www.tgic.com

Triad Guaranty Insurance Corporation, In Rehabilitation 101 South Stratford Road, Winston-Salem, NC 27104
1-800-628-4744
Fax 336-723-1001
Email: HOPE@tgic.com

EXHIBIT A

Memorandum of Understanding between Members of the Mortgage Insurance Companies of America and the Housing Policy Council Regarding the Consideration of Primary Mortgage Insurance in the Proposed NPV Test for Loan Modifications

In order to make every effort possible to avoid preventable foreclosures the Mortgage Insurance Companies of America (MICA) and the Servicer Member Companies of the Housing Policy Council have reached a consensus opinion on the use of Net Present Value (NPV) models in the loan modification process.

- No borrower will be excluded from consideration for a loan modification based on the use or application of an NPV model. Instead, all borrowers will have the opportunity to be considered for a modification. While not eliminating the discrimination against borrowers who have primary mortgage insurance (MI) versus those that don't, this approach reduces this differentiation. The required borrower documentation will be collected and evaluated by the servicer. Then the NPV model will be run, including the expected primary MI claim benefits solely to calculate the investor's potential net loss – not as a deciding factor on approval of the modification.

- If the cost of the modification is lower than the investor's net loss and the borrower qualifies for the modification the investor bears the cost of the modification (see Scenario #1 below). This streamlines the process for the servicer.

- If the cost of the modification is higher than the investor's net loss the proposed modification will be sent to the appropriate MI company to consider what financial contribution might create a successful modification. If the MI company approves the modification the investor contributes to the cost of the modification up to their potential net loss, and the MI company would contribute to the cost of the modification via a claim advance in an amount not to exceed the maximum claim amount (see Scenario #2 below). A claim advance made by an MI company will be recoverable by the MI company by reducing any subsequent claim payment. The MI company will have the discretion to approve the modification and the amount of its contribution to the cost of modification.

- If the modification cost is well in excess of the net loss to the investor in foreclosure the modification will not be automatically rejected as is commonly done today. These cases will also be referred to the MI company to determine what financial contribution might create a successful borrower modification. (see Scenario #3 below). The investor will contribute to the cost of the modification up to their net loss, and the MI company, if the modification is approved, would contribute an amount not to exceed the maximum claim amount. The MI company will have the discretion to approve the modification and the amount of its contribution to the cost of modification. This approach expands the universe of borrowers considered for modifications.

- This consensus approach requires that there is a process in place so servicers refer the borrowers falling into Scenario 2 and 3 to the MI company for consideration.

- This consensus approach also requires a consistent and auditable methodology to accurately calculate the NPV with documented and verified calculation inputs.

- This approach will require that the servicers and MI companies collaborate on the operational details in order to implement this solution successfully. To this end, an MI company/Servicer subcommittee will be formed to finalize the operational details and streamline the process.

- Individual MI companies will determine suitable delegation of authority to be granted to the servicer in order to further streamline the approval process.

Nothing herein shall be construed as a waiver of any rights or obligations of an MI company under the applicable MI master policy.

Assumptions	Scenario 1	Scenario 2	Scenario 3
Loan size= $300,000 REO return= $220,000 Gross Loss= $80,000 MI coverage= $50,000 Investor net Loss= $30,000	Modification cost= $20,000 Modification decision=yes Investor burden= $20,000 MI burden= $0	Modification cost= $40,000 Modification decision= yes Investor burden= $30,000 MI burden= $10,000	Modification cost= $90,000 Modification decision= no Investor burden= $30,000 (from FC) MI burden= $50,000 (from FC)

These scenarios are for example purposes only and each borrower modification and the amount of any MI company contribution will be considered based on the individual borrower circumstances and individual MI company guidelines.

EXHIBIT A (Continued)

Process Flow for Private MI Loans Failing NPV Test

1 Loan Fails NPV Test:

Servicer applies NPV "waterfall" test and the Investor cost to modify is greater than the investors estimated net cost to foreclose including MI claim payment

2 Private MI Second Look:

Loan referred to appropriate Private MI Company for "Second Look". MI to determine why NPV test failed and how a "pass" can be achieved with MI financial assistance

a. Complete a cash flow analysis of borrowers entire financial situation including total consumer debt, other financial obligations and living expenses

b. Utilize expanded criteria and MI support to increase successful modifications

3 MI Financial Contribution:

Each MI company, at their sole discretion, to determine appropriate financial contribution in the form of a claim advance that can bring modification parameters into an affordable range

a. Examples of MI assistance include, but are not limited to:
- Borrower payment subsidy
- Bring arrearages current

b. MI submits alternative loan modification proposal including Claim Advance to servicer for final approval.
- This proposal effectively lowers the NPV cost to modify and loan now passes test

4 MI Company Facilitates Other Alternatives to Foreclosure When Immediate Modification is Not Viable:

MI Company supplements the efforts of the servicer by providing bandwidth and expertise in analyzing the file to determine if there are other viable alternatives for foreclosure avoidance. Examples include:

a. Temporary Forbearance: For example, a borrower may need additional time to find new employment or resolve unexpected medical expenses

b. Short Sale: Work with Borrower and Servicer to sell property at a market value less than the amount owed

c. Deed in Lieu: In certain circumstances, the borrower may avoid foreclosure by conveying title to the property in full satisfaction of the debt