



**PMI'S CUSTOMARY  
SERVICING STANDARDS GUIDE**  
for Loss Mitigation and  
Default Loan Servicing

DECEMBER 2010

# Table of Contents

<b>1. Introduction</b>	<b>4</b>
<b>2. General Servicing Requirements</b>	<b>4</b>
2.1. Staffing	4
2.2. Servicing Systems	5
2.3. Policies & Procedures	5
2.4. Quality Control	5
2.5. Servicing Loans with MI	5
<b>3. New Loan Boarding and Servicing Transfers</b>	<b>5</b>
3.1. New Loan Boarding	5
3.2. Servicing Transfers	5
3.3. Welcome Notice and Communication requirements	5
<b>4. Imminent Default</b>	<b>5</b>
<b>5. Default Reporting</b>	<b>6</b>
<b>6. Early Delinquency Intervention</b>	<b>6</b>
6.1. Communication Objectives	6
6.2. Communication Timing and Frequency	6
6.3. Non-prime Loans and Loans with Special Payment Features	7
<b>7. Right Party Contact</b>	<b>7</b>
7.1. Timing and Methods	7
7.2. PMI Borrower Outreach Assistance	7
<b>8. Property Inspections</b>	<b>7</b>
8.1. Property Inspection Timing and Frequency	7
8.2. Using and Reporting Property Inspection Information	8
<b>9. Solicitation for Workout Alternatives</b>	<b>8</b>
9.1. Priority of Workout Alternatives	8
9.2. Solicitation Timing and Follow-up	8
9.3. Ongoing Workout Solicitation	8
<b>10. Loss Workout Hierarchy and Evaluation of Foreclosure Alternatives</b>	<b>8</b>
10.1. Workout Request Response, Follow-up and Evaluation Timelines	9
10.2. Retention Workout Options	9
10.2.1. Home Affordable Modification Program (HAMP)	9
10.2.2. Non-HAMP Modification Program Considerations	9
10.2.3. Retention Solutions Program (RSP)	9

10.3.	Liquidation Workouts - Pre-foreclosure Sale and Deed-in-Lieu .....	10
10.3.1.	Pre-foreclosure Sales .....	10
10.3.2.	Deed-in-lieu .....	10
10.4.	Borrower Financial Participation .....	10
10.4.1.	Postponement of Foreclosure during Workout .....	10
10.5.	Delegated Servicer Program (DSP) .....	11
10.5.1.	Workout Reporting .....	11
10.5.2.	Submitting Non-Delegated Workouts.....	11
<b>11.</b>	<b>Bankruptcy.....</b>	<b>11</b>
11.1.	Servicer Conduct during Bankruptcy Proceedings .....	11
11.2.	Bankruptcy Response Timelines .....	11
<b>12.</b>	<b>Pursuit of Foreclosure or Acquisition of Title.....</b>	<b>12</b>
12.1.	Initial Breach and Foreclosure Referral Review .....	12
12.2.	Initiation and Diligent Pursuit of Legal Action .....	12
12.3.	Postponement of Action .....	12
12.4.	Preservation of Rights.....	12
12.5.	Ongoing Loss Mitigation .....	12
<b>13.</b>	<b>Relevant Policy Provisions .....</b>	<b>13</b>
<b>14.</b>	<b>Glossary .....</b>	<b>14</b>
<b>15.</b>	<b>Resources .....</b>	<b>14</b>
<b>16.</b>	<b>Contact Information .....</b>	<b>15</b>

# PMI'S CUSTOMARY SERVICING STANDARDS GUIDE

## For Loss Mitigation and Default Loan Servicing

### 1. Introduction

The PMI Mortgage Insurance Co. (PMI) **Customary Servicing Standards Guide** (the "Guide") is designed to support your loss mitigation efforts and expedite default Loan servicing by providing guidance on our expectations for servicing according to customary standards. PMI continues to settle Claims in accordance with the terms and conditions of the applicable Policy, and your adherence to the procedures outlined in this Guide will facilitate prompt and accurate settlement of your Claims.

PMI's expectations for customary servicing practices are based on the requirements of the applicable Policy, and are consistent with customary servicing standards as embodied in the guidelines and directives of Fannie Mae and Freddie Mac as well as the U.S. Department of the Treasury's Making Home Affordable program. We also considered RESPA and TILA requirements and guidance provided by the American Securitization Forum in developing the Guide.

The Guide, related Announcements, Guidelines & Tools (e.g., PMI's Delegation Calculator), Approval Request Forms, and Reporting Delegated Workout templates, are published on our website at <http://www.pmi-us.com/servicers/servicingforms.html>.

For additional information or answers to any questions regarding this Guide, contact [lossmitQC@pmigroup.com](mailto:lossmitQC@pmigroup.com).

Note: All capitalized terms not otherwise defined in this Guide or in the [Glossary](#), section 14, shall have the meanings given to them in the applicable Policy, as endorsed.

### 2. General Servicing Requirements

Servicers must have adequate management and staff, properly trained, with capacity to effectively handle Default servicing activities. Servicing systems must provide sufficient functionality to effectively manage processes and provide adequate reporting on Loan status, loss mitigation activities, and performance. Servicers must also have written policies and procedures that require adherence to adequate quality control measures to ensure compliance. Loans insured by PMI must be serviced with at least the same level of diligence as uninsured loans.

#### 2.1. Staffing

- a. Staff and management capacity must be sufficient to provide effective administration of Loan servicing and loss mitigation.
- b. Staff must be properly trained to determine a Borrower's ability and willingness to pay, and administer appropriate workout alternatives.
- c. Staff capacity must be adequate to ensure timely and responsive communication with Borrowers and minimize:
  - Hold times prior to connection with an agent, and
  - Inbound call abandonment rates.
- d. Outbound calling capacity and strategies must ensure diligent efforts are made to achieve right party contact (see section 7, [Right Party Contact](#)).

## **2.2. Servicing Systems**

- a. Servicing systems must be able to effectively track and manage all key steps in the Loan servicing process. In addition to effective workflow management, systems must capture key activity steps and provide detailed workout status reporting.
- b. Systems and procedures must ensure thorough documentation of all activities and communications. Workout documentation submitted by or on behalf of Borrowers must be accurately captured, catalogued, evaluated, and processed in a timely manner. All documents and system notes should be made available to PMI upon request.

## **2.3. Policies & Procedures**

Servicer's written Default policies and procedures must provide clear and thorough guidance to staff and be readily accessible. Policies and procedures must include ongoing activities to mitigate loss throughout all of the stages of Default. Where the applicable investor or other policy reference source or alternative industry leading sources or directions for similar servicing activities are silent on a topic, PMI expects the Servicer to follow reasonable and prudent practices to mitigate the loss on the Loan.

## **2.4. Quality Control**

Quality control measures must effectively monitor implementation of and adherence to policies and procedures.

## **2.5. Servicing Loans with MI**

Loans insured by PMI must not be disadvantaged in terms of inclusion in Borrower outreach campaigns, workout opportunities, or in any manner in the diligence of servicing.

# **3. New Loan Boarding and Servicing Transfers**

## **3.1. New Loan Boarding**

New Loan boarding should include a process to validate the accuracy and completeness of data.

## **3.2. Servicing Transfers**

PMI expects that servicing will be transferred in accordance with the terms of the Policy and that transferee Servicers will follow customary servicing standards to mitigate the potential that the servicing transfer will cause the Borrower to Default or exacerbate an existing Default. Servicing transfers require timely and effective communication to prevent Borrower confusion that could result in increased or worsened Defaults. An accurate and complete transfer of data from the originator or prior Servicer to the acquiring Servicer is necessary to prevent or minimize any servicing transfer disruptions. Any pending workout or loss mitigation activity in process with the prior Servicer at the time of transfer must be immediately and diligently pursued by the acquiring Servicer.

## **3.3. Welcome Notice and Communication requirements**

A notice of transfer must be delivered to the Borrower at least 30 days prior to the actual transfer by the transferor or transferee or both in a combined effort. A welcome letter must be sent to the Borrower by the new Servicer within 5 days after the transfer. A minimum of three welcome call attempts are required within 30 days by the end of the month following the month of transfer. The welcome calls should confirm the account status with the Borrower, advise the Borrower of any payment instructions, provide the Servicer's contact information and address any questions raised by the Borrower.

# **4. Imminent Default**

Early intervention is essential to prevent and resolve delinquencies before the situation worsens, or the Borrower abandons the Property or loses interest in achieving a positive resolution.

A Borrower who is current or has only one payment due and unpaid by the end of the month in which it is due, who contacts the Servicer to request assistance, must be evaluated to determine if he or she is at risk of Imminent Default. Systems and/or processes must ensure that all requests for assistance are adequately addressed, documented, evaluated and dispositioned. If workout assistance is appropriate and approval authority is beyond the delegated loss mitigation authority provided to the Servicer by PMI (see section 10.5., [Delegated Servicer Program](#)), the workout request must be submitted to PMI for consideration.

## 5. Default Reporting

Timely, accurate and thorough Default reporting is essential to effective administration of the Policy and PMI's ability to support the Servicer's efforts to resolve Loan Defaults. Default reporting can be submitted to PMI through one of several methods, including fax, EDI transmission, or via the Internet through our secure [e-PMI](#) channel. Instructions for submitting delinquency reporting is available by contacting PMI at [pmidefault.reporting@pmigroup.com](mailto:pmidefault.reporting@pmigroup.com) or 800.795.4764.

Timely Default reporting is required under the terms of the applicable Policy. Servicers generally report the delinquency to PMI after the Borrower is two payments in Default. See the applicable Policy for the specific maximum contractual NOD notice periods.

The Policy also provides that *"the Insured must provide monthly reports on the status of the Loan and efforts to remedy the Default or conclude Appropriate Proceedings, until the Borrower is no longer in Default, the Appropriate Proceedings terminate, or until Title to the Property has transferred to the Insured."*

## 6. Early Delinquency Intervention

Early delinquency intervention is critical to prevent and mitigate losses before arrearages increase or Borrowers lose hope and withdraw from communications.

### 6.1. Communication Objectives

The objective of every communication should be to gather and provide all necessary information to achieve a positive resolution. Discussions with the Borrower should be designed to meet the following objectives:

- Attempt to cure the Default.
- Determine the reason for Default.
- Determine the Borrower's willingness to pay.
- Determine the Borrower's ability to pay.
- Determine if the Borrower intends to keep or dispose of the Property.
- Determine whether there is Hardship and to what extent.
- For Borrowers who lack the ability to pay according to the existing terms of the Loan, explain workout alternatives, and documentation requirements and the workout process.
- In the event of "strategic Default", educate the Borrower about the consequences of Default and/or foreclosure. Such consequences may include credit, tax liability and/or personal liability for any deficiency loss, subject to applicable laws.
- Advise of the availability of credit counseling services, non-profit agencies, and/or state housing programs that may provide assistance.

### 6.2. Communication Timing and Frequency

Within 5-18 days after a Default occurs or upon discovery in the case of an Imminent Default, the Servicer must begin taking steps to cure or prevent the Default.

- A payment reminder notice (and late charge assessment notice, if appropriate) must be sent to the Borrower within 16-18 days after Default.
- Outbound calling attempts, beginning at 5-18 days after Default occurs, at a minimum of 2 calls per week, must continue until:
  - a. Both right party contact is made and a promise to pay or payment is received;
  - b. A reasonable resolution is negotiated; or
  - c. The case is removed from the calling queue due to justifiable reasons based on a response from the Borrower.
- Call attempts must be made at varying times and to all available phone numbers (where permitted by applicable laws).

### 6.3. Non-prime Loans and Loans with Special Payment Features

Non-prime Loans including alternative documentation (stated income, etc.), credit impaired Loans (expanded approval, etc.) and Loans with special payment features such as option arms or interest-only payments, require more targeted servicing practices due to these additional risk factors. In addition to the other requirements in this Guide, the following servicing practices are customary and should be applied to Loans with additional risk factors:

- Rigorous determination of the reason for Default (money management issues, self-employed cash-flow, etc.) and effective educational counseling.
- Initial call timing should begin 5-10 days after Default.
- Extra diligence in all aspects of Loan servicing, including loss mitigation solicitation and communication follow-up throughout all stages of Default, is essential for resolving delinquencies on Loans with additional risk factors.
- Diligent efforts must be made to obtain investor or trustee approval, as applicable, for appropriate workout transactions. Guidance provided by the American Securitization Forum should be followed for exercising authority under pooling and servicing agreements or obtaining required approvals for workout transactions on Loans that are part of a private label securitization.

## 7. Right Party Contact

Establishing contact with the Borrower(s) (“right party contact”), early in the delinquency is essential to formulating and implementing a resolution. Diligent efforts must be made to obtain valid contact information for all Borrowers on the Loan. Use of automated dialers, which may be cost effective for high volume calling campaigns, should not be solely relied upon for achieving right party contact. Servicers should vary call times, use “best time to call” software that considers time zones and prior successful contact times, and seek alternative contact information for “no contact” cases early in the delinquency, as these are all essential practices to achieve right party contact. Additional contact methods include, but are not limited to, priority or hand delivery services, “door knock” face-to-face property visits, and skip tracing when contact attempts using other methods have been unsuccessful.

### 7.1. Timing and Methods

In the absence of right party contact, Servicers must make diligent efforts to locate and contact all Borrowers. If the Servicer does not have a working or valid phone number for the Borrower(s), a phone number search should be conducted by the 30<sup>th</sup> day of delinquency. If right party contact has not been made by the 60<sup>th</sup> day of delinquency, within the following 30 day period, Servicers must utilize telephone search services, credit reports, face-to-face “door knock” services, skip tracing, or other services, where permitted by applicable law, to determine valid phone numbers and addresses to establish right party contact. If these search methods produce a valid phone number and/or address, the Servicer must then act upon that information to attempt to obtain right party contact.

### 7.2. PMI Borrower Outreach Assistance

PMI supplements Servicer’s efforts to achieve right party contact through Borrower outreach programs. As stated in section 5, [Default Reporting](#), accurate Default reporting is essential to our ability to effectively administer the Policy and support your efforts. If you would like PMI’s help in reaching out to Borrowers through our “No contact” Borrower outreach program, please contact the Homeownership Preservation Initiatives (HPI) department at [home.preservation@pmigroup.com](mailto:home.preservation@pmigroup.com) or 800.685.4764.

## 8. Property Inspections

Determination of a Property’s occupancy, condition, and potential sale listing information are essential to evaluating the Borrower’s intentions with respect to the Loan and related Property. In some cases, a property inspection may aid in establishing right party contact.

### 8.1. Property Inspection Timing and Frequency

The Servicer must obtain property inspections in accordance with investor guidelines, or if not specified by the investor, by the 90<sup>th</sup> day of delinquency and once every month thereafter until the Default is cured or a retention workout has been agreed to and the Borrower has begun to make payments according to the terms of the retention workout. The property inspection must indicate if the Property is occupied by the Borrower, vacant, or occupied by someone other than the Borrower. It must also indicate the condition of the Property and any Realtor contact information, if the Property is listed for sale.



## **8.2. Using and Reporting Property Inspection Information**

Property inspection results should be captured on the Servicer's data systems and must be considered in determining the Servicer's course of actions. As indicated in section 5, [Default Reporting](#), accurate reporting, including the Property's occupancy status, to PMI is essential to our ability to support your efforts and administer the Policy.

## **9. Solicitation for Workout Alternatives**

As soon as it is determined that the Loan is uncollectable according to the existing terms of the promissory note, solicitation for and communication of workout alternatives is appropriate.

### **9.1. Priority of Workout Alternatives**

All retention workout alternatives must be fully communicated to the Borrower and diligently pursued prior to consideration or offering of any liquidation workout, such as a pre-foreclosure sale or deed-in-lieu (DIL) of foreclosure.

### **9.2. Solicitation Timing and Follow-up**

Written solicitation must explain the availability of workout alternatives, must be supplemented by outbound calling with the purpose of determining if the Hardship is short-term or long-term in nature and must include a discussion of possible workout alternatives.

If the Borrower's Hardship is short-term in nature, a short-term repayment plan might be appropriate. However, for Borrowers with a long-term Hardship, both written and outbound calling solicitation that introduces workout alternatives must begin by the 60<sup>th</sup> day of delinquency. A second loss mitigation solicitation notice must be sent by the 90<sup>th</sup> day of delinquency. The second solicitation letter must be sent by 1) regular mail, and 2) certified or registered mail, overnight delivery service (e.g. Fed-X or UPS) with a return receipt, or hand delivered by a "door knock" service provider. The second written solicitation must be accompanied by at least four phone call attempts, at varying times, to all available phone numbers.

### **9.3. Ongoing Workout Solicitation**

Written loss mitigation solicitation notices must be sent throughout all stages of the Default, with at least one solicitation letter every 90 days. Each written solicitation must be accompanied by at least four attempts to contact the Borrower by phone in the following two week period.

Outbound calling campaigns must also continue throughout the Default, unless prohibited by bankruptcy or other applicable law. A combination of written communications and call attempts (combined at least two attempts per month) must continue after initial right party contact, throughout the Default, to determine if the Borrower's circumstances have changed such that a workout is appropriate.

## **10. Loss Workout Hierarchy and Evaluation of Foreclosure Alternatives**

PMI's Loan workout hierarchy requires that you first evaluate a Borrower to determine if a retention workout is appropriate. If a retention workout is not appropriate, then consider other foreclosure prevention alternatives to resolve Borrower delinquencies such as a pre-foreclosure sale or DIL. As previously stated in section 9, [Solicitation for Workout Alternatives](#), above, all retention workout alternatives must be fully communicated to the Borrower and diligently pursued prior to consideration of any liquidation workout. For Loans that are part of securitization transactions, guidance provided by the U.S. Department of the Treasury (Making Home Affordable (MHA) program) and the American Securitization Forum should be followed regarding pursuit of modifications on a "best efforts" basis.



## 10.1. Workout Request Response, Follow-up and Evaluation Timelines

PMI expects Servicers to respond to requests for workout assistance by or on behalf of Borrower(s) in accordance with applicable industry standards, including but not limited to, guidelines provided by the Making Home Affordable (MHA) Directives, Fannie Mae Guides and Lender Letters and Freddie Mac Guides and Bulletins. Where the applicable Policy reference source or alternative industry leading sources or directions for similar activities are silent on a topic, PMI expects the Servicer to follow reasonable and prudent practices to mitigate the loss on the Loan.

When a Borrower requests Loan workout assistance, within 10 days of the initial request, the Servicer must provide the Borrower with written acknowledgement of the request that includes instructions and documentation requirements for workout consideration. If no application for assistance or supporting documentation is received within 15 days of the initial written acknowledgement and instructions, a second written communication outlining the requirements must be sent and the Servicer must make at least three additional attempts to contact the Borrower by phone during the following 15 day period.

Within 10 days of the initial receipt of documentation for a pre-foreclosure sale or 30 days for all other workouts, the Servicer must assess the documentation for completeness and take the following actions:

- If documentation is complete, issue an approval, denial or counter if appropriate, or
- Send a written request for any missing documentation, providing the Borrower 30 days to respond. At least three attempts to contact the Borrower by phone must be made during the initial 30 day period while attempting to obtain documentation.

If the required documentation is not received by the 30<sup>th</sup> day, the Servicer must do all of the following:

- Send another written communication outlining the required documentation and notifying the Borrower that if it is not received within 15 days, the request for assistance may be denied.
- At least three additional attempts to contact the Borrower by phone during the additional 15 day period following the second notice.
- At least one of the notices of required documentation must be sent by certified or registered mail, overnight delivery service (e.g. Fed-X or UPS) with a return receipt, or hand delivered by a “door knock” service provider.

## 10.2. Retention Workout Options

PMI requires that Servicers offer and exhaust all available retention workout options before considering the Loan for a liquidation workout option. If a Borrower has met all requirements for a loan modification, Servicers must finalize the modification within 60 days of a Borrower fulfilling all trial payments and any other requirements for approval. This 60 day period includes the 30 days for Borrower execution and return of the modification documents.

### 10.2.1. Home Affordable Modification Program (HAMP)

Providing the investor participates in HAMP, if a Borrower is eligible and meets all of the qualifying criteria for the program then the Servicer must approve and offer HAMP to the Borrower. See section 10.5, [Delegated Servicer Program](#), below for information on PMI approval requirements.

### 10.2.2. Non-HAMP Modification Program Considerations

If a Borrower is determined to be not eligible or not qualified for HAMP, each successive alternative modification program must be considered within 10 calendar days of when it was determined that the Borrower did not qualify for a prior modification program. See section 10.5, [Delegated Servicer Program](#), below for information on PMI approval requirements. Servicers must diligently attempt to obtain investor approval on a “best efforts” basis.

### 10.2.3. Retention Solutions Program (RSP)

Subject to investor approval, Loans that have failed to qualify for all available Loan modification programs (including HAMP) should be considered for PMI’s Retention Solutions Program (see [www.pmi-us.com/servicingdocs](http://www.pmi-us.com/servicingdocs) for details regarding this program).

### **10.3. Liquidation Workouts - Pre-foreclosure Sale and Deed-in-Lieu**

Preserving homeownership to assist Borrowers, stabilizing communities and mitigating losses should always be the first priority. Liquidation workouts including pre-foreclosure sales and DILs should be pursued only after all reasonable retention workout alternatives have been attempted and exhausted.

#### **10.3.1. Pre-foreclosure Sales**

When a pre-foreclosure sale is determined to be the appropriate resolution, timely evaluation and response is essential so that potential buyers do not become frustrated and cancel their purchase offer. Servicers may arrange for a pre-foreclosure sale of the Property and PMI will waive its right to pre-approve the pre-foreclosure sale provided the sale complies with all of the criteria outlined in PMI's [Delegated Servicer Program](#) which includes Home Affordable Foreclosure Alternatives (HAFA). See section 10.4, [Borrower Financial Participation](#), below for guidance on determining participation.

#### **10.3.2. Deed-in-lieu**

If a pre-foreclosure sale has been approved and for any reason does not close within the prescribed time, a DIL should be considered. See section 10.5, [Delegated Servicer Program](#), below for information on PMI approval requirements. Any [Borrower financial participation](#) that would have been required as a condition of the pre-foreclosure sale approval must also be a required condition to the DIL.

### **10.4. Borrower Financial Participation**

For non-HAMP, non-HAFA workouts, Borrowers must be advised at the beginning of the process that they are expected to honor their debt to the best of their ability and they may be required to participate financially in the loss by making a cash contribution and/or signing a promissory note.

Servicers should evaluate the Borrower's ability to pay and/or contribute to reduce the loss. If a Borrower exhibits any of the following characteristics, then financial participation in the form of cash and/or a promissory note should be considered.

1. the ability to continue making payments, but refuses to do so, or
2. high surplus income, or
3. unencumbered liquid assets (non-retirement cash, checking, savings and investment accounts) equal to or more than the greater of:
  - a. 3 months of mortgage payments (PITI), or
  - b. \$5000.

If a Pre Foreclosure Sale or DIL was previously submitted to and pre-approved by PMI with a Borrower participation requirement (cash and/or promissory note) and the approved transaction failed to close, or if the Pre Foreclosure Sale or DIL was denied by PMI due to the Borrower's unwillingness to contribute toward the remaining debt obligation, PMI's requirement for Borrower participation will remain for any subsequent Pre Foreclosure Sale or DIL, unless the requirement is expressly waived by PMI.

#### **10.4.1. Postponement of Foreclosure during Workout**

Postponement of foreclosure activity to facilitate a Loan workout may be appropriate in certain instances. Foreclosure activity should be postponed during any trial payment plan as long as the Borrower remains current within the plan (payment must be paid by the last day of the month in which it is due). A foreclosure sale must not be held while a Borrower is on a trial payment plan, during the appropriate document gathering process period or after submission of all required documentation, prior to evaluation for any available retention workout alternatives. See section 10.1, [Workout Request Response, Follow-up and Evaluation Timelines](#).

Foreclosure activity should continue during any pre-foreclosure sale marketing period prior to receipt of a purchase offer; however any foreclosure sale that is scheduled to occur during the term of a Home Affordable Foreclosure Alternatives (HAFA) marketing period, prior to evaluation of a purchase offer that has been received, or prior to closing of any approved pre-foreclosure sale, must be postponed.

Unwarranted postponements of a foreclosure sale to pursue pre-foreclosure sale offers that are not approved by PMI and that do not mitigate the payment of the Insurance Benefit under the Policy, or a DIL, may result in the Claim Amount being limited to the time when the foreclosure sale was, or should have been scheduled to occur, plus the applicable Claim filing period.

### **10.5. Delegated Servicer Program (DSP)**

PMI's Delegated Servicer Program (DSP) provides Delegates with flexibility in offering and structuring appropriate Loan workout alternatives. The DSP provides clear guidelines for Delegates to exercise delegated authority for the various workout alternatives. The DSP guidelines are published at [www.pmi-us.com/servicingdocs](http://www.pmi-us.com/servicingdocs). PMI's delegation of authority to the Delegatee for all programs is conditioned upon the Delegatee's adherence to these guidelines including but not limited to PMI's standard monthly workout reporting requirements (described in section 10.5.1, [Workout Reporting](#), below). Failure to adhere may limit coverage on the Loans subject to the applicable Policy up to a complete reduction of any insurance benefit as of the workout date.

#### **10.5.1. Workout Reporting**

Timely and accurate workout reporting is essential to PMI's ability to support our Delegates. Workout reporting requirements and a link to the workout reporting template are provided in the DSP published at: [www.pmi-us.com/servicingdocs](http://www.pmi-us.com/servicingdocs).

#### **10.5.2. Submitting Non-Delegated Workouts**

If a proposed workout transaction is reasonable and worthy of consideration, but is beyond the Delegatee's delegated authority, the transaction must be submitted to PMI's loss mitigation department for consideration. Any pre-foreclosure sale with an Estimated Pre-Sale Loss of less than the Estimated MI Amount, if not approved by the Delegatee under delegated authority, must be sent to PMI's loss mitigation department for consideration.

Non-delegated workout transmittal forms and documentation requirements are published at [www.pmi-us.com/servicingdocs](http://www.pmi-us.com/servicingdocs)

Workout transactions may be submitted to PMI's loss mitigation department at [loss.mitigation@pmigroup.com](mailto:loss.mitigation@pmigroup.com) or by fax to 888-305-2956. The loss mitigation department may be contacted at 800.685.4764.

## **11. Bankruptcy**

Borrower bankruptcies may present viable loss mitigation opportunities. In the case of a Chapter 7 bankruptcy, the Borrower may be relieved of burdensome consumer debt so that the mortgage affordability is improved. Certain of these Borrowers may be appropriate candidates for modifications and reaffirmation of their mortgage debt. Chapter 13 bankruptcies may also present workout opportunities if Loan workout alternatives are communicated and explored during the bankruptcy proceedings.

Though a Borrower's bankruptcy filing creates an "automatic stay" that restricts the Servicer's ability to communicate with that Borrower, prior to a bankruptcy filing, the Servicer is expected to follow all customary servicing practices, including collection and loss mitigation activity. As noted above and in section 11.1 [Servicer Conduct during Bankruptcy Proceedings](#) below, communication with the Borrower's attorney during bankruptcy may provide an opportunity for loss mitigation. Upon disposition of the bankruptcy, the Servicer must resume appropriate workout activity in a timely manner.

### **11.1. Servicer Conduct during Bankruptcy Proceedings**

During the pendency of a bankruptcy proceeding and where reasonable and appropriate, depending upon the specific facts and circumstances of the Loan in Default, PMI expects the Servicer to 1) send a representative to the "341 meeting of creditors" to attempt a workout, and 2) notify the Borrower's counsel prior to the filing of a motion for relief, that workout options may be considered.

### **11.2. Bankruptcy Response Timelines**

Timely response to bankruptcy filings is necessary to protect PMI's Insured's Claim and minimize any accrual of losses during unproductive delays. Upon notification of any bankruptcy filing, the Servicer must take appropriate action to preserve any rights to the collateral and where appropriate any recourse to the Borrower. Servicers should subscribe to an appropriate bankruptcy filing and status notification service (e.g. Pacer or other electronic court records system) to receive timely notification of

filings and status. Any legal filings required to preserve the creditor's rights to the collateral, or where appropriate, recourse to the Borrower or the bankruptcy estate, must occur within 15 calendar days of the date a Servicer is legally permitted to do so. This includes appropriate filings to obtain relief from the automatic stay. Upon disposition of a bankruptcy, depending on the type of disposition, appropriate activity in compliance with bankruptcy laws, (e.g., routine servicing, collection, loss mitigation or foreclosure) must resume within 10 calendar days.

## 12. Pursuit of Foreclosure or Acquisition of Title

Timely initiation and diligent pursuit of acquisition of the Borrower's Title is required under the Policy and is necessary to mitigate loss. In some cases, initiation of foreclosure may actually prompt a previously unresponsive Borrower to respond. In the absence of substantial progress towards an agreed resolution of the Default, initiation of foreclosure or consensual acquisition of title via a DIL (subject to PMI's approval when required per the [DSP](#)) must be diligently pursued. Unnecessary accruals and expenses that occur as a result of unjustified delays may result in a limitation or curtailment of any Claim for loss.

### 12.1. Initial Breach and Foreclosure Referral Review

A breach letter informing the Borrower that they have violated the terms of the Loan must be sent by the 62<sup>nd</sup> day of delinquency. Prior to referral for the first legal action, a thorough foreclosure referral review must be conducted to ensure:

- Reasonable efforts to contact the Borrower have been made;
- Appropriate workout alternatives have been offered;
- Borrower request(s) for assistance has been properly addressed; and
- Legal requirements have been met for initiation of foreclosure.

Any deficiencies, such as insufficient attempts to contact the Borrower or incomplete solicitation or consideration of workout opportunities and any legal requirements must be remedied.

### 12.2. Initiation and Diligent Pursuit of Legal Action

Referral to legal counsel for the first legal action (in a judicial foreclosure state) or the first notice or action required under the relevant state statutes (in a non-judicial foreclosure state) must occur when the Loan becomes 6 payments in Default unless PMI provides written instructions that some other action be taken. Once Appropriate Proceedings to acquire title have begun, they must be diligently pursued until the proceedings are concluded or the Borrower is no longer in Default. Postponement of the initial referral to legal counsel or postponement of activity *may* be justified as noted in section 12.3, [Postponement of Action](#), and section 10.4.1, [Postponement of Foreclosure during Workout](#).

### 12.3. Postponement of Action

Postponement of foreclosure actions to consummate a viable workout transaction *may* be justified as noted in section 10.4.1, [Postponement of Foreclosure during Workout](#). Any postponement as the result of foreclosure moratoriums imposed by law or investor requirements must be thoroughly documented with clear identification of the starting and ending dates. Pursuit of a favorable workout resolution should be attempted during any postponement period unless prohibited by law.

### 12.4. Preservation of Rights

PMI's rights of recovery from any Borrower must be preserved. Any compromise or waiver of these rights, other than in the context of a delegated workout within the Servicer's delegated authority under the [DSP](#), requires PMI's prior written approval. Bidding at a foreclosure sale must comply with PMI's foreclosure bidding instructions. For bidding instructions, contact [biddinginstructions@pmigroup.com](mailto:biddinginstructions@pmigroup.com).

### 12.5. Ongoing Loss Mitigation

PMI expects Servicers to continue the loss mitigation solicitation and attempts to communicate with the Borrower outlined in section 9, [Solicitation for Workout Alternatives](#), during the foreclosure process unless prohibited by bankruptcy or other applicable law. A combination of written communications and call attempts (combined at least two attempts per month) must continue after initial right party contact, throughout the Default, to determine if the Borrower's circumstances have changed such that a workout is appropriate.

## 13.Relevant Policy Provisions

The Policy requires Servicers to service Loans in accordance with customary servicing standards and to take appropriate actions to mitigate loss. Ineffective Loan servicing may result in curtailment or denial of a Claim. Among the relevant provisions of the Policy are the following:

- **Mitigation of Loss**

*The Insured and its Servicer shall attempt to limit and mitigate loss by adhering to customary servicing standards applicable to delinquent Loans, which may include in appropriate cases, but is not limited to, trying to obtain a cure of Defaults and trying to effectuate a Pre-Arranged Sale or voluntary conveyance of the Property. The Insured shall permit the Company to participate in workout activities for any Loan in Default. Failure of the Insured to materially comply with this Section II, N., with respect to any Loan shall entitle the Company to adjust the Claim Amount by the amount the Company was damaged by such noncompliance. The Company shall attempt to limit and mitigate any loss to the Insured which will not be covered by the Insurance Benefit provided under this Policy.*

- **Exclusions from Coverage**

*The Company shall not be liable for, and the Policy shall not apply to, extend to or cover the exclusions listed below. In the event that coverage is excluded for any Loan, the Company will refund all premium for that Loan for the period following the occurrence of the event giving rise to such exclusion. Except where prohibited by law, if the damage to the Company arising from an excluded event can be reasonably quantified, the Company shall adjust the Claim Amount by the amount of such damage rather than exclude coverage altogether for such Loan, unless a refund of premium as provided for in the preceding sentence would provide a greater payment to the Insured.*

- **Negligence and Fraud Exclusion**

*Any Claim involving or arising out of, or any Claim where the origination of the Loan or extension of coverage hereunder involved or arose out of, any dishonest, fraudulent, criminal, or knowingly wrongful act (including error or omission) by the Insured, the Servicer or any agent of the Insured or Servicer; or any Claim involving or arising out of the negligence of the Insured or the Servicer, which negligence is material either to the acceptance of the risk or to the hazard assumed by the company.*

PMI reserves all rights with respect to the terms and conditions of the Policy.

## 14. Glossary

**Borrower** and **Mortgagor** may be used interchangeably and mean any Person required to repay the debt obligation created pursuant to an insured Loan. The Borrower or Mortgagor may be more than one Person and shall include any co-signer or guarantor of the Loan.

**Delegatee** means either or both the Servicer and/or the Insured as defined in the Policy as the case may be.

**Estimated Maximum Loss Amount (EML)** is the lesser of A or B below:

- A) Estimated Pre sale Loss (EPL)
- B) Estimated MI Amount (EMA)

**Estimated MI Amount** is the sum of the unpaid principal balance (UPB) plus delinquent interest from the date of Default to the date of sale multiplied by the coverage percentage indicated on the PMI Certificate.

**Estimated Pre sale Loss** is equal to the sum of the UPB plus delinquent interest from the date of Default to the date of sale less the estimated net proceeds from the sale. Estimated net proceeds from the sale equal the final sales price less reasonable closing costs and reasonable seller's commission.

**Hardship** means a Borrower's household income and/or liquid assets have been materially impaired thereby making it impossible to meet all required monthly payment obligations including regularly scheduled monthly payments on a Loan insured by PMI, as a direct result of a verifiable unforeseen occurrence which is beyond the Borrower's control, including but not limited to any of the following:

- Death, serious illness or long-term incapacity of Borrower or a member of Borrower's immediate family;
- Divorce or legal separation of Borrower;
- Involuntary job loss of Borrower or member of Borrower's immediate family;
- Call of Borrower or a member of Borrower's immediate family to active duty military service which actually results in reduction of income;

**Imminent Default** shall mean an impending or reasonable certainty of Default caused by conditions which are outside of a Borrower's control and which are incapable of cure in the foreseeable future. For example, a temporary reduction of the Borrower's income might not give rise to an Imminent Default. However, a serious injury which renders a Borrower incapable of working for the foreseeable future may give rise to an Imminent Default.

**Master Policy** and **Policy** shall be interchangeable and mean the policy of insurance issued by PMI, including all applicable schedules, endorsements and Certificates, under which coverage is provided by PMI for an insured Loan.

## 15. Resources

This section contains a list of relevant documents and information currently available on our website at [www.pmi-us.com/servicingdocs](http://www.pmi-us.com/servicingdocs).

### Notification of Delinquency

- Guidelines
- Delinquent Reporting

### Loss Mitigation

- Guidelines & Tools
- Approval Request Forms
- Reporting Delegated Workouts

### Announcements

See link to Servicing Announcements in the left navigation panel.



## 16. Contact Information

### Default Reporting and Claims

Toll-free Telephone: 800.795.4764

Toll-free Fax: 888.305.2978

Email:

General Claims: [pmiclaims@pmigroup.com](mailto:pmiclaims@pmigroup.com)

Default Reporting: [pmidefault.reporting@pmigroup.com](mailto:pmidefault.reporting@pmigroup.com)

REO Offers: [reo.offer@pmigroup.com](mailto:reo.offer@pmigroup.com)

Pool Marketing: [pool.marketing@pmigroup.com](mailto:pool.marketing@pmigroup.com)

### Loss Mitigation

Toll-free Telephone: 800.685.4764

Toll-free Fax: 888.305.2956

Email:

General Loss Mitigation: [loss.mitigation@pmigroup.com](mailto:loss.mitigation@pmigroup.com)

Borrower Outreach Assistance: [home.preservation@pmigroup.com](mailto:home.preservation@pmigroup.com)

Customary Servicing Standard Guide: [lossmitQC@pmigroup.com](mailto:lossmitQC@pmigroup.com)