FHA COVID-19 RECOVERY WATERFALL WORKSHEET
A USER'S GUIDE

May 12, 2023

Joseph Rebella

Mobilization for Justice, Inc.

Funded through the New York State Attorney General
Homeownership Protection Program

TABLE OF CONTENTS

I. Introduction

In 2021, FHA began to offer to special loss mitigation to borrowers with FHA-insured loans who have suffered a pandemic-related hardship. In 2023, FHA altered the rules for these programs, increasing the maximum partial claim and extending the availability of 40-year modifications. FHA also removed the requirement that homeowners have been impacted by the COVID-19 Pandemic and suspended FHA-HAMP. As a result, all homeowners with FHA loans should be considered for COVID-19 Recovery Loss Mitigation Options only.

Mobilization for Justice's FHA COVID-19 Recovery Waterfall Worksheet analyzes homeowners for eligibility under the FHA COVID-19 Recovery Loss Mitigation Options. This Guide lays out the terms of those programs and instructions on how to use the Worksheet.

II. FHA COVID-19 Recovery Loss Mitigation Options

FHA's loss mitigation options for pandemic affected borrowers include the Advance Loan Modification, which is offered without application or request, and the COVID-19 Recovery Waterfall, which the servicer uses to evaluate requests for assistance.

A. The Advance Loan Modification (ALM)

The ALM is a pre-waterfall step, meaning that the servicer is supposed to issue ALMs without an application or request. Servicers should evaluate homeowners who are exiting a forbearance or are more than 90 days in default. Note that the Worksheet does not test for these basic eligibility criteria. Borrowers who are not in forbearance and less than 90 days in default will not be offered an ALM until they either (1) enter and exit a forbearance or (2) fall 90 days into default. The borrower need not live in the home at issue to receive an ALM.

To evaluate a homeowner for an ALM, the servicer capitalizes arrears in to the principal balance of the loan. The servicer then sets the interest rate to the Freddie Mac Primary Mortgage

Market Survey (PMMS) rate rounded to the nearest 1/8 of a percentage point and amortizes the loan over 360 months. The servicer then compares the resulting principal and interest payment to the pre-modification principal and interest payment. If the ALM results in a principal and interest payment reduction of 25% or more, the borrower is offered an ALM. If the ALM does not result in such payment reduction, then the borrower is not eligible for an ALM.

Homeowners who either (1) are not ALM eligible or (2) decline an ALM modification can seek a COVID-19 Recovery Standalone Partial Claim or COVID-19 Recovery Modification.

B. The COVID-19 Recovery Waterfall

Borrowers who live in the home at issue, have a pandemic related hardship and contact their servicers for assistance are evaluated using the COVID-19 Recovery Waterfall. The COVID-19 Recovery Waterfall can result in either a COVID-19 Recovery Standalone Partial Claim or a COVID-19 Recovery Modification.

1. COVID-19 Recovery Standalone Partial Claim

The Standalone Partial Claim is intended to reinstate the borrower in the loan under its pre-modification terms. Eligibility for the Standalone Partial Claim is determined based on (1) sufficiency of the Partial Claim to reinstate the loan, and (2) self-reported affordability of the current mortgage payment.

If the borrower has never had a Partial Claim previously, the available Standalone Partial Claim for COVID-19 Recovery loss mitigation is 30% of the unpaid principal balance of the loan. If the borrower has had a prior Partial Claim, then the available Partial Claim for COVID-19 Recovery loss mitigation is 30% of the unpaid principal balance at the time the prior Partial Claim was awarded, less the amount of the prior Partial Claim.

If the Worksheet user knows the amount required to reinstate the loan, then the user should input that amount. If not, the Worksheet can estimate a reinstatement figure based on the monthly payment, duration of the default and accrued fees.

If the available Partial Claim is sufficient to reinstate the loan, then the borrower is eligible for a Standalone Partial Claim in the amount of the reinstatement figure. Borrowers who choose this option will not have their mortgages' terms altered. Instead, the borrower will simply receive a Partial Claim and return to making their standard monthly payment.

Borrowers who report that their current monthly payment is unaffordable and borrowers with insufficient Partial Claim to reinstate their loans will be evaluated for the COVID-19 Recovery Modification.

2. COVID-19 Recovery Modification

The COVID-19 Recovery Modification is a modification that targets a 25% reduction in the principal and interest portion of the borrower's monthly payment. If the borrower has available Partial Claim, then the COVID-19 Recovery Modification will include a Partial Claim. The COVID-19 Recovery Modification consists of five steps.

Step 1 – Calculate Partial Claim Availability

As noted in Section II.B.1, *supra*, if the borrower has never had a Partial Claim previously, the available Standalone Partial Claim for COVID-19 Recovery loss mitigation is 30% of the unpaid principal balance. If the borrower has had a prior Partial Claim, then the available Partial Claim for COVID-19 Recovery loss mitigation is 30% of the unpaid principal balance at the time the prior Partial Claim was awarded, less the amount of the prior Partial Claim.

Step 2 – Deal with Arrearages

The servicer must calculate all arrearages. Arrearages are defined as accrued interest, advances for escrow items, projected escrow shortage and allowable foreclosure-related fees.

Servicers may include an extra month of arrears to allow time for the borrower to sign and return the final modification. As a default matter, the Worksheet does not include the extra month of arrearages.

The servicer must first apply available Partial Claim funds toward the arrearages. If the arrearages exceed the available Partial Claim, then the servicer must capitalize the remaining arrearages into the modified Mortgage.

Step 3 – Modify the Rate and Term of the Mortgage

After arrearages are either covered by the available Partial Claim or, failing that, capitalized, the servicer must extend the term to 360 months and set the interest rate to the PMMS rounded to the nearest 1/8 of a percentage point.

At this point, the servicer compares the resulting principal and interest payment to the pre-modification principal and interest payment. If the payment has resulted in a 25% principal and interest payment reduction, then the Waterfall is complete and the borrower receives a modification with those terms.

If the resulting payment is not at or below the target, then servicer moves on to Step 4.

Step 4 – Principal Deferment

In Step 4, the servicer determines the amount of Partial Claim needed to achieve the target payment. If there is sufficient remaining available Partial Claim, then the servicer uses that Partial Claim to lower the payment to the target payment.

If the Partial Claim remaining is not sufficient to reach the target payment, then the servicer moves to Step 5.

Step 5 – 40-Year Modification

In Step 5, the term of the loan is extended to 480 months, and the interest rate is set to the

PMMS plus 50 basis points rounded to the nearest 1/8 of a percentage point.

At this point, the servicer compares the resulting principal and interest payment to the pre-modification principal and interest payment. If the payment has resulted in a 25% principal and interest payment reduction, then the Waterfall is complete and the borrower receives a modification with those terms.

If the resulting payment is not at or below the target, then servicer moves on to Step 6.

Step 6 – 40-Year Modification with Principal Deferment

In Step 6, the servicer determines the amount of Partial Claim needed to achieve the target payment. If there is sufficient remaining available Partial Claim, then the servicer uses that Partial Claim to lower the payment to the target payment.

Step 7 – Target Payment Not Achieved

If the target payment is still not achieved using all available Partial Claim, then a modification is offered the modification using the lowest monthly principal and interest payment achieved under the COVID-19 Recovery Modification.

Note that no borrower should be ineligible for the COVID-19 Recovery Modification. The COVID-19 Recovery Modification waterfall always results in a modification offer.

III. Using the FHA COVID-19 Recovery Worksheet

The FHA COVID-19 Recovery Worksheet is a single tab worksheet that evaluates eligibility for FHA's pandemic-related loss mitigation.

A. Worksheet Inputs

- *Loan Type* – the type of loan product. If the borrower has a fixed rate loan that amortizes evenly over the term of the loan, then select "Fixed Rate." If instead, the borrower has an adjustable rate mortgage, select "ARM."

- *Current Monthly P&I Payment* – available only when the mortgage has an adjustable rate, and "ARM" was selected above. This cell requests the amount of monthly principal and interest payments currently due.
- *Term* – term of the loan in months.
- *Current Interest Rate* – the interest rate currently being charged on the loan.
- *Date of First Payment* – day that the first payment on the loan is due. This date is later than the date of origination.
- *Monthly Property Taxes* – amount of property taxes due on a monthly basis, corresponding to the "T" in PITIA.
- *Monthly Homeowner's Insurance* – cost of homeowner's insurance due on a monthly basis, corresponding to the second "I" in PITIA.
- *Monthly Association Fees* – cost of homeowner's association fees due on a monthly basis, corresponding to the "A" in PITIA.
- *MIP* – amount of Monthly Insurance Premium for FHA mortgage insurance.
- *UPB ("Unpaid Principal Balance") Information* – information the user has regarding the UPB, provides three options:
    - *Capitalized UPB* – user has both the UPB at the time of default and the arrears to be capitalized. Such capitalization would include interest arrears and bona fide foreclosure-related costs, but not late fees.
    - *UPB at Default* – user has both the UPB at the time of default, but not the total capitalizable arrears. The worksheet will calculate interest arrears based on the amount of the UPB at Default and time since default, assuming a fixed interest rate.
    - *Default Date Only* – borrower only knows the default date. The worksheet will calculate UPB and interest arrears based on the amortization schedule of the mortgage, assuming a fixed rate thirty year amortization.

  - Note – both the UPB at Default and Default Date Only option calculate tax, insurance and association (collectively "TIA") arrears assuming a concurrent default and fixed costs. This creates three potential calculation inaccuracies. First, an inaccuracy will result if the TIA costs have changed since the default. Second, borrowers, especially those without escrow accounts, may continue to pay some of the TIA costs past the date on which they default of their mortgage. Finally, most TIA costs are not incurred monthly, creating a problem when the charges are evened out on a monthly basis. For example, a borrower who pays for a year of insurance and then defaults for 10 months will have no actual insurance arrears, but the worksheet will indicate the depleting value of the policy and show the borrower as having 10 months of insurance arrears. If the amount of TIA arrears is known and varies from the amount estimated by the worksheet, make adjustments in the foreclosure fees section to even out the numbers.

- *Default Date* – only appears when the user does not have the Capitalized UPB and asks the date of the first missed payment.
- *Allowable Fees and Costs* – only appears when the user does not have the Capitalized UPB and asks the amount of capitalizable fees and costs.
- *Freddie Mac PMMS 30yr Fixed* – requests the current Freddie Mac Primary Mortgage Market Survey for 30 year fixed rate loans. This rate is available by clicking the link on the input title.
- *Amount of Any Previous Partial Claim* – the total amount of any Partial Claims already granted on this mortgage.

- *UPB at Time of Previous Partial Claim* – if the user enters a prior Partial Claim, then the worksheet asks for the UPB at the time the prior Partial Claim was given. This is used to calculate the available Partial Claim.
- *Known Reinstatement Amount* – requests whether or not the amount needed to reinstate the loan is known. If the reinstatement amount is known, the Worksheet prompts for the amount required to reinstate the loan. If not, the Worksheet estimates the amount required based on the pre-modification payment, duration of the default and allowable fees.

B. Worksheet Outputs

In the Advance Loan Modification (ALM) section, the Worksheet shows the capitalized unpaid principal balance. The Worksheet then amortizes that principal balance at the current rate over 360 months and displays the resulting principal and interest payment. The Worksheet also shows the percentage reduction of payment that an ALM would offer the borrower. If that percentage reduction meets or exceeds 25%, then the terms of the ALM will be highlighted purple and the sheet will note that the borrower is ALM eligible.

Regardless of whether or not the borrower is eligible for an ALM, the COVID-19 Recovery Waterfall analyzes the borrower for a Standalone Partial Claim and for a COVID-19 Recovery Modification. The Standalone Partial Claim analysis compares the borrower's available Partial Claim to the loan's reinstatement amount. If the available Partial Claim meets or exceeds the reinstatement amount, then Worksheet will display a message noting the amount of Partial Claim for which the borrower is eligible. If the borrower reports that the mortgage is currently affordable, then the borrower will receive this amount of Partial Claim and return to making the current mortgage payment.

The Worksheet will also display the COVID-19 Recovery Modification analysis. That analysis goes through each of the steps described in Section II.B.2, *supra*. At the end the Worksheet displays the terms of the resulting COVID-19 Recovery Modification.

IV. A Note on the Non-Occupant Loan Modification

FHA also offers a Non-Occupant Loan Modification. The Worksheet does not directly offer an analysis of a borrower's eligibility Non-Occupant Loan Modification. However, the Worksheet can be easily used to determine the terms of a Non-Occupant Loan Modification. A Non-Occupant Loan Modification involves the same change of terms as an ALM – capitalization of arrears, adjustment of interest rate to a market rate and extension of the term to 360 months. Like the COVID-19 Recovery Modification, every applicant is eligible and there are no economic grounds for denial. A worksheet user can therefore look at the proposed ALM terms to determine the terms of Non-Occupant Loan Modification.

V. Further Questions

The Worksheet is created and maintained by Joseph Rebella of Mobilization for Justice, Inc. Please contact jrebella@mfjlegal.org with any questions, concerns or corrections.

Example #1: Standalone Partial Claim

In 2018, Borrower 1 took out an FHA mortgage for $275,000 with a 3.75% interest rate and a principal and interest payment of $1,273.57 per month. Her monthly escrow charges are $450. She consistently paid her mortgage until May 1, 2022 after she lost her job. Her most recent statement indicates that she has an unpaid balance of $252,500 and that $250 of default-related fees have accrued on the account. Borrower 1 recently returned to work at about her previous level of income and believes that she could comfortably go back to making her monthly PITIA payment of $1,723.57 per month.

The Worksheet first analyzes Borrower 1 for an ALM. The current PMMS is 6.35%, so the rate for an ALM is 6.375%. Capitalizing the arrears and amortizing the loan at 6.375% for 360 months results in a principal and interest payment of $1,679.10. This is an increase relative to her prior principal and interest payment. Because the ALM did not result in a 25% reduction in principal and interest payment, Borrower 1 is not eligible for an ALM.

The Worksheet next analyzes Borrower 1 for a Standalone Partial Claim. The Worksheet estimates the amount needed to reinstate Borrower 1's loan as $22,656.38. Because Borrower 1 has not had a prior Partial Claim, her available Partial Claim is 30% of her unpaid principal balance or $75,750.00. Since her available Partial Claim is sufficient to reinstate the loan and Borrower 1 has reported that the current payment is affordable, Borrower 1 will be offered a Partial Claim of $22,656.38. She will go back to making her monthly payment under the existing terms of the loan.

Note that had Borrower 1 reported that her current payment was unaffordable, she would have received COVID-19 Recovery Modification that would have reduced her payment. This situation will be discussed in Example # 4.

Waterfall Example 1

Run on: 5/12/2023

FHA COVID-19 RECOVERY ANALYSIS

MORTGAGE INFORMATION

Loan Terms

Loan Type	Fixed Rate
Original Principal	$ 275,000.00
Term (in months)	360
Current Interest Rate	3.750%
Date of First Payment	5/1/2018
Monthly Property Taxes	$ 350.00
Monthly Homeowner's Insurance	$ 100.00
Monthly Association Fees	$ -
MIP	$ -
Principal & Interest	**$ 1,273.57**
PITIA	**$ 1,723.57**

Arrears and Unpaid Principal Balance

UPB Information:	UPB at Default
Enter UPB at Default:	$ 252,500.00
Estimate Arrears:	
Default Date	5/1/2022
Today's Date	5/12/2023
Total Months in Default	13
UPB at Default	$ 252,500.00
Taxes in Arrears	$ 4,550.00
Insurance Arrears	$ 1,300.00
Association Fee Arrears	$ -
Interest Arrears	$ 10,543.14
MIP Arrears	$ -
Allowable Fees & Costs	$ 250.00
Total Eligible Arrears	$ 16,643.14

Market Interest Rate

Freddie Mac PMMS 30yr Fixed	6.35%
Market Rate (rounded to nearest 1/8)	**6.375%**

Previous Partial Claims

Amount of Any Previous Partial Claims	
Available Partial Claim	$ 75,750.00

Advance Loan Modification (ALM)

Pre-Waterfall Step

Capitalized UPB	$ 269,143.14
New Term	360
Rate	6.375%
P&I Payment	$ 1,679.10
% Reduction	-31.84%

Not ALM Eligible

COVID-19 RECOVERY WATERFALL

COVID-19 Recovery Standalone Partial Claim

Known Reinstatement Amount?	No
Estimated Reinstatement Amount	$ 22,656.38
Available Partial Claim	$ 75,750.00

Eligible for Standalone Partial Claim of $22656.38 if Current Payment Is Affordable

COVID-19 Recovery Modification

Evaluation

Step 1:	Calculate Available Partial Claim	$ 75,750.00
Step 2:	Calculate Accured Arrears	$ 16,643.14
Step 3:	Apply Partial Claim	$ 16,643.14
	Resulting Balance	$ 252,500.00
	Payment at 360 Months and 6.375%	$ 1,575.27
	Target P&I Payment (25% Reduction)	$ 955.18
Step 4:	Deferment Required to Meet Target	$ 99,395.02
	Partial Claim Available for Further Deferment	$ 59,106.86
	Resulting Further Deferment	$ 59,106.86
Step 5:	Payment at 480 Months and 6.875%	$ 1,546.24
Step 6:	Deferment Required to Meet Target	$ 96,520.51
	Partial Claim Available for Further Deferment	$ 59,106.86
	Resulting Further Deferment	$ 59,106.86

Result

Partial Claim	$ 75,750.00
Amortizing Balance	$ 193,393.14
Rate	6.875%
Term	480
Principal and Interest Payment	$ 1,184.29
PITIA Payment	$ 1,634.29

Mobilization for Justice, Inc.'s FHA COVID-19 Waterfall

Example #2: Recovery Modification

In 2006, Borrower 2 took out an FHA mortgage for $275,000 with a 6.25% interest rate and a principal and interest payment of $1,693.22 per month. Her monthly escrow charges are $450. She consistently paid her mortgage until January 1, 2023 when she exhausted her savings after losing her job. Borrower 2 recently returned to work but in a different position and making less income. She believes that her previous payment is unaffordable.

The Worksheet first analyzes Borrower 2 for an ALM. The current PMMS is 6.35%, so the rate for an ALM is 6.375%. Capitalizing the arrears and amortizing the loan at 6.375% for 360 months results in a principal and interest payment of $1,233.84. This is a reduction of 29.02%. Because the ALM resulted in more than a 30% reduction in principal and interest payment, Borrower 2 is eligible for an ALM and should receive an offer for an ALM from her servicer without taking any action. The rest of the Worksheet analyzes Borrower 2's options if she does not accept the ALM and requests assistance from her servicer.

The Worksheet next analyzes Borrower 2 for a Standalone Partial Claim. The Worksheet estimates the amount needed to reinstate Borrower 2's loan as $10,940.94. Because Borrower 2 has not had a prior Partial Claim, her available Partial Claim is 30% of her unpaid principal balance or $57,001.04. Because Borrower 2's available Partial Claim is sufficient to reinstate the loan, the Worksheet shows that she is eligible for a Partial Claim of $10,940.94. However, she has reported that her mortgage is unaffordable. So, her servicer must evaluate her for a Recovery Modification.

In the Recovery Modification analysis, accrued arrears of $7,768.15 are deferred using a Partial Claim. The remaining $190,003.47 is amortized at 6.375% for 360 months, resulting in a principal and interest payment of $1,185.37. This is a principal and interest payment reduction of 31.8%. This payment is below her target payment, no further principal deferment is offered.

Waterfall Example 2

Run on: 5/12/2023

FHA COVID-19 RECOVERY ANALYSIS

MORTGAGE INFORMATION

Loan Terms

Loan Type	Fixed Rate
Original Principal	$ 275,000.00
Term (in months)	360
Current Interest Rate	6.500%
Date of First Payment	11/1/2006
Monthly Property Taxes	$ 350.00
Monthly Homeowner's Insurance	$ 100.00
Monthly Association Fees	$ -
MIP	$ -
Principal & Interest	**$ 1,738.19**
PITIA	**$ 2,188.19**

Arrears and Unpaid Principal Balance

UPB Information:	Only Default Date
Estimate Arrears and UPB at Default:	
Default Date	1/1/2023
Today's Date	5/12/2023
Total Months in Default	5
Est UPB at Default	$ 190,003.47
Taxes in Arrears	$ 1,750.00
Insurance Arrears	$ 500.00
Association Fee Arrears	$ -
Interest Arrears	$ 5,518.15
MIP Arrears	$ -
Allowable Fees & Costs	
Total Eligible Arrears	$ 7,768.15

Market Interest Rate

Freddie Mac PMMS 30yr Fixed	6.35%
Market Rate (rounded to nearest 1/8)	**6.375%**

Previous Partial Claims

Amount of Any Previous Partial Claims	
Available Partial Claim	$ 57,001.04

Advance Loan Modification (ALM)

Pre-Waterfall Step

Capitalized UPB	$ 197,771.62
New Term	360
Rate	6.375%
P&I Payment	$ 1,233.84
% Reduction	29.02%

ALM Eligible

COVID-19 RECOVERY WATERFALL

COVID-19 Recovery Standalone Partial Claim

Known Reinstatement Amount?	No
Estimated Reinstatement Amount	$ 10,940.94
Available Partial Claim	$ 57,001.04

Eligible for Standalone Partial Claim of $10940.94 if Current Payment Is Affordable

COVID-19 Recovery Modification

Evaluation

Step 1:	Calculate Available Partial Claim	$ 57,001.04
Step 2:	Calculate Accured Arrears	$ 7,768.15
Step 3:	Apply Partial Claim	$ 7,768.15
	Resulting Balance	$ 190,003.47
	Payment at 360 Months and 6.375%	$ 1,185.37
	Target P&I Payment (25% Reduction)	$ 1,303.64
Step 4:	Deferment Required to Meet Target	$ -
	Partial Claim Available for Further Deferment	$ 49,232.89
	Resulting Further Deferment	$ -

Result

Partial Claim	$ 7,768.15
Amortizing Balance	$ 190,003.47
Rate	6.375%
Term	360
Principal and Interest Payment	$ 1,185.37
PITIA Payment	$ 1,635.37

Mobilization for Justice, Inc.'s FHA COVID-19 Waterfall

Example #3: Recovery Modification with Further Deferment

In 2008, Borrower 3 took out an FHA mortgage for $275,000 with a 5% interest rate and a principal and interest payment of $1,476.26 per month. Her monthly escrow charges are $450. She consistently paid her mortgage until December 1, 2022 when she lost her job. Borrower 3 recently returned to work but in a different position and making considerably less income. She believes that her previous payment is unaffordable.

The Worksheet first analyzes Borrower 3 for an ALM. The current PMMS is 6.35%, so the rate for an ALM is 6.375%. Capitalizing the arrears and amortizing the loan at 5% for 360 months results in a principal and interest payment of $1,476.26. This is a reduction of 14.63%. Because the ALM did not result in a 25% reduction in principal and interest payment, Borrower 3 is not eligible for an ALM.

The Worksheet next analyzes Borrower 3 for a Standalone Partial Claim. The Worksheet estimates the amount needed to reinstate Borrower 2's loan as $11,557.56. Because Borrower 3 has not had a prior Partial Claim, her available Partial Claim is 30% of her unpaid principal balance or $58,252.43. Because Borrower 3's available Partial Claim is sufficient to reinstate the loan, the Worksheet shows that she is eligible for a Partial Claim of $11,557.56. However, she has reported that her mortgage payment is unaffordable. So, her servicer must evaluate her for a Recovery Modification.

In the Recovery Modification analysis, accrued arrears of $7,846.95 are paid using a Partial Claim. The remaining $194,174.75 is capitalized at 6.375% for 360 months, resulting in a principal and interest payment of $1,211.40. This is a principal and interest payment reduction of 17.94%. Because this payment is above her target 25% reduction and Borrower 3 has additional available Partial Claim, Borrower 3 receives further principal deferment.

To reach the target payment, Borrower 3 would need an additional $16,702.72 of principal deferment. She has an available Partial Claim of $50,405.47. As a result, she receives additional Partial Claim of $16,702.72 for total Partial Claim award of $24,549.57, the remaining $177,472.03 is amortized at 6.375% over 360 months for a principal and interest payment of $1,107.19. This is a 25% payment reduction.

Waterfall Example 3

Run on: 5/12/2023

FHA COVID-19 RECOVERY ANALYSIS

1

MORTGAGE INFORMATION

Loan Terms

Loan Type	Fixed Rate
Original Principal	$ 275,000.00
Term (in months)	360
Current Interest Rate	5.000%
Date of First Payment	11/1/2008
Monthly Property Taxes	$ 350.00
Monthly Homeowner's Insurance	$ 100.00
Monthly Association Fees	$ -
MIP	$ -
Principal & Interest	**$ 1,476.26**
PITIA	**$ 1,926.26**

Arrears and Unpaid Principal Balance

UPB Information:	Only Default Date
Estimate Arrears and UPB at Default:	
Default Date	12/1/2022
Today's Date	5/12/2023
Total Months in Default	6
Est UPB at Default	$ 194,174.75
Taxes in Arrears	$ 2,100.00
Insurance Arrears	$ 600.00
Association Fee Arrears	$ -
Interest Arrears	$ 5,146.95
MIP Arrears	$ -
Allowable Fees & Costs	
Total Eligible Arrears	$ 7,846.95

Market Interest Rate

Freddie Mac PMMS 30yr Fixed	6.35%
Market Rate (rounded to nearest 1/8)	**6.375%**

Previous Partial Claims

Amount of Any Previous Partial Claims	
Available Partial Claim	$ 58,252.43

Advance Loan Modification (ALM)

Pre-Waterfall Step

Capitalized UPB	$ 202,021.71
New Term	360
Rate	6.375%
P&I Payment	$ 1,260.35
% Reduction	14.63%

Not ALM Eligible

COVID-19 RECOVERY WATERFALL

COVID-19 Recovery Standalone Partial Claim

Known Reinstatement Amount?	No
Estimated Reinstatement Amount	$ 11,557.56
Available Partial Claim	$ 58,252.43

Eligible for Standalone Partial Claim of $11,557.56 if Current Payment Is Affordable

COVID-19 Recovery Modification

Evaluation

Step 1:	Calculate Available Partial Claim	$ 58,252.43
Step 2:	Calculate Accured Arrears	$ 7,846.95
Step 3:	Apply Partial Claim	$ 7,846.95
	Resulting Balance	$ 194,174.75
	Payment at 360 Months and 6.375%	$ 1,211.40
	Target P&I Payment (25% Reduction)	$ 1,107.19
Step 4:	Deferment Required to Meet Target	$ 16,702.72
	Partial Claim Available for Further Deferment	$ 50,405.47
	Resulting Further Deferment	$ 16,702.72

Result

Partial Claim	$ 24,549.67
Amortizing Balance	$ 177,472.03
Rate	6.375%
Term	360
Principal and Interest Payment	$ 1,107.19
PITIA Payment	$ 1,557.19

Mobilization for Justice, Inc.'s FHA COVID-19 Waterfall

Example #4: Recovery Modification with 40-Year Term

In 2018, Borrower 1 took out an FHA mortgage for $275,000 with a 3.75% interest rate and a principal and interest payment of $1,273.57 per month. Her monthly escrow charges are $450. She consistently paid her mortgage until May 1, 2022 after she lost her job. Her most recent statement indicates that she has an unpaid balance of $252,500 and that $250 of default-related fees have accrued on the account. Borrower 1 recently returned to work, but she does not believe that she can make her previous payment.

The Worksheet first analyzes Borrower 1 for an ALM. The current PMMS is 6.35%, so the rate for an ALM is 6.375%. Capitalizing the arrears and amortizing the loan at 6.375% for 360 months results in a principal and interest payment of $1,679.10. This is an increase relative to her prior principal and interest payment. Because the ALM did not result in a 25% reduction in principal and interest payment, Borrower 1 is not eligible for an ALM.

The Worksheet next analyzes Borrower 1 for a Standalone Partial Claim. The Worksheet estimates the amount needed to reinstate Borrower 1's loan as $22,656.38. Because Borrower 1 has not had a prior Partial Claim, her available Partial Claim is 30% of her unpaid principal balance or $75,750.00. Since her available Partial Claim is sufficient to reinstate the loan and Borrower 1 has reported that the current payment is affordable, Borrower 1 will be offered a Partial Claim of $22,656.38. However, she has reported that her mortgage is unaffordable. So, her servicer must evaluate her for a Recovery Modification.

In the Recovery Modification analysis, accrued arrears of $16,643.14 are paid using a Partial Claim. The remaining $252,500.00 is capitalized at 6.375% for 360 months, resulting in a principal and interest payment of $1,575.27. This principal and interest payment is higher than her pre-default principal and interest payment. Because this payment would not provide any payment reduction and Borrower 4 has additional available Partial Claim, Borrower 4 is considered for further principal deferment.

To reach the target payment, Borrower 4 would need an additional $99,395.02 of principal deferment. She has a remaining available Partial Claim of $59,106.86. Because her remaining available Partial Claim is less than the amount of deferment needed to hit her target payment, she is considered for a modification with a term of 40 years.

In the 40-year modification analysis, the $252,500.00 remaining after payment of the arrears with the Partial Claim is capitalized at 6.375% for 480 months, resulting in a principal and interest payment of $1,546.24. This is still higher than the pre-modification payment, so Borrower 4 is considered for principal deferment with the 40-year term.

To reach the target payment on a 40-year modification, Borrower 4 would need an additional $96,520.51 of principal deferment. She has a remaining available Partial Claim of $59,106.86. Because her remaining available Partial Claim is less than the amount of deferment needed to hit her target payment, she will receive a modification with the full available Partial Claim. The remaining balance will amortize at 6.875% over 480 months. This gives her a principal and interest payment of $1,184.29.

Note that while this modification does provide a modest amount of payment reduction, Borrower 4 may prefer to accept the Standalone Partial Claim given the difference in remaining term and interest rate.

Waterfall Example 4

Run on: 5/12/2023

FHA COVID-19 RECOVERY ANALYSIS

MORTGAGE INFORMATION

Loan Terms	
Loan Type	Fixed Rate
Original Principal	$ 275,000.00
Term (in months)	360
Current Interest Rate	3.750%
Date of First Payment	5/1/2018
Monthly Property Taxes	$ 350.00
Monthly Homeowner's Insurance	$ 100.00
Monthly Association Fees	$ -
MIP	$ -
Principal & Interest	**$ 1,273.57**
PITIA	**$ 1,723.57**
Arrears and Unpaid Principal Balance	
UPB Information:	UPB at Default
Enter UPB at Default:	$ 252,500.00
Estimate Arrears:	
Default Date	5/1/2022
Today's Date	5/12/2023
Total Months in Default	13
UPB at Default	$ 252,500.00
Taxes in Arrears	$ 4,550.00
Insurance Arrears	$ 1,300.00
Association Fee Arrears	$ -
Interest Arrears	$ 10,543.14
MIP Arrears	$ -
Allowable Fees & Costs	$ 250.00
Total Eligible Arrears	$ 16,643.14
Market Interest Rate	
Freddie Mac PMMS 30yr Fixed	6.35%
Market Rate (rounded to nearest 1/8)	**6.375%**
Previous Partial Claims	
Amount of Any Previous Partial Claims	
Available Partial Claim	$ 75,750.00

Advance Loan Modification (ALM)

Pre-Waterfall Step

Capitalized UPB	$ 269,143.14
New Term	360
Rate	6.375%
P&I Payment	$ 1,679.10
% Reduction	-31.84%

Not ALM Eligible

COVID-19 RECOVERY WATERFALL

COVID-19 Recovery Standalone Partial Claim

Known Reinstatement Amount?	No
Estimated Reinstatement Amount	$ 22,656.38
Available Partial Claim	$ 75,750.00

Eligible for Standalone Partial Claim of $22656.38 if Current Payment Is Affordable

COVID-19 Recovery Modification

Evaluation

Step 1:	Calculate Available Partial Claim	$ 75,750.00
Step 2:	Calculate Accured Arrears	$ 16,643.14
Step 3:	Apply Partial Claim	$ 16,643.14
	Resulting Balance	$ 252,500.00
	Payment at 360 Months and 6.375%	$ 1,575.27
	Target P&I Payment (25% Reduction)	$ 955.18
Step 4:	Deferment Required to Meet Target	$ 99,395.02
	Partial Claim Available for Further Deferment	$ 59,106.86
	Resulting Further Deferment	$ 59,106.86
Step 5:	Payment at 480 Months and 6.875%	$ 1,546.24
Step 6:	Deferment Required to Meet Target	$ 96,520.51
	Partial Claim Available for Further Deferment	$ 59,106.86
	Resulting Further Deferment	$ 59,106.86

Result

Partial Claim	$ 75,750.00
Amortizing Balance	$ 193,393.14
Rate	6.875%
Term	480
Principal and Interest Payment	$ 1,184.29
PITIA Payment	$ 1,634.29

Mobilization for Justice, Inc.'s FHA COVID-19 Waterfall