THE HAMP & GSE WATERFALL WORKSHEET

A User's Guide

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Joseph Rebella

MFY Legal Services, Inc.

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MFY LEGAL SERVICES, INC., 299 Broadway, New York, NY 10007
212-417-3700 **www.mfy.org**

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I. About MFY's HAMP & GSE Waterfall Worksheet

Borrowers with loans held by Fannie Mae, Freddie Mac or serviced by a HAMP participating servicer may be eligible for HAMP. Additionally, borrowers with loans held by Fannie Mae or Freddie Mac, the Government Sponsored Entities (GSEs), maybe eligible for the Fannie Mae or Freddie Mac Standard Modifications. Borrowers with loans serviced by a HAMP participating servicer and not held by a GSE may be eligible for HAMP Tier 2 relief.

For each of these modifications, borrowers must pass through a "waterfall." Each waterfall effects a series of changes to the debt owed in an attempt to create a more affordable payment. In HAMP Tier 1, the waterfall consists of setting a payment based on the borrower's income and attempting to meet that payment by lowering the interest rate, extending the term of the loan and forbearing principal. In HAMP Tier 2, the waterfall consists of creating a payment by changing the interest rate to a market rate, extending the term and forbearing principal and then testing that payment for affordability. The Standard Modifications provided by the GSEs are similar to the modifications produced by HAMP Tier 2, but use a different interest rate and have different affordability requirements. While passing the waterfall is not the sole requirement of modification eligibility (for example, borrowers seeking a HAMP modification must meet a series of initial eligibility requirements and pass a Net Present Value Test [NPV Test]), the determination of whether a borrower passes the waterfall is a complex and important step in the eligibility analysis.

The HAMP and GSE Standard Modification Waterfall Worksheet (the "Worksheet") provides knowledgeable advocates the ability to quickly assess whether a borrower passes the waterfalls for HAMP Tier 1, HAMP Tier 2 and each of the GSE Standard Modifications.

The Worksheet is compatible with Excel 2007 and newer. It is not compatible with Excel 2003 or older. Unfortunately, these prior versions of Excel do not support the layers of conditional formatting on which the Worksheet relies.

The Worksheet is available at http://www.mfy.org/wp-content/uploads/Waterfall-Worksheet-HAMP-GSE-Standard-Modifications.xlsx. The Worksheet was created by Aaron Jacobs-Smith and Joseph Rebella of MFY Legal Services, Inc. It is maintained and updated by Joseph Rebella. If you have any comments or questions regarding the Worksheet, you can contact Joseph Rebella by emailing jrebella@mfy.org.

II. Loss Mitigation Covered by the Worksheet

The Worksheet covers the loan modification programs for loans held by the GSEs and for loans not held by the GSEs, but serviced by HAMP participating servicers.

A. HAMP Tier 1/GSE HAMP

The waterfalls for MHA HAMP Tier 1 and both GSE HAMPs are largely identical.[1] At the outset, the servicer determines the unpaid principal balance by capitalizing allowable arrears, including accrued interest and allowable fees and costs. Next, the servicer sets a target payment at 31% of the borrower's gross monthly income. The target payment must include principal, interest, taxes, insurance and association fees. After making these determinations, the servicer performs the waterfall in an attempt to support the unpaid principal balance with the target payment.

The first step in the waterfall is interest rate reduction. In this step, the servicer reduces the current interest rate in decrements of 0.125% to achieve the target payment. However, the

[1] *See* MHA Handbook v. 4.5, Ch. II, § 6.3.1; FNMA Guide § F-1-20; FDMC Guide § C65.6 (unless otherwise indicated, all subsequent references in this section are to these sources.)

servicer may not reduce the interest rate below the 2% interest rate floor. If a reduction to 2% is insufficient to achieve the target payment, then the servicer sets the initial interest rate to 2% and moves to the next step of the waterfall, term extension.

In the term extension step, the servicer extends the mortgage term in one-month increments to achieve the target payment. But, the servicer may not extend the term beyond 480 months after the effective date of the modification. If an extension of the loan term to 480 months is insufficient to achieve the target payment, then the servicer sets the term of the loan to 480 months and moves to the next step of the waterfall, principal forbearance.

In the principal forbearance step, the servicer forbears a portion of the unpaid principal balance until the payment on the remaining interest-bearing balance creates the target payment. The servicer is not required to forbear more than the greater of (1) 30% of the capitalized unpaid principal balance, or (2) an amount resulting in a modified interest-bearing balance that would create a mark to market loan to value ratio equal to 100%.[2] If the servicer is unable to achieve the target payment, then the borrower does not pass the HAMP waterfall and is ineligible.

B. HAMP Tier 2

HAMP Tier 2 is specific to non-GSE loans serviced by participating servicers. Unlike HAMP Tier 1, HAMP Tier 2 does not create a target payment. Instead, HAMP Tier 2 modifies the loan according to a preset process and then determines whether or not that modification (1) sufficiently reduces the payment and (2) creates an acceptably affordable payment.

After capitalizing the permissible arrears, a HAMP Tier 2 modification sets a fixed interest rate for the life of the loan. This rate is determined by subtracting a risk adjustment from

[2] In MHA HAMP Tier 1, servicers are permitted to forbear more than this amount. MHA Handbook v. 4.5, Ch. II, § 6.6.1. In the GSE HAMPs, the servicer may not forbear more than this amount without GSE approval. FNMA Guide § F-1-20; FDMC Guide § C65.6.

the Freddie Mac Primary Mortgage Market Survey Rate for 30-year fixed rate mortgages rounded up to the nearest 0.125 percent.[3] As of January 1, 2015, the adjustment to be subtracted is 50 basis points.[4] The servicer then extends the term to 480 months after the effective date of the modification.[5] Finally, the servicer forbears principal to the lesser of (1) the amount to create a post-modification mark to market loan to value ratio of 115% or (2) 30% of the post-modification unpaid principal balance.[6] Until January 1, 2016, forbearance is only required if the pre-modification mark to market loan to value ratio was above 115%.[7] After that date, forbearance will be required if the post-modification mark to market loan to value ratio is above 115%.[8] Because servicers may implement this change immediately, the waterfall has been updated to reflect the new rules.

After making these changes, the servicer calculates whether or not the modified principal and interest payment provides sufficient payment reduction. HAMP Tier 2 requires that the post-modification principal and interest payment not be greater than the principal and interest payment pre-modification. However, servicers may implement a minimum principal and interest payment reduction requirement provided that the minimum reduction is not greater than 10%.[9]

If the modification would sufficiently reduce the borrower's principal and interest payments, then the servicer must determine whether or not the modified loan creates an

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[3] MHA Handbook v. 4.5, Ch. II, § 6.3.2.2.
[4] Supplemental Directive 14-04 (Oct. 30, 2014).
[5] MHA Handbook v. 4.5, Ch. II, § 6.3.2.3.
[6] *Id.* at Ch II, § 6.3.2.4.
[7] Supplemental Directive 15-08 (Sept. 24, 2015).
[8] *Id.*
[9] Supplemental Directive 14-02 (Apr. 22, 2014). The payment reduction thresholds for the 16 largest participating servicers are available online at: https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/servicer_debt_to_income_ratio_and_minimum_payment_reduction_under_hamp_tier2.pdf

acceptably affordable payment. The servicer does this by measuring the borrower's front end debt to income (DTI) ratio. The DTI ratio is the borrower's monthly housing cost (principal, interest, taxes, insurance and association fees) divided by the borrower's gross monthly income.[10] Each servicer can select a DTI range no wider than 10% to 55%, but no narrower than 25% to 42%.[11] If the borrower falls within the servicer's DTI range, then the borrower is eligible for a HAMP Tier 2 modification, pending the outcome of the NPV test. If the borrower falls outside of that DTI range, then borrower is not eligible for HAMP Tier 2 modification.

Streamline HAMP is a new version of HAMP Tier 2.[12] Servicers may implement Streamline HAMP immediately, but may delay implementation until January 1, 2016. Under Streamline HAMP, the servicer does not require the borrower to submit an application package. Instead, the borrower is sent a trial plan offer. During the first month of the trial plan, the borrower can apply for HAMP Tier 1.

Generally, the eligibility requirements are the same as HAMP Tier 2, with two exceptions. First, to be eligible, the borrower must be at least 90 days delinquent (unless the default is within a year of a HAMP Tier 1 interest rate increase, in which same only 60 days delinquency is required). Second, a borrower may receive a Streamline HAMP, even if the borrower has previously defaulted on a HAMP Tier 1 or HAMP Tier 2 modification. However, a borrower may not receive more than two modifications (including both permanent modifications and trial plans on which the borrower defaulted) under HAMP on the same loan. A borrower can only receive one Streamline HAMP modification.

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[10] MHA Handbook v. 4.5, Ch. II, § 6.1.
[11] *Id.* The DTI ranges of the 16 largest servicers are available online. *See* Footnote 8, *supra*.
[12] All information about Streamline HAMP can be found in Supplemental Directive 15-06 (July 1, 2015).

The terms of the modification are identical to the modification terms produced by a HAMP Tier 2 modification. As in HAMP Tier 2, the modification must not increase the payment and is subject to the servicer's principal and interest reduction requirement, but there is no DTI evaluation, since the borrower does not submit proof of income. Streamline HAMP approval is subject to a special version of the NPV test that does not require income information.

C. GSE Standard Modifications

Loans held by the GSEs are not eligible for HAMP Tier 2, but are, instead, eligible for Standard Modifications. Notably, Standard Modifications, unlike HAMP and HAMP Tier 2, do not require that the borrower pass an NPV test or require that the loan have been originated before January 1, 2009. Standard Modifications take different forms depending on the pre-modification mark to market loan to value ratio (MTMLTV) and on whether the modification is done through the Streamlined Process.

1. MTMLTV >80%

For loans with MTMLTV above 80%, GSE Standard Modifications follow the same general waterfall steps as HAMP Tier 2: (1) capitalizing eligible arrears, (2) setting a fixed, market interest rate, (3) extending the term of the loan to 480 months from the modification date, and (4) forbearing principal to the lesser of (a) the amount needed to create a post-modification mark to market loan to value ratio of 115% or (b) 30% of the post-modification unpaid principal balance.[13] Until March 1, 2016, forbearance is only required if the pre-modification mark to market loan to value ratio is above 115%.[14] After that date, forbearance will be required if the

[13] *Compare* FNMA Guide § F-1-22 and FDMC Guide § B65.18 with MHA Handbook Ch. II, § 6.3.2.
[14] FNMA Serv. Ann. 2015-12 (Sept. 9, 2015); FDMC Bulletin 2015-15 (announcing change and effective date); FNMA Guide § D2-3.2-5; FDMC § B65.18 (incorporating change into Guides).

post-modification mark to market loan to value ratio is above 115%.[15] Because servicers may implement this change immediately, the waterfall has been updated to reflect the new rules. However, while HAMP Tier 2 determines the interest rate by attaching a risk adjustment to the Freddie Mac Primary Mortgage Market Survey Rate for 30-year fixed rate mortgages, Fannie Mae and Freddie Mac both use in-house rates that are available online.[16]

Additionally, the modification must produce (1) a principal and interest payment reduction and (2) a DTI ratio that is greater than or equal to 10% and less than or equal to 55%.[17] These requirements differ slightly from the servicer specific principal and interest payment reduction and DTI ranges of HAMP Tier 2.

2. MTMLTV<80%

Prior to April 1, 2014, loans with MTMLTV below 80% were not eligible for Standard Modifications. But now, loans with MTMLTV below 80% are eligible for an alternative Standard Modification without interest rate reduction or principal forbearance.[18] The interest rate is set depending on the nature of the current interest rate. If the loan is a fixed rate loan, then the interest rate is not changed. If the loan is either an adjustable rate or a step-rate loan, then the interest rate is set to the greater of (1) the current interest rate or (2) the relevant GSE's standard modification interest rate.

Aside from these differences, Standard Modifications for loans with MTMLTV<80% are the same as those with higher MTMLTVs. The arrears are capitalized, and the term of the loan

[15] *Id.*
[16] The Freddie Mac rate is available at http://www.freddiemac.com/singlefamily/service/standardmodrate.html. The Fannie Mae rate is available at https://www.fanniemae.com/content/guide_exhibit/fannie-mae-standard-modification-interest-rate.pdf
[17] *See* FDMC Guide § B65.18(a); FNMA Guide § D2-3.2-05.
[18] All descriptions of Standard Modifications for loans with MTM LTV <80% refer to FNMA Guide § F-1-22 and FDMC Guide § B65.18.

is extended to 480 months.[19] The modification must produce (1) a principal and interest payment reduction and (2) a DTI ratio that is greater than or equal to 10% and less than or equal to 55%.

3. Streamlined Process

Both GSEs also provide modifications in streamlined form.[20] Streamlined Modifications are not unique modification products, but instead alternate processes by which borrowers receive a Standard Modification. The servicer sends the borrower a solicitation for the Streamlined Modification program within 15 days of the borrower becoming eligible. The solicitation lists the amount of monthly payments that would be due under a Standard Modification and requires the borrower to contact the servicer to accept.

To be eligible for a Streamlined Modification, borrower cannot be involved in another loss mitigation option, such as an active and performing TPP, forbearance, repayment plan, or approved liquidation workout. Although Fannie Mae generally allows Standard Modifications for mortgages subject to non-routine litigation, it does not allow Streamlined Modifications in these situations.

The terms of the Streamlined Modification are calculated in the same way that Standard Modifications are calculated, including the same MTMLTV analysis. Streamlined Modifications must create a principal and interest payment reduction, but because the modification is provided without an application, the DTI range requirement does not apply.

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[19] Both GSEs allow terms shorter than 480 months if certain financial criteria are met. However, because there is no rational economic reason to prefer a shorter loan term, the Worksheet does not perform these calculations.

[20] Unless otherwise cited, all statements regarding Fannie Mae's and Freddie Mac's policies on Streamlined Modifications derive FNMA Guide § F-1-24 and FDMC Guide § B65.12.1, respectively.

D. 2MP

If the borrower has a second mortgage and receives a HAMP or Standard Modification on the first mortgage, then the borrower's second mortgage may be eligible for modification under the 2MP program. To be eligible for 2MP, the second mortgage must have been originated on or before January 1, 2009 and must be serviced by a servicer that participates in 2MP.[21] Additionally, to be eligible for modification, the second mortgage must have a UPB of at least $5,000 and a pre-modification monthly payment of at least $100.[22] The servicer of the second mortgage may restrict 2MP eligibility to cases in which the modified payment under the first mortgage meets the servicer's HAMP Tier 2 DTI range.[23] 2MP is not subject to an NPV test and does not require that the borrower be in default or imminent risk of default.[24] The borrower is not required to submit an application or provide financial documents to receive a 2MP modification.[25] A 2MP modification does not attempt to reach a target payment, but instead creates a modified loan through a series of steps based on the terms of the first modification. The nature of a 2MP modification depends on whether or not the second mortgage is amortizing.[26]

1. <u>Amortizing Second Liens</u>

When the second lien is an amortizing loan, the servicer begins by capitalizing arrears.

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[21] MHA Handbook v. 4.5, Ch. V, § 3.1. Also, note that fewer servicers participate in 2MP than in HAMP.
[22] Loans not meeting this requirement are still eligible for full extinguishment, but such extinguishment is left to the servicer's discretion and not covered by the Worksheet. *Id.*
[23] *Id.*
[24] MHA Handbook v. 4.5, Ch. V, § 4.3 (modification of first lien implies NPV positivity and imminent default on second lien).
[25] *Id.*
[26] If less than 50% of the un-capitalized unpaid principal balance of the loan is currently amortizing, then the loan is treated as interest only. *See* MHA Handbook v. 4.5, Ch. V, §§ 5.1.2.3, 5.1.3.3.

Next the servicer reduces the interest rate. The interest rate is set to 1.0% for the five years of the modified term.[27] After the first five years, the interest is set to the interest rate of the first lien modification.[28] If the first lien modification is a step-rate modification, then the interest rate on the 2MP modification will adjust accordingly.[29] Next, if the original term of the second lien is shorter than the remaining term of the modified first lien, the 2MP servicer must extend the term of the second lien to match, at a minimum, the term of the modified first lien.[30] Finally, the 2MP servicer must forbear or forgive principal in at least the same proportion as the first lien modification.[31]

2. Interest-Only Second Liens

If the second lien features non-amortizing payments, then the servicer must still capitalize arrears, extend term and forbear or forgive principal in the same manner. However, the servicer may either convert the lien into an amortizing mortgage or continue with the interest-only payment.[32] If the servicer continues with a non-amortizing payment, then the interest rate will be set at 2% for the first five years before adjusting with the first lien modification.[33] The servicer must begin to amortize the second lien at the later of (1) the time specified in the original loan documents and (2) five years after the modification date.[34] However, if the second lien is interest-only until maturity, then the servicer must begin amortizing the loan after five years.[35]

[27] MHA Handbook v. 4.5, Ch. V, § 5.1.2.1.
[28] *Id.*
[29] *Id.*
[30] MHA Handbook v. 4.5, Ch. V, § 5.1.3.1.
[31] MHA Handbook v. 4.5, Ch. V, § 5.1.4.
[32] MHA Handbook v. 4.5, Ch. V, § 5.1.2.2.
[33] *Id.*
[34] MHA Handbook v. 4.5, Ch. V, § 5.1.3.2.
[35] *Id.*.

III. Using the Worksheet

A. Introduction

The Worksheet consists of four tabs of inputs and outputs for first liens and one tab for second liens. Within each of the tabs, the cells are color coded. Blue Cells must be filled in by the user. Yellow Cells indicate the cell is showing the result of a calculation. Green Cells indicate that the cell is showing the contents of another cell, often located on another tab. Purple Cells indicate that the cell is showing an important or final calculation result.

B. First Lien Waterfall Inputs

The first lien inputs for the Worksheet are contained entirely on the "Inputs" tab.

1. Borrower Information

Inputs related to the borrower and the property are found on the left side of the screen.

- *Estimated Value of Property* – requests the current fair market value of the property. This is used to calculate the amount of principal forbearance, if any.
- *Rental Property* – requests a yes or no response to whether or not the property is a rental property, *i.e.*, not owner occupied. If the property is a rental property, then the borrower is not eligible for MHA HAMP Tier 1 or GSE HAMP and additional information is required to evaluate for MHA HAMP Tier 2 or GSE Standard Modifications.
- *Timing of Employment Income* – provides six options as to when the borrower is paid to calculate monthly employment income.
    - *Weekly* – borrower is paid once a week.
    - *Biweekly* – borrower is paid once every two weeks.
    - *Bimonthly* – borrower is paid twice a month.

  - *Monthly* – borrower has a monthly pay figure.
  - *Annual* – borrower has an annual pay figure.
  - *YTD* – ("Year-To-Date") borrower has a figure showing total paid to-date over the year.
- *Enter Date of YTD* – only available if Timing of Employment Income is set to YTD. Date of YTD requires the pay date used in the YTD figure.
- *Employment Income* – borrower's gross employment income over the timeframe selected in Timing of Employment Income.
- *Contribution* – money provided on a monthly basis to the borrower from a non-borrower occupant for payment of the mortgage.
- *Untaxed Income* – monthly income that is not subject to federal income tax. Examples include SSI, SNAP, VA benefits and adoption assistance payments. The worksheet will automatically gross up untaxed income by 25%.
- *Fixed Income* – taxable income received on a monthly basis. Examples include SSA, SSD and pension payments.
- *Rental Income*
  - *Primary Residence* – income received from renting units in the primary residence. The worksheet will automatically adjust the rental income down by 25%.
  - *Rental Property* – income received from renting another, non-owner occupied property. The worksheet will automatically adjust the rental income down by 25% and subtract the PITIA on Rental.

- *PITIA on Rental* – the housing cost of the rental property, when the borrower receives income from another, non-owner occupied property.

2. <u>Mortgage Information</u>

Inputs related to the mortgage are found on the right side of the inputs screen.

- *Owner Type* – requests the owner of the mortgage. The user selects from Fannie Mae (FNMA), Freddie Mac (FDMC) or a Non-GSE holder (Non-GSE).
- *Servicer Name* – only appears for Non-GSE loans and requests the name of the servicer. Users can select from the twenty largest HAMP participating servicers or select other.
- *Original Principal* – the amount of principal borrowed.
- *Term in Months* – term of the loan in months.
- *Current Interest Rate* – the interest rate currently being charged on the loan.
- *Rate Type* – the type of loan product. The user can select either a Fixed Rate (set for the life of the loan), Adjustable Rate (adjusts based on an index) or Step Rate (changes through a series of preset rates).
- *Date of First Payment* – day that the first payment on the loan is due. This date is later than the date of origination.
- *Current Monthly P&I Payment* – available only when the mortgage has an adjustable or step rate. This cell requests the amount of monthly principal and interest payments currently due.
- *Amount of Balloon Payment* – the amount of any interest-bearing balloon due at the maturity of the loan. For fully amortizing loans, this amount is zero.
- *Amount of Principal Forbearance* – the amount of any non-interest-bearing balloon due at the maturity of the loan. For fully amortizing loans, this amount is zero.

- *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.
- *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.
- *Standard Modification Rate* – only available for GSE Loans. This cell requests the current standard modification rate for the relevant GSE. This rate is available by clicking the link on the input title.
- *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.
- *Subtract Adjustment* – only available for Non-GSE loans. This cell requests the adjustment to the PMMS to create the Market Rate for HAMP Tier 2 modifications. Currently, this number is -0.50%.
- *Primary Residence PITIA* – only available when the property at issue is a rental

property. This cell requests the amount of the borrower's housing cost on his primary residence.

C. First Lien Waterfall Outputs

The Waterfall's outputs for first liens are divided between three tabs: the "HAMP Tier 1" tab, the "Tier 2- Standard" tab and the "Mod Terms" tab. The HAMP Tier 1 tab displays the relevant calculations for MHA HAMP Tier 1 and both GSE HAMPs. The Tier 2- Standard tab displays the calculations for MHA HAMP Tier 2 and both GSE Standard Modifications. The Mod Terms tab summarizes the results in both tabs. If the borrower is eligible for a modification, then it displays the expected post-modification PITIA payment, P&I payment, interest bearing principal balance, interest rate and term. If the borrower is not eligible for a modification, then the Worksheet will display the amount of gross monthly income required for a modification, if the basis for the denial is insufficient income.

D. Second Lien Inputs and Outputs

Because the terms of a 2MP modification are dependent on the terms of the first lien modification, the user must being by entering the information of the first lien modification. If the terms of the first lien modification have been arrived at using the Worksheet, then the user may select either "Worksheet HAMP", "Worksheet Tier 2" or "Worksheet Std. Mod." as the modification type. The user can also enter the terms of the first lien modification manually, by selecting "Custom" as the modification type. If the user selects "Custom", then the Worksheet will request the basic terms of the other modification, including the new UPB, initial interest rate, final interest rate, term, forbearance amount. If the manually entered first lien modification is a fixed rate modification (meaning the initial rate matches the final rate), then the Worksheet will also request the borrower's gross monthly income, as determined by the servicer of the first lien.

Next, the user must enter information about the second lien. Most of the information is analogous to the information required for first liens. (*See* Section III.B.2, *supra*.) In addition to this information, the user will need to enter if the loan is "Amortizing", "Interest-Only" or "Partially Amortizing". For both Interest-Only and Partially Amortizing loans, the user will need to enter the date that the Interest-Only period ends and the loan begins to fully amortize. For Partially Amortizing loans, the user will need to enter who much of the uncapitalized unpaid principal balance is amortizing.

The right side of the 2MP Tab shows the modified terms of the second lien, or if applicable, a reason for ineligibility of the second lien for a 2MP modification. If the servicer has the option of converting the loan to a fully amortizing mortgage or allowing the loan to continue to be repaid on an interest-only basis, then the Worksheet will show both options.

IV. <u>Waterfall Worksheet Examples</u>

A. HAMP Tier 1

Bernardo Soares financed the purchase of his home with a mortgage for $400,000 on December 2, 2007. Mr. Soares's first payment was due on January 1, 2008. His mortgage has a fully-amortizing fixed interest rate of 6.0% and principal and interest payments of $2,398.20. Mr. Soares fell behind in December 2012. Mr. Soares is paid $1,918.00 biweekly and also receives $900.00 in untaxed adoption assistance. After converting his biweekly income to monthly income and increasing his untaxed income by a factor of 1.25, Mr. Soares's gross monthly income for HAMP purposes is $5,280.67. He pays $300.00 a month in property taxes and $120.00 a month for homeowner's insurance. The property has fallen in value and is currently worth $350,000. Mr. Soares's loan is held privately and is serviced by Ocwen.

In the HAMP Tier 1 analysis, the Worksheet begins by determining Mr. Soares's target payment and capitalized UPB. In HAMP, the target payment is 31% of the borrower's gross monthly income. Mr. Soares's target payment is $1,637.01. After subtracting the $420.00 required for escrow, Mr. Soares has $1,217.01 available to pay principal and interest. Based on the default date of the mortgage, the Worksheet estimates that Mr. Soares's UPB at default was $372,217.43 and that he has accumulated $86,451.01 in eligible arrears. These add up to a capitalized UPB of $458,668.43.

The first step of the HAMP waterfall determines the interest rate required to support the capitalized UPB at the target payment without extending the term or forbearing principal. In Mr. Soares's case, this would require a negative interest rate. Because this rate is below the 2% interest rate floor, the Worksheet sets the initial interest to 2% and calculates term extension.

The second step of the HAMP waterfall determines how much term extension is require for the target payment to support the capitalized UPB at a 2% interest rate. In Mr. Soares's case, this would require a term of 594 months. Because this is beyond the 480 month term limit in HAMP, Mr. Soares's term is set to 480 months from the modification effective date, and the Worksheet calculates the amount of principal forbearance required.

Finally, the waterfall determines how much principal must be forborne for the target payment to support the capitalized UPB at a 2% interest rate over 480 months. Here, Mr. Soares needs $56,784.81 of forbearance. His forbearance limit is the greater of (1) 30% of his UPB and (2) the difference between his UPB and the market value of the property. In this case, the limit is 30% of his UPB or $137,600.53. Because this amount is larger than the amount of principal that must be forborne, Mr. Soares is eligible for a HAMP Tier 1 Modification, pending the NPV Test.

Bernardo Soares Waterfall
Run on: 12/10/2015

HAMP BORROWER INPUTS

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

BORROWER INFORMATION

Estimated Value of Property	$ 350,000.00	
Rental Property?	No	
Borrower Gross Monthly Income		
Timing of Employment Income	Biweekly	
Employment Income	$ 1,918.00	
Monthly Employment Income	$ 4,155.67	
Monthly Contribution	$ -	
Monthly Fixed Income	$ -	
Monthly Untaxed Income	$ 900.00	
	$ 1,125.00	Grossed up
Rental income		
Primary Residence	$ -	
	$ -	
Rental Property	$ -	
	$ -	
PITIA on Rental	$ -	
	$ -	
Subtotal	$ 5,280.67	
Co-Borrower		
Timing of Employment Income		
Employment Income	$ -	
Monthly Employment Income	$ -	
Monthly Fixed Income	$ -	
Monthly Untaxed Income	$ -	
	$ -	
Subtotal	$ -	
Gross Monthly Income	$ 5,280.67	

Current as of Supplemental Directive 15-08

MORTGAGE INFORMATION

Owner Type	Non-GSE
Servicer Name	Ocwen
Loan Terms	
Original Principal	$ 400,000.00
Term in Months	360
Current Interest Rate	6.000%
Rate Type	Fixed Rate
Date of First Payment	1/1/2008
Amount of Balloon Payment	$ -
Amount of Forbearance	$ -
Monthly Property Taxes	$ 300.00
Monthly Homeowner's Insurance	$ 120.00
Monthly Association Fees	$ -
Arrears and UPB	
UPB Information:	Only Default Date
Estimate Arrears and UPB at Default:	
Default Date	12/1/2012
Today's Date	12/10/2015
Total Months in Default	37
Est UPB at Default	$ 372,217.43
Taxes in Arrears	$ 11,100.00
Insurance Arrears	$ 4,440.00
Association Fee Arrears	$ -
Interest Arrears	$ 69,411.01
Allowable Fees & Costs	$ 1,500.00
Total Eligible Arrears	$ 86,451.01
Market Interest Rate	
FDMC PMMS 30 YR FRM	3.95%
Subtract adjustment	-0.50%
Market Rate (rounded up to nearest 1/8)	**3.500%**

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Bernardo Soares Waterfall
Run on: 12/10/2015

TIER 1 WATERFALL

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

Gross Monthly Income	**$ 5,280.67**	

CURRENT MONTHLY PITIA AMOUNT

Principal & Interest	$ 2,398.20	
Taxes	$ 300.00	+
Insurance	$ 120.00	+
Association Fee	$ -	+
Current Monthly PITIA Pmt	**$ 2,818.20**	=
Remaining Term on Loan	264	months

CAPITALIZE THE ARREARAGE

Current Principal Balance	$ 372,217.43	
Total Eligible Arrears	$ 86,451.01	+
Capitalized UPB	**$ 458,668.43**	

DETERMINE THE NEW PAYMENT

Target 31% Front End DTI

31% of Gross Monthly Income	$ 1,637.01	**Target PITIA**
Subtract TIA	$ 1,217.01	**Target P & I Payment**

REDUCE INTEREST RATE

Interest Rate That Meets Target PI Payment	**-3.000%**

Go to next step

EXTEND LOAN TERM

Increase Term Up To 480 months to Reach Target PI Payment

Rate	2.00%
Current Term	264
Target P&I Payment	$ 1,217.01
UPB	$ 458,668.43

Term Needed to Reach Target P&I Payment	**594**	**months**

Go to next step

FORBEAR PRINCIPAL

Forbear Greater of:

30% of UPB	$ 137,600.53
UPB - Market Value	$ 108,668.43
Max Forbearance Amount	$ 137,600.53
Forbearance Needed to Reach Target PI Payment	$ 56,784.81
Is Needed Forbearance Less Than Max?	**YES**

IS THE BORROWER ELIGIBLE?	**Yes**

Current as of Supplemental Directive 15-08

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Bernardo Soares Waterfall
Run on: 12/10/2015

TIER 2 WATERFALL

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

Gross Monthly Income	**$ 5,280.67**

CURRENT MONTHLY PITIA AMOUNT

Principal & Interest	$ 2,398.20	
Taxes	$ 300.00	+
Insurance	$ 120.00	+
Association Fee	$ -	+
Monthly PITIA Payment	**$ 2,818.20**	
Remaining Term on Loan	264	months

CAPITALIZE THE ARREARAGE

Current Principal Balance	$ 372,217.43	
Total Eligible Arrears	$ 86,451.01	+
Unpaid Principal Balance	**$ 458,668.43**	

REDUCE INTEREST RATE

Market Interest Rate

Risk-Adjusted PMMS 30 YR FRM	**3.500%**

EXTEND THE TERM

New mortgage term	480	months

Current as of Supplemental Directive 15-08

FORBEAR PRINCIPAL

Property value	$ 350,000.00
Capitalized UPB at Default	$ 458,668.43
Post-Mod LTV	131.05%
Is post-mod LTV greater than 115%?	**YES**
Forbear the lesser of….	
(i) Post-mod LTV = 115%	
New UPB	$ 402,500.00
Forbearance	$ 56,168.43
(ii) 30% of capitalized UPB	
New UPB	$ 321,067.90
Forbearance	$ 137,600.53
Amount to forbear	$ 56,168.43
New interest-bearing principal balance	**$ 402,500.00**

TEST FOR AFFORDABILITY

Post-mod P&I payment	$ 1,559.25
Post-mod PITIA payment	$ 1,979.25
Servicer DTI Range: 10% to 55%	
(1) Is the new DTI within the Servicer's DTI Range?	
Post-mod DTI	37.48%
Answer	**YES**
Servicer P&I Reduction Threshold: 0%	
(2) Does P&I reduction meet servicer's threshold?	
Percent Reduction	34.98%
Answer	**YES**
IS THE BORROWER ELIGIBLE?	**Yes**

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Bernardo Soares Waterfall

Run on: 12/10/2015

For questions or comments about this worksheet, please contact Joseph Rebella

MODIFICATION TERMS

Tier 1 Terms

New P&I Payment	$ 1,217.01
New PITIA Payment	$ 1,637.01
New Principal Balance	$ 458,668.43
Principal Forborn	$ 56,784.81
New Initial Interest Rate	2.000%
New Term	480

Tier 2 Terms

New P&I Payment	$ 1,559.25
New PITIA Payment	$ 1,979.25
New Principal Balance	$ 458,668.43
Principal Forborn	$ 56,168.43
New Interest Rate	3.500%
New Term	480

Tier 1 Schedule

Assumes current PMMS Rate still effective on Modification Effective Date

Years	Interest Rate	Monthly P&I	Monthly PITIA	Number of Payments
1 - 5	2.000%	$ 1,217.01	$ 1,637.01	60
6	3.000%	$ 1,413.88	$ 1,833.88	12
7 - 40	4.000%	$ 1,621.69	$ 2,041.69	408

Current as of Supplemental Directive 15-08

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

B. HAMP Tier 2

Ricardo Reis received a HAMP modification in January 2011. Ms. Reis's first payment was due on February 1, 2011. His modification was a step rate modification with an initial rate of 3.75%, no term extension and no principal forbearance. Mr. Reis became unemployed and fell behind on the modification in March 2013. As of July 2014, Mr. Reis has found another job and is earning more than when he received his original HAMP Modification. Mr. Reis is paid $2,610.00 biweekly and also receives $1,800.00 in rental income from her primary residence. After converting her biweekly income to monthly income and decreasing her rental income by a factor of 0.75, Mr. Reis's gross monthly income for HAMP purposes is $7,005.00. He pays $300.00 a month in property taxes and $120.00 a month for homeowner's insurance. The property has fallen in value and is currently worth approximately $325,000. Mr. Reis's loan is held by a private label security and is serviced by Nationstar. Because Mr. Reis has already received a HAMP Tier 1 modification, he is not eligible for another HAMP Tier 1 Modification. Mr. Reis's first lien Worksheet tabs, without the HAMP Tier 1 Tab, follow.

The HAMP Tier 2 waterfall sets the interest rate to the Freddie Mac Primary Mortgage Market Survey modified by the adjustment and rounded up to the nearest .125%. Currently, the adjustment is -0.50%, and the relevant interest rate is 3.95%, which rounds up to 3.5%. The waterfall extends the term to 480 months past the modification effective date. Finally, the waterfall forbears principal to the lesser of (1) the amount to create a post-modification mark to market loan to value ratio of 115% and (2) 30% of the post-modification unpaid principal balance. Here, the amount needed to create a post-modification MTMLTV of 115% is $14,753.08, and 30% of the capitalized UPB is $116,550.92. Mr. Reis receives forbearance in the lesser amount: $14,753.08. The PITIA payment required to support the capitalized UPB less $14,753.08 of principal forbearance at 3.50% over 480 months is $1,867.87.

The waterfall then determines whether this payment meets the requirements of affordability and payment reduction. Because Nationstar is one of the sixteen largest servicers, its HAMP Tier 2 DTI range is known. It is 10% to 55%. In Mr. Reis's case, the waterfall creates a payment that is 26.66% of his gross monthly income – well within Nationstar's DTI range. The new payment is a 14.97% reduction from his previous payment. Because Nationstar is one of the sixteen largest servicers, its HAMP Tier 2 payment reduction threshold is known. It is 0%. Because Mr. Reis's modification decreases his payment, he is eligible for a HAMP Tier 2 modification, pending the NPV Test.

Ricardo Reis Waterfall
Run on: 12/10/2015

HAMP BORROWER INPUTS

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

BORROWER INFORMATION

Estimated Value of Property	$ 325,000.00	
Rental Property?	No	
Borrower Gross Monthly Income		
Timing of Employment Income	Biweekly	
Employment Income	$ 2,610.00	
Monthly Employment Income	$ 5,655.00	
Monthly Contribution	$ -	
Monthly Fixed Income	$ -	
Monthly Untaxed Income	$ -	
	$ -	
Rental income		
Primary Residence	$ 1,800.00	
	$ 1,350.00	Reduced by 25%
Rental Property	$ -	
	$ -	
PITIA on Rental	$ -	
	$ -	
Subtotal	$ 7,005.00	
Co-Borrower		
Timing of Employment Income		
Employment Income	$ -	
Monthly Employment Income	$ -	
Monthly Fixed Income	$ -	
Monthly Untaxed Income	$ -	
	$ -	
Subtotal	$ -	
Gross Monthly Income	$ 7,005.00	

MORTGAGE INFORMATION

Owner Type	Non-GSE
Servicer Name	Nationstar
Loan Terms	
Original Principal	$ 400,000.00
Term in Months	335
Current Interest Rate	3.750%
Rate Type	Step Rate
Date of First Payment	2/1/2011
Amount of Balloon Payment	$ -
Amount of Forbearance	$ -
Monthly P&I Payment	$ 1,702.69
Monthly Property Taxes	$ 300.00
Monthly Homeowner's Insurance	$ 120.00
Monthly Association Fees	$ -
Arrears and UPB	
UPB Information:	Only Default Date
Estimate Arrears and UPB at Default:	
Default Date	3/1/2013
Today's Date	12/10/2015
Total Months in Default	34
Est UPB at Default	$ 337,095.10
Taxes in Arrears	$ 10,200.00
Insurance Arrears	$ 4,080.00
Association Fee Arrears	$ -
Interest Arrears	$ 36,127.98
Allowable Fees & Costs	$ 1,000.00
Total Eligible Arrears	$ 51,407.98
Market Interest Rate	
FDMC PMMS 30 YR FRM	3.95%
Subtract adjustment	-0.50%
Market Rate (rounded up to nearest 1/8)	**3.500%**

Current as of Supplemental Directive 15-08

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Ricardo Reis Waterfall
Run on: 12/10/2015

TIER 2 WATERFALL

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

Gross Monthly Income	**$ 7,005.00**	

CURRENT MONTHLY PITIA AMOUNT

Principal & Interest	$ 1,702.69	
Taxes	$ 300.00	+
Insurance	$ 120.00	+
Association Fee	$ -	+
Monthly PITIA Payment	**$ 2,122.69**	
Remaining Term on Loan	276	months

CAPITALIZE THE ARREARAGE

Current Principal Balance	$ 337,095.10	
Total Eligible Arrears	$ 51,407.98	+
Unpaid Principal Balance	**$ 388,503.08**	

REDUCE INTEREST RATE

Market Interest Rate

Risk-Adjusted PMMS 30 YR FRM	**3.500%**

EXTEND THE TERM

New mortgage term	480	months

FORBEAR PRINCIPAL

Property value	$ 325,000.00
Capitalized UPB at Default	$ 388,503.08
Post-Mod LTV	119.54%
Is pre-mod LTV greater than 115%?	**YES**
Forbear the lesser of….	
(i) Post-mod LTV = 115%	
New UPB	$ 373,750.00
Forbearance	$ 14,753.08
(ii) 30% of capitalized UPB	
New UPB	$ 271,952.15
Forbearance	$ 116,550.92
Amount to forbear	$ 14,753.08
New interest-bearing principal balance	**$ 373,750.00**

TEST FOR AFFORDABILITY

Post-mod P&I payment	$ 1,447.87
Post-mod PITIA payment	$ 1,867.87

Servicer DTI Range: 10% to 55%

(1) Is the new DTI within the Servicer's DTI Range?

Post-mod DTI	26.66%
Answer	**YES**

Servicer P&I Reduction Threshold: 0%

(2) Does P&I reduction meet servicer's threshold?

Percent Reduction	14.97%
Answer	**YES**

IS THE BORROWER ELIGIBLE?	**Yes**

Current as of Supplemental Directive 15-08

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

For questions or comments about this worksheet, please contact Joseph Rebella

MODIFICATION TERMS

Not Tier 1 Eligible

Tier 2 Terms

Possible Ineligibility Due to Origination Date

New P&I Payment	$ 1,447.87
New PITIA Payment	$ 1,867.87
New Principal Balance	$ 388,503.08
Principal Forborn	$ 14,753.08
New Interest Rate	3.500%
New Term	480

Current as of Supplemental Directive 15-08

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

C. Standard Modification

Alberto Caeiro financed the purchase of his home with a mortgage for $400,000 on January 15, 2015. His first payment was due on March 1, 2009. His mortgage has a fully-amortizing fixed interest rate of 6.0% and principal and interest payments of $2,398.20. Mr. Caeiro fell behind in June 2013. Mr. Caeiro is paid $2,250.00 biweekly. After converting his biweekly income to monthly income, Mr. Caeiro's gross monthly income for HAMP purposes is $4,875.00. He pays $300.00 a month in property taxes and $120.00 a month for homeowner's insurance. Because Mr. Caeiro's loan was originated after January 1, 2009, he is not eligible for HAMP. Based on the default date of the mortgage, the Worksheet estimates that Mr. Caeiro's UPB at default was $376,419.26 and that he has accumulated $72,921.99 in eligible arrears. The property is currently worth approximately $400,000. His MTMLTV is 112.34%, and his capitalized UPB is $449,341.25. Mr. Caeiro's loan is held by Fannie Mae and serviced by HSBC. Mr. Caeiro's Worksheet follows, with the HAMP sheet omitted.

Because his MTMLTV is above 80% but below 115%, the Standard Modification will include interest rate reduction, but not principal forbearance. After capitalizing the arrears, lowering the interest rate to the current Fannie Mae Standard Modification Rate of 3.875% and extending the term to 480 months, the waterfall arrives at a P&I payment of $1,843.19 and a PITIA payment of $2,263.19. This creates a 46.42% front end DTI, which meets the GSE Standard Modification 10% to 55% DTI range requirement, and a 23.14% reduction in principal and interest payments, which satisfies the requirement for payment reduction. The Worksheet shows these calculations and the final terms of the GSE Standard Modification for which Mr. Caeiro is eligible.

Alberto Caeiro Waterfall
Run on: 12/10/2015

HAMP BORROWER INPUTS

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

BORROWER INFORMATION

Estimated Value of Property	$ 400,000.00
Rental Property?	No
Borrower Gross Monthly Income	
Timing of Employment Income	Biweekly
Employment Income	$ 2,250.00
Monthly Employment Income	$ 4,875.00
Monthly Contribution	$ -
Monthly Fixed Income	$ -
Monthly Untaxed Income	$ -
	$ -
Rental income	
Primary Residence	$ -
	$ -
Rental Property	$ -
	$ -
PITIA on Rental	$ -
	$ -
Subtotal	$ 4,875.00
Co-Borrower	
Timing of Employment Income	
Employment Income	$ -
Monthly Employment Income	$ -
Monthly Fixed Income	$ -
Monthly Untaxed Income	$ -
	$ -
Subtotal	$ -
Gross Monthly Income	$ 4,875.00

Current as of FNMA Servicing Announcement 2015-12

MORTGAGE INFORMATION

Owner Type	FNMA
Loan Terms	
Original Principal	$ 400,000.00
Term in Months	360
Current Interest Rate	6.000%
Rate Type	Fixed Rate
Date of First Payment	3/1/2009
Amount of Balloon Payment	$ -
Amount of Forbearance	$ -
Monthly Property Taxes	$ 300.00
Monthly Homeowner's Insurance	$ 120.00
Monthly Association Fees	$ -
Arrears and UPB	
UPB Information:	Only Default Date
Estimate Arrears and UPB at Default:	
Default Date	6/1/2013
Today's Date	12/10/2015
Total Months in Default	31
Est UPB at Default	$ 376,419.26
Taxes in Arrears	$ 9,300.00
Insurance Arrears	$ 3,720.00
Association Fee Arrears	$ -
Interest Arrears	$ 58,901.99
Allowable Fees & Costs	$ 1,000.00
Total Eligible Arrears	$ 72,921.99
Market Interest Rates	
Fannie Mae Mod Rate	3.875%
FDMC PMMS 30 YR FRM	3.95%

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Alberto Caeiro Waterfall
Run on: 12/10/2015

FNMA STANDARD MODIFICATION

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

Gross Monthly Income	**$ 4,875.00**

CURRENT MONTHLY PITIA AMOUNT

Principal & Interest	$ 2,398.20	
Taxes	$ 300.00	+
Insurance	$ 120.00	+
Association Fee	$ -	+
Monthly PITIA Payment	**$ 2,818.20**	
Remaining Term on Loan	278	months

CAPITALIZE THE ARREARAGE

Current Principal Balance	$ 376,419.26	
Total Eligible Arrears	$ 72,921.99	+
Unpaid Principal Balance	**$ 449,341.25**	

REDUCE INTEREST RATE

Market Interest Rate

Fannie Mae Mod Rate	**3.875%**

EXTEND THE TERM

New mortgage term	480	months

Current as of FNMA Servicing Announcement 2015-12

FORBEAR PRINCIPAL

Property value	$ 400,000.00
Capitalized UPB at Default	$ 449,341.25
Post-Mod LTV	112.34%
Is post-mod LTV greater than 115%?	**NO**

Proceed to Step 5

New interest-bearing principal balance	**$ 449,341.25**

TEST FOR AFFORDABILITY

Post-mod P&I payment	$ 1,843.19
Post-mod PITIA payment	$ 2,263.19

(1) Is new DTI between 10% and 55%

Post-mod DTI	46.42%
Answer	**YES**

(2) Is new P&I less than old P&I?

Percent Reduction	23.14%
Answer	**YES**

IS THE BORROWER ELIGIBLE?	**Yes**

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Alberto Caeiro Waterfall

Run on: 12/10/2015

For questions or comments about this worksheet, please contact Joseph Rebella

MODIFICATION TERMS

Tier 1 Terms

Possible Ineligibility Due to Origination Date

New P&I Payment	$ 1,091.25
New PITIA Payment	$ 1,511.25
New Principal Balance	$ 449,341.25
Principal Forborn	$ 88,985.37
New Initial Interest Rate	2.000%
New Term	480

Standard Modification Terms

New P&I Payment	$ 1,843.19
New PITIA Payment	$ 2,263.19
New Principal Balance	$ 449,341.25
Principal Forborn	$ -
New Interest Rate	3.875%
New Term	480

Tier 1 Schedule

Assumes current PMMS Rate still effective on Modification Effective Date

Years	Interest Rate	Monthly P&I	Monthly PITIA	Number of Payments
1 - 5	2.000%	$ 1,091.25	$ 1,511.25	60
6	3.000%	$ 1,267.78	$ 1,687.78	12
7 - 40	4.000%	$ 1,454.11	$ 1,874.11	408

Current as of FNMA Servicing Announcement 2015-12

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

D. Standard Modification with MTMLTV<80%

This example assumes a borrower, Alvaro Campos, with the same facts as the above example, except Mr. Campos property is currently worth $600,000. Mr. Campos's Worksheet follows, with the HAMP sheet omitted. His MTMLTV is 74.89%. Because his MTMLTV is below 80%, the Standard Modification will not include principal forbearance or interest rate reduction. After capitalizing the arrears and extending the term to 480 months, the Worksheet arrives at a P&I payment of $2,472.34 and a PITIA payment of $2,892.34

This does not create reduction in principal and interest payment.. It also creates a 59.33% front end DTI, which meets the GSE Standard Modification 10% to 55% DTI range. Because Mr. Campos meets neither the DTI nor the payment reduction requirement, he is not eligible for a Standard Modification.

Alvaro Campos Waterfall
Run on: 12/10/2015

HAMP BORROWER INPUTS

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

BORROWER INFORMATION

Estimated Value of Property	$ 600,000.00
Rental Property?	No
Borrower Gross Monthly Income	
Timing of Employment Income	Biweekly
Employment Income	$ 2,250.00
Monthly Employment Income	$ 4,875.00
Monthly Contribution	$ -
Monthly Fixed Income	$ -
Monthly Untaxed Income	$ -
	$ -
Rental income	
Primary Residence	$ -
	$ -
Rental Property	$ -
	$ -
PITIA on Rental	$ -
	$ -
Subtotal	$ 4,875.00
Co-Borrower	
Timing of Employment Income	
Employment Income	$ -
Monthly Employment Income	$ -
Monthly Fixed Income	$ -
Monthly Untaxed Income	$ -
	$ -
Subtotal	$ -
Gross Monthly Income	$ 4,875.00

Current as of FNMA Servicing Announcement 2015-12

MORTGAGE INFORMATION

Owner Type	FNMA
Loan Terms	
Original Principal	$ 400,000.00
Term in Months	360
Current Interest Rate	6.000%
Rate Type	Fixed Rate
Date of First Payment	3/1/2009
Amount of Balloon Payment	$ -
Amount of Forbearance	$ -
Monthly Property Taxes	$ 300.00
Monthly Homeowner's Insurance	$ 120.00
Monthly Association Fees	$ -
Arrears and UPB	
UPB Information:	Only Default Date
Estimate Arrears and UPB at Default:	
Default Date	6/1/2013
Today's Date	12/10/2015
Total Months in Default	31
Est UPB at Default	$ 376,419.26
Taxes in Arrears	$ 9,300.00
Insurance Arrears	$ 3,720.00
Association Fee Arrears	$ -
Interest Arrears	$ 58,901.99
Allowable Fees & Costs	$ 1,000.00
Total Eligible Arrears	$ 72,921.99
Market Interest Rates	
Fannie Mae Mod Rate	3.875%
FDMC PMMS 30 YR FRM	3.95%

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Alvaro Campos Waterfall
Run on: 12/10/2015

FNMA STANDARD MODIFICATION

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

Gross Monthly Income	**$ 4,875.00**	

CURRENT MONTHLY PITIA AMOUNT

Principal & Interest	$ 2,398.20	
Taxes	$ 300.00	+
Insurance	$ 120.00	+
Association Fee	$ -	+
Monthly PITIA Payment	**$ 2,818.20**	
Remaining Term on Loan	278	months

CAPITALIZE THE ARREARAGE

Current Principal Balance	$ 376,419.26	
Total Eligible Arrears	$ 72,921.99	+
Unpaid Principal Balance	**$ 449,341.25**	

SET FIXED RATE

Fixed Rate - No Rate Change

Current Rate	**6.000%**

EXTEND THE TERM

New mortgage term	480	months

Current as of FNMA Servicing Announcement 2015-12

MTMLTV<80% - NO FORBEARANCE

TEST FOR AFFORDABILITY

Post-mod P&I payment	$ 2,472.34
Post-mod PITIA payment	$ 2,892.34

(1) Is new DTI between 10% and 55%

Post-mod DTI	59.33%
Answer	**NO**

(2) Is new P&I less than old P&I?

Percent Reduction	-3.09%
Answer	**NO**

IS THE BORROWER ELIGIBLE?	**No**

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Alvaro Campos Waterfall

Run on: 12/10/2015

For questions or comments about this worksheet, please contact Joseph Rebella

MODIFICATION TERMS

Tier 1 Terms

Possible Ineligibility Due to Origination Date

New P&I Payment	$ 1,091.25
New PITIA Payment	$ 1,511.25
New Principal Balance	$ 449,341.25
Principal Forborn	$ 88,985.37
New Initial Interest Rate	2.000%
New Term	480

Not Standard Modification Eligible

Tier 1 Schedule

Assumes current PMMS Rate still effective on Modification Effective Date

Years	Interest Rate	Monthly P&I	Monthly PITIA	Number of Payments
1 - 5	2.000%	$ 1,091.25	$ 1,511.25	60
6	3.000%	$ 1,267.78	$ 1,687.78	12
7 - 40	4.000%	$ 1,454.11	$ 1,874.11	408

Current as of FNMA Servicing Announcement 2015-12

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

E. 2MP

When Bernardo Soares, the borrower from the HAMP Tier 1 example, purchased his home, he financed the purchase with two mortgages: the first mortgage described above and a second mortgage. The second mortgage was an amortizing 30 year mortgage for $80,000.00 with a fixed interest rate of 6.5%. Mr. Soares fell behind on the second mortgage in the same month that he defaulted on the first mortgage. Mr. Soares 2MP Worksheet tab follows.

Because Mr. Soares passed the waterfall for HAMP, his modification type is the HAMP modification in the Worksheet. The Worksheet estimates the unpaid principal balance of his second lien as $74,888.78, and his capitalized unpaid principal balance as $90,017.86. Since Mr. Soares's second lien is an amortizing loan, his interest rate is set to 1% for the five years of the modified term. After those five years, the interest rate matches the interest rate of his first lien modification. The term of the second lien modification is extended to 480 months to match the term of the first lien modification. Finally, principal is forborne in the same ratio as the first lien modification.

For questions or comments about this worksheet, please contact Joseph Rebella

Second Lien Modification Program (2MP)

First Lien Inputs

Modification Type	Worksheet HAMP

Second Lien Inputs

Second Lien Servicer	Bank of America
Original Principal	$ 80,000.00
Term in Months	360
Current Interest Rate	6.500%
Rate Type	Fixed Rate
Date of First Payment	1/1/2008
2nd Lien Loan Type	Amortizing

UPB and Arrears

UPB Information:	Only Default Date
Estimate Arrears and UPB:	
Default Date	12/1/2012
Today's Date	12/10/2015
Total Months in Default	37
Est. UPB at Default	$ 74,888.78
Interest Arrears	$ 15,129.08
Allowable Fees & Costs	$ -
Capitalized UPB	$ 90,017.86

Current as of Supplemental Directive 15-08

2MP Results

Modified Terms

Initial P&I Payment	$ 199.44
Principal Balance	$ 90,017.86
Principal Forbearance	$ 11,144.54
Initial Rate	1.000%
Term	480

Years	Rate	Payment	Number of Payments
1 - 5	1.000%	$ 199.44	60
6	3.000%	$ 271.90	12
7 - 40	4.000%	$ 311.26	408

Loss Mitigation Options Chart

	MHA HAMP Tier 1	GSE HAMP	MHA HAMP Tier 2	GSE Standard	FHA-HAMP
Loan Owner Restrictions	Not a GSE or Government Loan	Held by Fannie Mae or Freddie Mac	Not a GSE or Government Loan	Held by Fannie Mae or Freddie Mac	Insured by FHA
Servicer Restrictions	Participating Servicer	None	Participating Servicer	None	None
Property Type	1-4 Family Residential	1-4 Family Residential	1-4 Family Residential	1-4 Family Residential	1-4 Family Residential
Origination Date Restrictions	On or before 1/1/2009	On or before 1/1/2009	On or before 1/1/2009	12 months before evaluation date	12 months before evaluation date
Priority	First	First	Second	Second	First
Owner Occupancy	Required	Required	Not Required	Not Required	Required
Effect of Prior Modification	No prior HAMP Tier 1 or Tier 2 Modification (Prior Streamline OK)	No prior GSE HAMP Modification	No prior HAMP Tier 2 Modification (Except Streamline HAMP)	(1) Max of 2 prior mods; and (2) Default may not have arisen in 1st year of mod (unless HAMP mod)	May modify again 24 months later
Subject to NPV Test	Yes	Yes	Yes	No	No
Post Modification DTI Minimum	Always 31%	Always 31%	Servicer Specific: 10-25% (Except Streamline HAMP)	10% (Except Streamlined Offers)	None
Post Modification DTI Maximum			Servicer Specific: 42-55% (Except Streamline HAMP)	55% (Except Streamlined Offers)	40%
Post Modification Interest Rate	Step Rate: As low as to 2%, adjusting up to PMMS.	Step Rate: As low as to 2%, adjusting up to PMMS.	PMMS - 0.5%	<u>If MTMLTV >80%</u> Standard Modification Rate <u>If MTMLTV<80%</u> Greater of: (1) Contract Rate and (2) Standard Mod Rate	PMMS + 0.25%
Post Mod Term	Up to 40 years	Up to 40 years	40 years	40 years	30 years
Forbearance	<u>Only if Required</u>: Greater of : (1) 30% of UPB and (2) to value	<u>Only if Required</u>: Greater of : (1) 30% of UPB and (2) to value	If post-mod MTMLTV>115%: Lesser of (1) 30% of UPB and (2) to 115% of value	<u>If MTMLTV>80%</u> Lesser of: (1) 30% of UPB and (2) to 115% of value <u>If MTMLTV<80%</u> None	<u>Only if Required</u> Up to 30% of UPB (In the form of a Partial Claim)
Monthly P& I Reduction Required	Required	Required	Servicer Specific: ≥0% - ≥10%	≥0% Reduction Required	Not Required

Abbreviations

<u>MTMLTV</u> - Mark to Market Loan to Value Ratio; <u>PMMS</u> - Freddie Mac Primary Mortgage Market Survey Rate; <u>DTI</u> - Front End Debt to Income Ratio