HAMP AND GSE STANDARD MODIFICATION WATERFALL WORKSHEET

A User's Guide

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Introduction

Borrowers with loans held by FNMA, FDMC or serviced by a HAMP participating servicer may be eligible for HAMP Tier 1 mortgage loan modification. Additionally, borrowers with loans held by FNMA or FDMC, 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 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. These materials provide detailed guidance as to how to use the Worksheet and give a walkthrough of the Worksheet using a sample borrower. The Worksheet is available on MFY Legal Services, Inc.'s website at http://www.mfy.org/projects/foreclosure-prevention-project/.

<u>Uses for the Worksheet</u>

What the Worksheet Can Do:

- Confirm that the borrower passes the HAMP and GSE Standard Modification Waterfalls.
- Provide detailed information about potential outcomes to borrowers and set expectations.
- Provide guidance to borrowers who do not pass the waterfalls as to what income levels would be necessary to pass.
- Provide guidance to plan contribution income for modification applicants.
- Create evidence of waterfall passage to combat wrongful servicer denials.

What the Worksheet Cannot Do:

- Be effectively run in any version of Excel 2003 or older. The Worksheet uses features new to Excel 2007. It is compatible with Excel 2007 and 2010.
- Substitute as a basic understanding of modification guidelines – this worksheet only runs the waterfalls. It does not include any of the many prerequisites, such as loan date, loan size, owner occupancy, etc. It also does not include special rules for the consideration of certain kinds of income such as alimony or child support.
- Analyze FHA Loans – for FHA Loans use the FHA Worksheet.
- Test eligibility – this worksheet does not provide an NPV analysis, but the worksheet will provide confirmation that the servicer must provide NPV inputs in the event that the borrower passes, which can then be tested at CheckMyNPV.com.

<u>Cell Key</u>

- <u>Blue Cells</u> must be filled in by the user.
- <u>Yellow Cells</u> indicate the cell is showing the result of a calculation.
- <u>Green Cells</u> indicate that the cell is showing the contents of another cell, often located on another sheet.
- <u>Purple Cells</u> indicate that the cell is showing an important or final calculation result.

Input Definitions

Borrower Information

- Estimated Value of Property – value of property is used for calculating principal forbearance and GSE standard modification limits.
- Rental Property – whether the property at issue is a rental property. Rental properties are eligible for Tier 2 and GSE standard modifications, but not HAMP Tier 1.
- Timing of Employment Income – provides six options as to when the borrower is paid to convert employment income into monthly employment income.:
  - Weekly – borrower paid once a week
  - Biweekly – borrower paid once every two weeks
  - Bimonthly – borrower paid twice a month
  - Monthly – borrower pay monthly
  - Annual – borrower pay annually
  - YTD – ("Year-To-Date") borrower pay to date over the year
- 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.
- Monthly Contribution Income – money provided on a monthly basis to the borrower from a non-borrower occupant for payment of the mortgage.
- Monthly Fixed Income – taxable income received on a monthly basis. Examples include SSA, SSD and pension payments.
- Monthly Untaxed Income – 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%.
- Rental Income – Primary Residence – income received from renting units in the primary

residence. The worksheet will automatically adjust the rental income down by only using 75%.

- Rental Income – Rental Property – income received from renting units in a property that is not occupied by the borrower. The worksheet will automatically adjust the rental income down by only using 75%.
- PITIA on Rental – the principal, income, property taxes, homeowner's insurance and homeowner's association (collectively "PITIA") cost of the rental property. If the subject property is a rental property, then PITIA on Rental will auto-populate based on the Tier 2/Standard mod terms.

Mortgage Information

- Owner Type – the investor on the loan. The GSEs, FDMC (Freddie Mac) and FNMA (Fannie Mae), provide Standard Modifications for borrowers who do not qualify for HAMP Tier 1. Non-GSEs (*i.e.*, portfolio loans and private securitizations) provide HAMP Tier 2 for borrowers who do not qualify for HAMP Tier 1.
- Original Principal – original loan principal, used to compute the current principal balance.
- Term – term of the loan in months.
- 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, part of PITIA analysis.
- Monthly Association Fees – cost of homeowner's association fees due on a monthly basis, part of PITIA analysis.
- 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 "Amortizing Fixed Rate". If the borrower has a mortgage with an adjustable rate that is fully amortizing, then select "Amortizing ARM". If the borrower has a loan with a balloon payment, then select "Balloon Payment". If the borrower has a modification of the loan in which principal is placed in a non-interest bearing forbearance, then select "Previous HAMP Mod". For all other loan types, select "Other".

- Monthly P&I Payment – available only when the mortgage is not an Amortizing Fixed Rate mortgage. This cell requests the amount of monthly principal and interest payments currently due. This information is used to determine if the current housing payment exceeds 31% of the borrower's gross monthly income and to determine if the proposed Tier 2/Standard Modification reduces the principal and interest due by 10% or more.
- Amount of Balloon Payment/ Principal Forbearance - available only when the mortgage is has a balloon payment or non-interest bearing principal forbearance. This cell requests the amount of the balloon payment or forborne principal. This is used to calculate the unpaid principal balance of this loan.
- UPB ("Unpaid Principal Balance") Information – information the borrower has regarding the UPB, provides three options:
    - Capitalized UPB – borrower has an accurate UPB capitalized for HAMP purposes. Such capitalization would include interest arrears and bona fide foreclosure-related costs, but not late fees.
    - UPB at Default – borrower has date of default and the amount of the non-capitalized, unpaid principal balance at the time of default. 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. This is the least precise measure and will be incorrect if the loan contains an adjustable rate, an interest only period, a balloon payment or any only feature that would affect the amortization schedule.

- 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 – the date of the first missed payment.
- Fees and Costs – the allowable fees and costs accrued on the mortgage. These are both included in the Capitalized UPB. The worksheet divides them into Legal Fees & Costs and Bank Foreclosure Fees & Costs because many reinstatement or payoff figures make such a division.
- Freddie/ Fannie Standard Mod Rate – only available for the respective GSE loans, this is the rate used in the Standard Modification calculation. Click on the link to find the appropriate rate and input it.
- FDMC PMMS 30 YR FRM – this rate is used to calculate the Tier 2 waterfall in non-

GSE loans and to calculate the loan rate cap for HAMP Tier 1 modifications. To find the Tier 1 interest rate cap, this rate is round up to the nearest .125%. A Risk Adjustment is added to calculate the Tier 2 rate.

- Risk Adjustment – a factor added to the FDMC PMMS 30 YR FRM to calculate the Tier 2 rate for non-GSE loans. This factor is set by Treasury and subject to change. As of MHA Handbook v. 4.1, the risk adjustment is 50 basis points.
- Primary Residence PITIA – available only when the subject property is a rental property. Input the PITIA on the borrower's residence, which is part of the DTI calculation.

SAMPLE BORROWER WALKTHROUGH

<u>HAMP Borrower Inputs Tab</u>

<u>Borrower Information</u>

Borrower and Co-Borrower (collectively the "Borrowers") live in the subject property. After reviewing online valuation estimators, such as Zillow, it appears that the subject property is fairly valued at roughly $435,000.

Borrower makes $1,250 in gross income on a biweekly basis. Additionally, Borrower receives $800 in untaxed benefits. Finally, Borrower earns rental income in two ways. First, Borrower rents out a unit of the subject home for $1,200 a month. Second, Borrower owns a second, investment property that produces $3,000 in rental and costs $2,000 in monthly mortgage payments, insurance and taxes. Co-Borrower also works, but receives income on an irregular basis due to commission and bonus payments. Last year, Co-Borrower made $20,530 in employment income.

<u>Inputting Borrower Information</u>

An approximate valuation of the property is sufficient for waterfall analysis, so $435,000 should be entered as the Estimated Property Value. Because the subject property is Borrower and Co-Borrower's primary residence, Rental Property should be set to No.

Because Borrower is paid biweekly, the timing of his employment income should be set to Biweekly and his employment income set to $1,250. The Worksheet automatically adjusts this to a monthly total of $2,708.33. The Worksheet also automatically grosses up the $800 of untaxed benefits to $1,000. The $1,200 in rent earned by renting out a unit of Borrower's primary residence is entered under Rental Income – Primary Residence, and the Worksheet automatically reduces the income by 25% per HAMP rules. The $3,000 earned in rental income on the investment property is entered under Rental Income – Rental Property, and the $2,000 in PITIA cost is entered as PITIA on Rental. The Worksheet automatically reduces the $3,000 in rental income by 25% and then subtracts the PITIA housing cost from that number, leaving Borrower $250 in usable income from the Rental Property. Co-Borrower's income is entered as

Annual income and automatically averaged out over the year. The Worksheet then totals the household income, producing a household Gross Monthly Income of $6,569.17.

Loan Information

The Borrowers originally took out a 30 year fixed rate loan for $500,000 at 7.5% on June 11, 2005. Their first payment was due on August 1, 2005. Currently, the Property Taxes on the subject property are $900 a quarter, and the homeowners' insurance cost is $1,440 a year. The Borrowers pay both of these costs through an escrow account. The Borrowers do not have any homeowners' association dues. The Borrowers paid on the loan until June 2010, when they started missing payments and defaulted on the loan. In October 2012, the Borrower received a foreclosure complaint, which listed their unpaid principal balance at $474,155.01. The complaint also listed $1,188.64 in late fees, $7,140.00 in escrow arrears, $1,000.00 in legal fees and $500.00 in foreclosure related costs.

An online search, using the FNMA and FDMC loan lookup tools, has shown that the loan is not held by a GSE entity.

Inputting Loan Information

Since the loan is a fixed rate loan, the Loan Type is an Amortizing Fixed Rate loan. Because the Borrowers borrowed a total of $500,000, the Original Principal of the loan should be set to $500,000. The Term should be set to 360 months, and the Interest Rate is 7.5%. The Date of First Payment is August 1, 2005, not the origination date of June 11, 2005. Property taxes and monthly insurance are entered as monthly costs of $300 and $120 respectively.

Since the Borrowers' information about the amount the amount owing is four months old, using a Capitalized UPB is not available as an option. The Borrowers do have their UPB at Default and have had a fixed interest rate since default, so the user should select UPB at Default as the UPB Information option. The UPB at Default is the principal amount listed in the complaint: $474,155.01. The Borrowers' default date is the date of their first missed payment, namely June 1, 2010. Legal Fees and Foreclosure fees are entered as they appear in the complaint, but late fees are disregarded per HAMP guidance.

The Worksheet uses the UPB at Default and interest rate to calculate the interest arrears current as of today's date. The Worksheet uses the number of missed payments to calculate the amount of Taxes, Insurance and Association fees (collectively "TIA") in arrears. The Total Eligible Arrears is equal to the sum of the interest arrears, TIA arrears, legal fees and foreclosure costs.

Because the loan is not held by Fannie Mae or Freddie Mac, the Loan Type is Non-GSE. Clicking on the FDMC PMMS 30 YR FRM link shows that the relevant index as of the date of the Waterfall is 3.56%. The Risk Adjustment is 0.5% and has not been changed since MHA Handbook v. 4.1.

Waterfall Worksheet - HAMP & GSE Standard Modifications

Run on: 2/25/2013

HAMP BORROWER INPUTS

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

BORROWER INFORMATION

Estimated Value of Property	$ 435,000.00	
Rental Property?	No	
Borrower Gross Monthly Income		
Timing of Employment Income	Biweekly	
Employment Income	$ 1,250.00	
Monthly Employment Income	$ 2,708.33	
Monthly Contribution	$ -	
Monthly Fixed Income	$ -	
Monthly Untaxed Income	$ 800.00	
	$ 1,000.00	Grossed up
Rental income		
Primary Residence	$ 1,200.00	
	$ 900.00	Reduced by 25%
Rental Property	$ 3,000.00	
	$ 2,250.00	Reduced by 25%
PITIA on Rental	$ 2,000.00	
	$ 250.00	Reduced by PITIA
Subtotal	$ 4,858.33	
Co-Borrower		
Timing of Employment Income	Annual	
Employment Income	$ 20,530.00	
Monthly Employment Income	$ 1,710.83	
Monthly Fixed Income	$ -	
Monthly Untaxed Income	$ -	
	$ -	
Subtotal	$ 1,710.83	
Gross Monthly Income	$ 6,569.17	

Current as of MHA Handbook v. 4.1

MORTGAGE INFORMATION

Owner Type	Non-GSE
Loan Terms	
Original Principal	$ 500,000.00
Term in Months	360
Current Interest Rate	7.500%
Date of First Payment	8/1/2005
Monthly Property Taxes	$ 300.00
Monthly Homeowner's Insurance	$ 120.00
Monthly Association Fees	$ -
Loan Type	Amortizing Fixed Rate

Calculate arrears assuming fixed rate post-default:	
UPB Information:	UPB at Default
Enter UPB at Default	$ 474,155.01
Default Date	6/1/2010
Today's Date	2/25/2013
Total Months in Default	33
UPB at Default	$ 474,155.01
Taxes in Arrears	$ 9,900.00
Insurance Arrears	$ 3,960.00
Association Fee Arrears	$ -
Interest Arrears	$ 100,132.81
Legal Fees & Costs	$ 1,000.00
Bank Foreclosure Fees & Costs	$ 500.00
Total Eligible Arrears	$ 115,492.81

Market Interest Rate

FDMC PMMS 30 YR FRM	3.56%
Add risk adjustment	0.50%
Market Rate (rounded up to nearest 1/8)	**4.125%**

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Tier 1 Waterfall Tab

The Tier 1 Waterfall tab begins by calculating the Borrowers' current PITIA payment. Because the Borrowers have an Amortizing Fixed Rate mortgage, the Principal and Interest Payment total is calculated using the Original Principal Amount of the loan, the Interest Rate of the loan and the Term of the loan. The Worksheet adds the P&I cost to the monthly TIA costs, which are linked from the previous page. The Worksheet also calculates the remaining term on the loan using the original Term, the Date of First Payment and today's date. Here, the Borrowers' loan has 269 remaining months in the term.

After these preliminary steps, the Worksheet begins the Tier 1 Waterfall. First, the Worksheet capitalizes the Borrower's unpaid principal balance by adding the UPB at Default to the Eligible Arrearages calculated on the Inputs tab. The Borrowers' Capitalized UPB is $589,647.82. Second, the Worksheet calculates the Target PITIA payment by taking 31% of the Gross Monthly Income figure calculated on the Inputs tab. By subtracting the monthly TIA cost, the Worksheet determines how much monthly income is available to be dedicated to the principal and interest of a modified loan. The Borrowers have $1,616.44 a month to dedicate to principal and interest payments on a modification. Third, the Worksheet determines the interest rate needed to support a principal of the Capitalized UPB and the Principal and Interest payment just determined. In the case of the Borrowers, they would need to have an interest rate of -2.5% in order to pay off a loan of $589,647.82 with 269 payments of $1,616.44. Because this interest rate is less than 2.00%, the interest rate is lowered to 2.00%, and the Worksheet calculates term extension.

For term extension, the Worksheet determines how long it would take a borrower to pay off the Capitalized UPB at a 2.00% interest rate making their target payments. In the case of the Borrowers, the term needed is 563 months. The HAMP maximum for term extension is 480 months, so the term is set to 480 months, and the Worksheet calculates the amount of principal forbearance needed.

HAMP Tier 1 mandates forbearance of the greater of 30% of the capitalized UPB (in this case, $176,894.35) and the difference between the capitalized UPB and fair market value (in this case, $154,647.82). Here, the 30% of capitalized UPB is the larger figure, so maximum forbearance is set to that amount. Next, the Worksheet calculates the difference between the capitalized UPB and the principal supported by 480 monthly payments of the target principal and interest payment at 2.00% interest. In this case, that difference totals $55,861.55. Because the forbearance amount is less than the maximum forbearance allowed, the Borrowers pass the waterfall for HAMP Tier 1. The terms of that modification will be available on the Loan Mods tab.

Waterfall Worksheet - HAMP & GSE Standard Modifications
Run on: 2/25/2013

TIER 1 WATERFALL

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

Gross Monthly Income	**$ 6,569.17**	

CURRENT MONTHLY PITIA AMOUNT

Principal & Interest	$ 3,496.07	
Taxes	$ 300.00	+
Insurance	$ 120.00	+
Association Fee	$ -	+
Current Monthly PITIA Pmt	**$ 3,916.07**	=
Remaining Term on Loan	269	months

CAPITALIZE THE ARREARAGE

Current Principal Balance	$ 474,155.01	
Eligible Arrearages	$ 115,492.81	+
Unpaid Principal Balance	**$ 589,647.82**	

DETERMINE THE NEW PAYMENT

Target 31% Front End DTI

31% of Gross Monthly Income	$ 2,036.44	**Target PITIA**
Subtract TIA	$ 1,616.44	**Target P & I Payment**

REDUCE INTEREST RATE

Interest Rate That Meets Target PI Payment	**-2.500%**

Go to next step

EXTEND LOAN TERM

Increase Term Up To 480 months to Reach Target PI Payment

Rate	2.00%
Current Term	269
Target P&I Payment	$ 1,616.44
UPB	$ 589,647.82

Term Needed to Reach Target P&I Payment	**563**	**months**

Go to next step

FORBEAR PRINCIPAL

Forbear Greater of:

30% of UPB	$ 176,894.35
UPB - Market Value	$ 154,647.82
Max Forbearance Amount	$ 176,894.35
Forbearance Needed to Reach Target PI Payment	$ 55,861.55
Is Needed Forbearance Less Than Max?	**YES**

IS THE BORROWER ELIGIBLE?	**Yes**

Tier 2 Waterfall Tab

Because the Borrowers' loan is not held by Freddie Mac or Fannie Mae, HAMP Tier 2 applies rather than a GSE Standard Modification. Like the Tier 1 Waterfall, the Tier 2 Waterfall begins by calculating the current monthly PITIA payment, remaining term and capitalized UPB. However, unlike in Tier 1, the waterfall in Tier 2 sets the interest rate to Risk-Adjusted PMMS 30 YR FRM rounded up to the nearest .125%. Tier 2 also automatically extends the term to 480 months from the modification date.

Next, the Worksheet determines whether or not principal forbearance is required. The Worksheet compares the Capitalized UPB to the Estimated Value of the Property to determine the mark-to-market loan-to-value ratio. Here, the Borrower's loan to value ratio is 135.55%. Because this ratio exceeds 115%, the Worksheet calculates principal forbearance. Under Tier 2, principal forbearance is equal to the lesser of 30% of Capitalized UPB (in this case, $176,894.35) and the difference between Capitalized UPB and 115% of the property value (in this case, $89,397.82). After forbearing $89,397.82, the Borrowers are left with an interest bearing principal balance of $500,250.00.

After calculating principal forbearance, the Worksheet generates the new mortgage payment. To do this, the Worksheet generates the principal and interest payment necessary to support the interest bearing principal balance over 480 months at the Risk-Adjusted PMMS 30 YR FRM interest rate. Then, the Worksheet adds the monthly TIA cost to produce the proposed PITIA payment on the mortgage. The Worksheet uses this number to test for affordability.

To test for affordability, the Worksheet determines the borrower's debt to income ratio ("DTI") using the newly generated PITIA payment and the Gross Monthly Income from the Inputs tab. If the DTI is between 25% and 42%, then the payment meets the income requirements under HAMP Tier 2. If the DTI is greater than 10%, but less than 25% or greater than 42%, but less than 55%, then the payment may meet the income requirements depending on the servicer's specific policy. Here, the Borrowers' DTI is 38.81%, so they clearly pass the income test. Finally, the Worksheet compares the previous principal and interest payment to the newly generated principal and interest payment. The modification must reduce the payment by at least 10% of the previous principal and interest payment. In this case, the Borrowers' payment under the modification is 39.08% less than their previous principal and interest payment. The Borrowers pass the waterfall for a Tier 2 modification, and the terms of that modification are provided on the Loan Mods tab.

Waterfall Worksheet - HAMP & GSE Standard Modifications

Run on: 2/25/2013

TIER 2 WATERFALL

Cell Color Code

Requires Input	Linked Cell
Formula Cell	Result Cell

Gross Monthly Income	**$ 6,569.17**	

CURRENT MONTHLY PITIA AMOUNT

Principal & Interest	$ 3,496.07	
Taxes	$ 300.00	+
Insurance	$ 120.00	+
Association Fee	$ -	+
Monthly PITIA Payment	**$ 3,916.07**	
Remaining Term on Loan	269	months

CAPITALIZE THE ARREARAGE

Current Principal Balance	$ 474,155.01	
Eligible Arrearages	$ 115,492.81	+
Unpaid Principal Balance	**$ 589,647.82**	

REDUCE INTEREST RATE

Market Interest Rate

Risk-Adjusted PMMS 30 YR FRM	**4.125%**

EXTEND THE TERM

New mortgage term	480	months

Current as of MHA Handbook v. 4.1

FORBEAR PRINCIPAL

Property value	$ 435,000.00
Current principal balance	$ 589,647.82
LTV	135.55%
Is pre-mod LTV greater than 115%?	**YES**
Calculate Forbearance	
Forbearance will equal the lesser of….	
(i) Post-mod LTV = 115%	
New UPB	$ 500,250.00
Forbearance	$ 89,397.82
(ii) 30% of capitalized UPB	
New UPB	$ 412,753.47
Forbearance	$ 176,894.35
Amount to forbear	$ 89,397.82
New interest-bearing principal balance	**$ 500,250.00**

TEST FOR AFFORDABILITY

Post-mod P&I payment	$ 2,129.80
Post-mod PITIA payment	$ 2,549.80
(1) Is new DTI between 10% & 55%?	
Post-mod DTI	38.81%
Answer	**YES**
(2) Is post-mod DTI between 25% & 42%?	**YES**
(3) Is new P&I at least 10% less than old P&I?	
Percent Reduction	39.08%
Answer	**YES**
IS THE BORROWER ELIGIBLE?	**Yes**

MFY Legal Services Inc.'s Proprietary Waterfall Worksheet

Modification Terms

Because the Borrowers pass the waterfalls for both HAMP Tier 1 and HAMP Tier 2, this tab displays the terms of the modifications produced by the waterfalls. For both Tier 1 and Tier 2, the Worksheet displays the Borrowers' (1) new principal and interest payments, (2) new PITIA payments, (3) new principal balance, (4) amount of principal under forbearance, (5) new initial interest rate and (6) new term.

HAMP Tier 2 provides a fixed rate mortgage at the Risk-Adjusted PMMS 30 YR FRM rate as of the date of modification. But, HAMP Tier 1 provides a mortgage that begins as low as 2.00%, but adjusts up to the rounded PMMS 30 YR FRM as of the date of modification. Here, because the Tier 1 Waterfall produced an initial interest rate below the PMMS 30 YR FRM rate, their interest rate will change over time. For the first five years, the Borrowers will pay at a rate of 2.00%. After the initial five years, the rate will increase at up to 1% per year until it reaches the interest rate cap. In this case, the Borrowers' interest rate will increase to 3% in the sixth year of the mortgage and up to the interest rate cap of 3.625% in the seventh year of the mortgage. The table shows the principal and interest payments at each of those times and PITIA payments, assuming constant TIA rates. The table also shows the number of payments to be paid at each interest rate.

Waterfall Worksheet - HAMP & GSE Standard Modifications

Run on: 2/25/2013

MODIFICATION TERMS

Tier 1 Terms

New P&I Payment	$ 1,616.44
New PITIA Payment	$ 2,036.44
New Principal Balance	$ 589,647.82
Principal Forborn	$ 55,861.55
New Initial Interest Rate	2.000%
New Term	480

Tier 2 Terms

New P&I Payment	$ 2,129.80
New PITIA Payment	$ 2,549.80
New Principal Balance	$ 589,647.82
Principal Forborn	$ 89,397.82
New Interest Rate	4.125%
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%	$ 1,616.44	$ 2,036.44	60
6	3.000%	$ 1,877.93	$ 2,297.93	12
7 - 40	3.625%	$ 2,048.15	$ 2,468.15	408

Current as of MHA Handbook v. 4.1