WHEDA

Loan Servicing Manual

February 4, 2016

Mortgage Files and Records

The servicer is responsible for maintaining accurate accounting and mortgage payment records. We have the right to examine, at any time, all records which pertain to mortgages we hold in our portfolio, all accounting reports associated with those mortgages and mortgagor remittances, and any other reports and documentation we consider necessary to assure the servicer is in compliance with our requirements.

WHEDA will maintain physical possession of original mortgage documents while the servicer must maintain copies of each document.

Ownership of Mortgage Files and Records (3/31/08)

All mortgage papers and documents, tax receipts, insurance policies, insurance premium receipts, ledger sheets, payment records, insurance claim files and correspondence, current and historical computerized data files, and all other papers and records (whether developed or originated by the servicer or others) required to service a mortgage properly will be the property of WHEDA. Any of these records in the possession of the servicer are retained in a custodial capacity only.

Types of Records (3/31/08)

Mortgage files and records include the individual mortgage files, permanent mortgage account records, and accounting system transmissions that are sent to us. The accounts and records relating to mortgages serviced for WHEDA must be maintained in accordance with sound and generally accepted accounting principles and in such a manner as will permit our representatives to examine and audit such accounts and records at any time.

Specifically, WHEDA's examination and audit will consist of:

- Monitoring all monthly accounting reports the servicer submits.
- Conducting periodic procedural reviews during visits to the servicer's office.
- Conducting, from time to time, in-depth audits of the servicer's internal records and operating procedures, including the examination of financial records and mortgagor escrow deposit accounts.

Individual Mortgage Files (3/31/08)

The servicer must maintain an individual file with our loan number for each mortgage it services for us. The mortgage file must include any papers or records required to service the mortgage properly and any documents that attest to the validity of the mortgage. The file must include:

- A copy of the loan origination documents including copies of the Note, recorded mortgage and assignment, title insurance, mortgage insurance, hazard insurance, etc.;
- Current hazard insurance declaration page and evidence of payment of property taxes; and
- Any other pertinent servicing information (for example, copies of property inspection reports or payment changes).

Mortgage Payment Records (3/31/08)

The servicer must also maintain permanent mortgage account records of each mortgage it services for us. The records must be identified by our loan number in addition to any other identification the servicer uses. The servicer may develop its own system for maintaining these records as long as it can produce an account transcript.

The servicer's accounting system must be able to produce detailed information on:

- All transactions that affect the mortgage balance (the amount and due date of each payment, when the payment was received, and how the payment was applied);
- The financial status of the mortgage (the latest outstanding balances for principal, escrow deposits, advances, and unapplied payments);
- Any overdrafts in the escrow deposit account.

Record Retention (3/31/08)

The servicer may microfilm (or otherwise condense) the papers required to document and service the mortgage. The servicer must be able to reproduce any condensed documents promptly and legibly if they are needed for any reason.

After a mortgage is liquidated, the servicer must keep the individual mortgage records as required by State of Wisconsin Statutes.

Access to Records (3/31/08)

Upon our written request, the servicer must deliver all mortgage records and documents to us or to whomever we designate. Each mortgage must be clearly identified. If the servicer has microfilmed or condensed any of the records, it must reproduce them at its own expense.

If we have to take legal action to obtain these records, the servicer will be liable for any legal fees, costs, and related expenses we incur in enforcing our right of access to the records.

Audit Confirmations (3/31/08)

Servicers may instruct their external auditors to contact us directly about providing confirmation of the servicer's portfolio composition and outstanding balances as they are carried in our records.

The requests for audit confirmation should be addressed to:

WHEDA
Attn: Servicing Manager
P.O. Box 1728
Madison, WI 53701-1728

All requests should include the following information:

- Servicer's name and address;
- Servicer's identification number;
- The name and telephone number of auditor's contact person; and
- The "as of" date for the confirmation.

Protection of Security

Servicers are responsible for protecting the priority of our liens on properties and for safeguarding the integrity of the secured properties.

Taxes and Assessments (3/31/08)

The servicer must maintain accurate records on the status of real estate taxes, or any other assessments that could become a lien against the property. The servicer of a mortgage usually accomplishes this by paying the bills itself using funds in the mortgagor's escrow deposit account.

The servicer should use the funds in the mortgagor's escrow deposit account to pay taxes and other related charges before any penalty date. Whenever funds are available, the servicer must pay these expenses early enough to take advantage of the maximum discounts allowed. If the deposit account balance is not sufficient to pay these obligations, the servicer should either get the necessary funds from the mortgagor or advance its own funds. If a penalty is incurred for late payment of taxes and the mortgagor was a factor in delaying the payment, the servicer may collect the penalty from the mortgagor. Otherwise, the servicer must pay the penalty from its own funds.

Properties in Disrepair (3/31/08)

If the servicer believes the property's value may be in jeopardy because of the condition of the property, it should inspect the property immediately.

When an inspection discloses any condition detrimental to the property's value or the need for urgent repairs, the servicer should remind the mortgagor of his or her obligation to maintain the property. The servicer should take one of the following actions:

- If the mortgagor agrees to arrange for the necessary repairs, the servicer should follow up to insure completion of the repairs; or
- If the mortgagor is unwilling or unable to make the repairs, the servicer should contact WHEDA's Loan Servicing Division for further instructions.

Vacant or Abandoned Properties (3/31/08)

When an inspection reveals the property is vacant and may have been abandoned, the servicer should try to locate the mortgagor to determine the reason for the vacancy. The servicer must also make immediate arrangements to protect the property from vandalism and the elements (Refer to Securing section). The hazard insurance carrier should also be notified of the vacancy to assure appropriate insurance coverage is being maintained. The servicer must summarize its attempts to locate the mortgagor and submit to WHEDA a recommendation for further action. If the mortgagor cannot be found and the mortgage is delinquent, the servicer should recommend foreclosure.

Notifying Project Associations (3/31/08)

On a mortgage secured by a condominium unit, the owners' association of the project agrees to give the servicer prompt notice of any change in its insurance coverage or of any condemnation or casualty loss that may have a material effect on the project or on our security. The servicer should send a notice identifying the units it is servicing to the owners' association of each condominium project in which it services mortgages.

Notices of Liens or Legal Actions (3/31/08)

WHEDA recommends that when a servicer receives funds from a borrower, and the borrower has not indicated how they wish those funds to be applied (no coupon accompanied the funds) the funds first be applied accordingly to the first mortgage payment (if current) and not be applied to any junior liens that the servicer may have issued. If WHEDA gains knowledge that the servicer is engaging in this type of practice, their servicing may be in jeopardy.

The servicer must give us immediate notice of any legal or financial action, bankruptcy, condemnation, probate proceedings, tax sale, partition, etc. affecting the property.

Property Forfeitures and Seizures (3/31/08)

Various federal statutes (including the Controlled Substances Act) provide for the civil or criminal forfeiture of certain types of property (including real estate) that are used, or are intended to be used, to commit or to facilitate the commission of certain violations of federal law. The servicer should not provide any information about the borrower, the mortgage, or the property unless the DEA, FBI, or U.S. Marshal representative provides one of the following: an administrative subpoena or summons, a search warrant, a judicial subpoena (such as a grand jury subpoena), or a formal written request (in those instances in which an administrative summons or subpoena is not available to the Department of Justice). The servicer should inform the requesting agency that it must also submit a written certification that it has complied with the provisions of the Right to Financial Privacy Act, unless the request for information relates to a grand jury subpoena or a case involving crimes against a financial institution (pursuant to Section 3413(1) of 12 U.S.C.A.). If the Department of Justice does not contact the servicer before it initiates forfeiture or seizure proceedings, but does provide the servicer with notice when the property is seized or the forfeiture proceedings are instituted, the servicer should telephone WHEDA as soon as it receives the notice. The servicer should inform WHEDA about all deadlines and requirements specified in the notice, and promptly provide a copy of the notice and any accompanying documents.

Partial Releases of Security (3/31/08)

Certain events such as eminent domain or division of the property may result in a portion of the property being released as security for the mortgage.

Prior to releasing a portion of the property, the servicer must obtain WHEDA's approval. The mortgage insurer must also approve the release. The servicer must submit a survey or plat map indicating the area to be released, the location of the improvements and the legal description of the parcel to be released.

All compensation received by the borrower for the partial release must be applied to the loan balance. A $50 processing fee, payable to WHEDA, must accompany all requests.
Upon approval, an executed Partial Release of Mortgage will be forwarded to the servicer for recording with the local register of deeds.

Property Address Changes (3/31/08)

When an address for a property changes, the servicer should update its records and obtain hazard and mortgage insurance endorsements to reflect the change. The servicer should also send the address change with its monthly accounting report. Please include the borrower's name and WHEDA's loan number.

Nonowner-Occupied Properties (3/31/08)

All properties secured by WHEDA mortgages must be owner-occupied. The servicer must notify our Loan Servicing Division immediately if the mortgagor is not occupying the property.

Servicer must send appropriate (non-owner occupancy) letters to the borrowers to determine their reasons for vacating the property and to give options available to them to resolve the occupancy violation. Options include: move back into the property or list the house for sale or refinance. The letters should explain possible legal action may be enforced due to the violation of the WHEDA occupancy guidelines.

Each situation should be handled on a case by case basis, but in no instance should it take longer than 90 days to resolve. WHEDA approval is necessary for anything longer than 90 days.

Servicer is responsible for enforcing WHEDA’s occupancy guidelines. If there is no resolution with the borrower, the result will be foreclosure.

All copies of letters should be forwarded to WHEDA for compliance reasons.

Insurance Coverage

Private Mortgage Insurance (3/31/08)

The servicer must keep in effect the private mortgage insurance that existed when we purchased the mortgage. All requests to cancel private mortgage insurance have been delegated to the servicers. Servicers should follow both theWHEDA policy listed below and federal guidelines.

If private mortgage insurance is canceled in error and the loan goes into default, any losses will be the responsibility of the servicer.

Loans Closed Prior to January 24, 1997

- All loans closed prior to January 24, 1997 must use the purchase price or original appraisal, whichever is less, in calculating the loan to value of 80%.
  A current appraisal is not allowed.
- Loan to value ratios are 80% for all Bond Issues.
- Property must be owner occupied.
- No thirty day late payments within the last twelve months or no sixty day late payments within the last twenty four months.
- Servicers must require all outstanding Late Charges be paid in full.

Loans Closed On or After January 24, 1997

- All loans closed on or after January 24, 1997 may obtain a current appraisal in calculating the loan to value. The appraisal cannot be more than six months old.
- Servicers must use one of their approved appraisers and follow existing internal procedures.
- Loan to value ratios are 80% for all loans closed on or after January 24, 1997.
- Property must be owner occupied.
- No thirty day late payments within the last twelve months or no sixty day late payments within the last twenty four months.
- Servicers must require all outstanding Late Charges be paid in full.
- A new appraisal is not allowed in the first twelve months of a new loan. However, a principal payment to lower the outstanding principal balance is allowed so that the LTV is met to allow cancellation.

Hazard Insurance (11/1/12)

Insurance must be written by an insurance carrier that has an acceptable rating from either A.M. Best, Demotech or S&P. Verify the hazard insurance policy meets the following requirements:

- Maximum deductible should not exceed the higher of $1,000 or one percent of the face amount of the policy.
- Minimum coverage, based on replacement value, is the lesser of:
  - Unpaid principal balance of the mortgage as long as it equals a minimum of 80% of the insurable value of the improvements; or
  - 100% of the insurable value of the improvements as established by the property insurer
- The mortgagee clause should read:

  WHEDA, it's successors and/or assigns

  PO Box 1728

  Madison, WI 53701-1728

Lender Placed Insurance (11/1/12)

Servicers are required to ensure that hazard insurance coverage is in place at all times. If the servicer is unable to obtain evidence that the borrower has acceptable hazard insurance for a property, the servicer must obtain lender-placed coverage (also known as "force-placed" insurance) to protect WHEDA's interests.

- Servicers must ensure that the lender-placed carriers they use are filed and admitted in Wisconsin.
- Coverage amount must be at a minimum the unpaid principal balance.
- Servicers must contact the borrower at least twice by letter prior to obtaining lender-placed insurance coverage.
- Borrowers should be advised that lender-placed insurance may not provide the borrower coverage for personal property or contents and lender-placed insurance coverage may only cover the outstanding principal balance of a loan and may not provide enough coverage to rebuild the borrower's home in the case of a total loss. Servicers must also advise borrowers that lender-placed insurance is, in most cases, more expensive than voluntary insurance coverage. This should be communicated prior to obtaining the lender-placed insurance and on a quarterly basis as a reminder to the borrower.

Replacement Policies (3/31/08)

The mortgagor can modify the existing insurance coverage or replace it with a policy from another acceptable company. If the mortgagor allows the insurance coverage to lapse, the servicer must immediately obtain new coverage that meets our basic requirements. If necessary, the servicer must advance its own funds to pay the premium.

The owners' association of a condominium project may also have its existing insurance coverage modified or replaced with a policy from another insurance company. In this case, the owners' association must give the servicer notice of the change so that the servicer can determine if the coverage adequately protects our interests.

Changes in Coverage (3/31/08)

Certain things may happen to make the existing insurance coverage for a mortgage inadequate to protect our interests or to cause us to be over insured. When either situation occurs, the coverage should be changed.

For example, when a property becomes vacant, the servicer should add the proper endorsement to change a homeowner's policy to a fire and extended coverage policy.

Optional Coverage (3/31/08)

Insurance policies that include or are optional coverage that we do not require are acceptable as long as we are not obligated to renew any part of the coverage that exceeds our required coverage. We will not pay costs arising from disputes with insurance carriers in settling claims that relate only to this optional coverage.

Coverage Required for Units in Condominium Projects (3/31/08)

The servicer must verify the condominium unit is protected against loss or damage from fire or other hazards covered by the standard extended endorsements and must verify the coverage required of the owner's association is being maintained.

The owners' association must maintain a "master" or "blanket" type of insurance policy, with premiums being paid as a common expense. At minimum, the insurance policy must protect against loss or damage by fire and all other hazards normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard "all risk" endorsement. The policy must cover all of the general and limited common elements normally included in coverage. This includes fixtures, building service equipment, common personal property, and supplies belonging to the owners' association. Coverage need not include land, foundations, excavations, or other items usually excluded from insurance coverage.

Special Endorsements (3/31/08)

The following endorsements are required for condominium projects:

- An Inflation Guard Endorsement, when it can be obtained;
- Construction Code Endorsements, if there is a construction code provision that would require changes to undamaged portions of the subject project buildings, even when only part of a building is destroyed by an insured hazard. Typical endorsements include Demolition Cost Endorsements, Contingent Liability from Operation of Building Laws Endorsement and Increased Cost of Construction Endorsement;
- Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. This coverage should provide for the insurer's minimum liability per accident to equal at least the lesser of $2 million or the insurable value of the building(s) housing the boiler or machinery; and
- Special Condominium Endorsement, which must provide that;
- Any Insurance Trust Agreement will be recognized;
- The right of subrogation against unit owners will be waived;
- The insurance will not be prejudiced by any acts or omissions of individual unit owners not under the control of the owners' association; and
- The policy will be primary, even if a unit owner has other insurance that covers the same loss.

Named Insured (3/31/08)

Insurance policies for condominium projects should show the owners' association as the named insured. If the condominium's legal documents permit it, the policy can specify an authorized representative of the owners' association, including its insurance trustee, as the named insured. The "loss payable" clause should show the owners association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage.

Notice of Changes or Cancellation (3/31/08)

The insurance policy should require the insurer to notify in writing the owners' association (or insurance trustee) and each first mortgage holder named in the mortgage clause at least ten days before it cancels or substantially changes a condominium project's coverage.

Additional Coverage (3/31/08)

An individual insurance policy is required in any instance where the "master" or "blanket" policy fails to provide fire and extended coverage for all real property inside the mortgaged unit (items such as light, plumbing and heating fixtures, wall coverings, floor coverings, kitchen and bath cabinets, etc.) The coverage must equal the protection provided by the standard extended coverage policy for single-family, detached properties.

Flood Insurance (11/1/12)

We require flood insurance for any property located in a Special Flood Hazard area that has federally mandated flood insurance purchase requirements - areas designated as A, AE, AH, AO, A1-30, A-99, V, VE or V1-30. Special Flood Hazard Areas are shaded on a Flood Hazard Boundary Map and designated on a Flood Insurance Rate Map.

We may waive our flood insurance requirement if:

- The property improvements are not in the Special Flood Hazard Area, even though part of the property may be; or
- The mortgagor obtains a letter from the Federal Emergency Management Agency stating its maps have been amended so the property improvements are no longer in a Special Flood Hazard Area.
- Maximum deductible should not exceed the higher of $1,000 or one percent of the face amount of the policy.
- Minimum coverage, based on replacement value, is the lesser of:
  - ➢ Unpaid principal balance of the mortgage as long as it equals a minimum of 80% of the insurable value of the improvements; or
  - ➢ 100% of the insurable value of the improvements as established by the property insurer
- The mortgagee clause should read:

  WHEDA, it's successors and/or assigns
  PO Box 1728
  Madison, WI 53701-1728

Flood insurance should generally be in the form of a standard policy, with life of loan coverage, issued by members of the National Flood Insurers Administration (NFIA). The Policy Declarations page of a National Flood Insurance Administration program policy is acceptable evidence of flood insurance coverage.

Insurance Loss Settlements (3/31/08)

As soon as the servicer of a mortgage learns of a casualty loss, it must contact the mortgagor to get complete details on the damage and discuss plans for having the property repaired. If the servicer is unable to contact the mortgagor, it should determine the extent of the damage and the required repairs and obtain a "scope of loss" from the insurance carrier.

When a property is damaged, the servicer must closely monitor the filing of the proof of loss with the insurance carrier, the repairs to the property, and the disbursement of the insurance proceeds. Because the failure to file a timely proof of loss is one of the major reasons for delayed payment of insurance claims, the servicer should take appropriate action to assure that the proof of loss is filed within the time period specified in the insurance policy.

The servicer of a mortgage has the following responsibilities:

- Helping the mortgagor determine the nature of the needed repairs and obtaining the necessary bids;
- Reviewing and approving the final plans for repair;
- Inspecting the repairs to see that they comply with the final plans;
- Getting the proper lien releases; and
- Disbursing the proceeds. In cases involving extensive repairs (over $5,000), the servicer should make progress payments as portions of the work are completed. If the mortgagor has had no late payments in the last 12 months the amount may be increased to repairs exceeding $10,000.

Uninsured Losses (3/31/08)

When a disaster (such as an earthquake, flood or tornado) results in an uninsured loss to the property, the servicer of a mortgage should:

- Determine the extent of the damage;
- Secure the property, if it is abandoned;
- Develop plans and cost estimates for repairing the property; and
- Send a complete report of the damage to WHEDA.

The servicer should help the mortgagor file for any disaster relief aid that may be available. If the mortgagor is unable to repair the property, the servicer should contact WHEDA for proper disposition.

Remittance Accounting

Report Month and Due Date (3/31/08)

All servicer cutoff dates will be the last day of the month. The report period will coincide with the calendar month.

All reporting of loan activity for the month must be received by WHEDA no later than three (3) business days following the end of the month.

Remittance Schedules (3/31/08)

The servicer must transmit to WHEDA all money collected as principal and interest from borrowers, less the appropriate service fee:

- When the total amount collected is greater than $2,500 after the servicer has deducted its servicing fees.
- Remittances must be called in/transmitted by 3:00 CST on the business day following the servicer's receipt of the funds.
  AND
- Final remittance within three (3) business days following the end of the month.
- This final remittance time frame allows for servicers to reconcile their final remittance to eliminate over and under remitting discrepancies.

Exact Amount Required (3/31/08)

WHEDA requires the exact amount collected, less the appropriate service fee, be remitted. It is incorrect for servicers to send over and under remittances on loan collections.

Remittances and Cutoff Date (3/31/08)

Separate transmittals are required. Do not combine collections from two different reporting months into one transmittal. You can make separate calls or transmissions into SOAR on the same day to transmit collections from two different reporting months.

Remitting Through the SOAR System (3/31/08)

The SOAR (Servicer Online Automated Remittance) system is used for both regular payments and loan payoffs. The SOAR system eliminates wire transfers and insures cash transmittals will meet WHEDA's time deadlines, thus avoiding any penalty fees associated with the late receipt of funds.

Remittance of P&I (3/31/08)

Log into the SOAR System and select "Submit Daily Payments". The user is required to fill in the following fields:

- Report Month - the system will default to the current calendar month. The report month should be the month that the P&I is for, not the month that you are actually remitting in.
- Report Year - the system will default to the current year.
- Total Remittance Amount.

Remitting Through the SOAR System, continued

Remittance of Payoffs (3/31/08)

Log into the SOAR System and select "Submit a Payoff". The user is required to fill in the following fields:

- WHEDA Loan Number
- Borrower's name
- P&I constant
- Date of last payment
- Payment breakdown of last payment
- Payoff date
- Principal balance at payoff
- Interest paid at payoff
- Service fee
- Late penalty

Interest is calculated based on the payoff date. When calculating the number of days, include the paid through date but not the date of payoff. For example, if the borrower made his 10/1 payment on 10/3 and wants to pay the loan in full on 11/7, interest is calculated by adding 30 days for one month and six days for the period of 11/1 to 11/7. Interest is always calculated by using 30/360 method. If the servicer does not remit the amount due WHEDA within two (2) business days (e.g. a payoff received on Friday is due at WHEDA on Monday), a late penalty fee is assessed (see Penalties).

Penalties

Penalty for Late Remittances (3/31/08)

If the servicer fails to make cash remittances within the required time frame, the servicer will be charged a penalty of 1 percent per month of the amount required to be transmitted, except for payoffs. The penalty for not remitting the payoff amount within two (2) business days is based upon the interest rate of the loan (see Paid In Full Report).

These penalty fees will not be imposed automatically since we will first attempt to determine the reason for the late remittance. We will continue to work with servicers who transmit late because of circumstances beyond their control or unusual situations.

Penalty for Late or Inaccurate Reporting (3/31/08)

Our penalty fee structure is designed to penalize servicers who chronically submit late reports/transmissions or repeatedly neglect to verify the accuracy of their information. These penalty fees will not be imposed automatically since we will first attempt to determine the reason for the late or inaccurate reporting. We will continue to work with servicers who submit late because of circumstances beyond their control or unusual situations. When we do find it necessary to impose a penalty fee for a servicer who fails to submit its WHEDA reports or transmit within the required time frame, we will base the fee on the following schedule:

- $500.00 for the first instance of late or inaccurate reporting;
- $750.00 for the second instance of late or inaccurate reporting (if it occurs within one year of the first instance); and
- $1000.00 for subsequent instances of late or inaccurate reporting (if any instance occurs within one year of the most recent previous instance).

Failed Loan Closings (3/31/08)

If a scheduled loan closing does not take place, loan funds must be returned to WHEDA **immediately**. Loan funds cannot be returned through the SOAR System. Please call WHEDA at 1-800-334-6873 for further instructions.

Reporting

Monthly Reporting (3/31/08)

Monthly activity must be emailed to WHEDA as an attachment within three (3) business days following the end of the month. The email should be sent to Wheda.sv@wheda.com. Lenders can either transmit information in a specified spreadsheet format or a specified comma delimited format. Both record layouts are provided by WHEDA and transmissions must follow the layout exactly. Incorrect formatting will result in penalties (see Penalties).

Remittance Differences Report (3/31/08)

Another form that is requested on a monthly basis is the Remittance Differences Report (SF10.15). This serves as notification to WHEDA of any differences between the amount due to WHEDA and the actual cash transmitted. If differences are known at any time during the month this form can be faxed to WHEDA's Servicing Department at (608) 267-1462 to serve as notification.

Notifying Mortgage Insurers (3/31/08)

Servicers must comply with the default-reporting requirement of each mortgage insurer. Any losses resulting from the servicer's failure to follow MI reporting requirements will be borne by the servicer.

MI Reporting (11/1/12)

Upon notification of an MI audit request, the servicer is required to forward a copy of the request within 72 hours to underwriting@wheda.com with "MI Audit Request" in the subject line of the email. Failure to notify WHEDA of the request within this timeframe may result in repurchase of the loan.

Mortgage Payments

The mortgagor's monthly payment consists of interest, principal and escrow deposits for the payment of insurance, taxes and late charges when assessed. In other instances, the payment may include additional funds to be applied toward the unpaid principal balance or to repay monies advanced by the servicer.

The servicer must account for each portion of the mortgagor's monthly payment in its records as the payments are received.

Scheduled Mortgage Payments (3/31/08)

A scheduled payment includes funds to be applied toward escrow, interest, and principal and should be applied in that order. It may also include late charges if the payment is past due.

The interest portion of the fixed installment must be determined by computing 30 days' interest on the outstanding principal balance as of the last paid installment date.

Payment Shortages (3/31/08)

Sometimes a payment received from the mortgagor is less than the total monthly amount due. The servicer should not automatically return this payment to the mortgagor. Instead, the servicer should base its decision to process the partial payment on the amount of the shortage and on any special circumstances that might justify the lesser amount. If the servicer decides to accept the partial payment, it should be held as "unapplied funds" until enough money to make a full installment is received.

Payment Overages (3/31/08)

Sometimes payments received from the mortgagor are more than the total monthly amount due. If the mortgagor does not explain the extra amount, the servicer should apply the overage as a principal reduction.

Additional Principal Payments (3/31/08)

The servicer must accept and apply additional principal payments if the mortgage is current.

Notice to IRS (3/31/08)

If the servicer receives $600 or more of mortgage interest payments from the mortgagor for a calendar year, it must file an information return with the IRS. The servicer must also notify the mortgagor of the amount of interest it received and reported to the IRS.

Repayment of Advances (3/31/08)

The mortgagor must reimburse the servicer for advances made for emergency repairs of the property or to cover shortages in an escrow deposit account. For these reimbursements, the servicer may either increase the mortgagor's next payment to cover the entire advance or schedule the repayment over several months.

Escrow Deposit Accounts (3/31/08)

All mortgages we purchase require a portion of the mortgagor's monthly payment be deposited into an escrow account so funds will be available to pay taxes, special assessments, hazard insurance premiums, mortgage insurance premiums, and similar items when they come due. There are no exceptions to requiring an escrow account.

The servicer must assume full responsibility for administering the mortgagor's escrow account. You must estimate the monthly deposit required to assure funds will be available to pay each expense as it comes due. Each year, you should analyze the account to determine that the balance is adequate and, if necessary, make any adjustments required to meet the estimated future charges.

Interest on Escrow (3/31/08)

WHEDA requires that interest be paid on the funds in the mortgagor's escrow account according to state and federal law.

Additional Deposits (3/31/08)

The servicer may collect deposits which we do not require (such as disability or credit life insurance). If it does, the servicer must:

- Identify in its records the purpose and the recipient of the additional deposits;
- Accept the monthly payment even if it does not include these additional deposits; and
- Collect any shortages in these deposits from the mortgagor, rather than using the funds in the regular deposit account to cover them.

Advances to Cover Overdrafts (3/31/08)

When the mortgagor's escrow account does not have enough funds to cover a particular expense, the servicer should request the mortgagor pay the additional amount. If the mortgagor's payment cannot be received in time to avoid a penalty, the servicer must advance its own funds. When the servicer has to advance its own funds, the mortgagor should be billed for the amount the servicer advanced. The amount may include any reimbursable expenses the servicer incurred, as well as interest on the advance.

Examples of reimbursable expenses from the mortgagor are the costs for repairing or securing the property and late payment penalties imposed by tax authorities (if the mortgagor was a factor in delaying the payment). If the mortgagor cannot repay the advance, the servicer may schedule the repayment over several months.

Annual Analysis (3/31/08)

The servicer must analyze the escrow account each year to determine its status and to estimate the funds needed for the coming year. After analyzing the account, the servicer can adjust the monthly deposits to the account according to different situations and in accordance with applicable law and government regulations:

- If there is a shortage in the account, the servicer may either require the mortgagor to pay it in full, or take the shortage into account when it establishes the monthly escrow deposits for the next year.
- If there is an overage and the mortgage is current, the servicer must refund the overage to the mortgagor or take it into account when the monthly escrow deposits for the next year are established. The servicer may hold a surplus equal to two months of escrow deposits, but it cannot hold more unless the mortgagor instructs it to do so.
- If there is an overage and the mortgage is delinquent, the servicer may apply toward the delinquency (including late charges and NSF fees) any amount that equals a full installment, and take the remaining surplus into account when the monthly escrow deposits for the next year are established.

When the monthly payment changes as a result of the escrow analysis, we require the servicer give the mortgagor notice of the new payment in accordance with the terms of the note and mortgage.

Mortgage Account Statement (3/31/08)

At the beginning of each year, the servicer must send the mortgagor a statement of activity in his or her mortgage account during the past year. This statement can be used to satisfy the IRS requirement for notifying mortgagors of the total interest received from them and reported to the IRS for the preceding year. This annual statement must be furnished to the mortgagor by January 31. The statement should include:

- The escrow account balance at the beginning of the year, the total deposits to or withdrawals from the account during the year, and the account balance at year end;
- The amount of interest the mortgagor paid during the year;
- The amount of real estate taxes paid during the year;
- The unpaid principal balance of the mortgage at the end of the year;
- The amount of interest paid (or credited) to the mortgagor as "interest on escrow"; and
- NSF/late fees collected.

In addition, the servicer must provide a detailed analysis of all transactions relating to a mortgagor's monthly payments or escrow account whenever the mortgagor requests it. The servicer cannot charge the mortgagor for the annual statement or the detailed analysis.

Payoffs (3/31/08)

Payoff Statements and Remittance to WHEDA (3/31/08)

The servicer is responsible for providing payoff statements to the mortgagor or his or her agent, for collecting and remitting to WHEDA sufficient funds to satisfy the debt, and for the proper accounting and reporting of the payoff.

Advance Notice to WHEDA (3/31/08)

We do not require advance notice of a mortgage payoff. When requested, the servicer must provide a current and accurate statement of the amounts required to pay off the mortgage as of a certain date. Payoff figures may be given to the mortgagor or to any other authorized party. If an Easy Close and/or HOMEPlus loan is associated with the HOME loan it must be paid off also.

The servicer must report the payoff through the SOAR (Servicer Online Automated Remittance) System.

Satisfying the Mortgage (3/31/08)

WHEDA gives approved servicers Limited Power of Attorney to execute satisfaction documents for loans originated under the HOME Program. It is the servicer's responsibility to record the Limited Power of Attorney form in each county where it services WHEDA HOME Loans. Forms can be obtained from WHEDA.

Upon receipt of the Paid in Full Remittance, WHEDA will return the original Note stamped "Paid in Full" to the servicer.

The servicer should immediately send the cancelled note to the mortgagor and take any other steps required to release the lien, which includes recording the satisfaction document with the appropriate register of deeds office.

Remitting Payoff Funds (3/31/08)

Funds received by the servicer for payoff of a mortgage need to be remitted to WHEDA no later than the second business day counting the day you receive it. For example, if you receive it on Monday, we must have it on Tuesday. Please also see Remittance Schedules section.

Collection Procedures

The purpose of all collection efforts is to bring a delinquent mortgage current in as short a time as possible. We expect Servicers to employ a variety of collection techniques. The Servicer must document all collection efforts in its permanent mortgage files. Servicers are responsible for all collection efforts and should not refer borrowers to WHEDA to service delinquent loans.

Collection activities on all WHEDA loans cannot be outsourced to a 3rd party.

It is important to address a one-payment delinquency immediately to prevent it from becoming more serious. An early determination of the reason for the delinquency gives the servicer and the mortgagor time to arrange an acceptable method for curing it.

Late Notices (11/1/12)

There are two types of late notices that may be used - a payment reminder notice and a late payment notice. The payment reminder notice can be particularly important to promote timely paying habits for new mortgagors.

The Servicer must send the payment reminder/late payment notice 15 – 20 calendar days from the past due date. This notice should state the amount of late charges due.

Quality Right Party Contact (QRPC) Standard (11/1/12)

QRPC is a uniform standard developed by Fannie Mae for communicating with the borrower about resolution of a delinquency. WHEDA has adopted the QRPC standard into its collection efforts. The servicer must make every attempt to achieve QRPC by:

- establishing a rapport with the borrower, expressing empathy and communicating a desire to help;
- determining the reason for delinquency and whether such reason is temporary or permanent in nature;
- determining the borrower's current perception of their financial circumstances and ability to repay the mortgage loan debt;
- determining whether the borrower has vacated or plans to vacate the property;
- setting payment expectations and educating the borrower on the availability of foreclosure prevention alternatives if applicable; and
- obtaining a commitment from the borrower to either resolve the delinquency through traditional methods (bringing the loan current) or engaging in a foreclosure prevention alternative that is available with a WHEDA HOME Program loan.

Acceptable communication methods for achieving QRPC include telephone, mail, e-mail, servicer Web portal and face-to-face discussions. All contact attempts must be documented in the mortgage loan collection history. The Servicer must be able to provide documented evidence that it satisfied the QRPC standards upon request.

Telephone Calls (11/1/12)

Telephone calls should be used as the principal form of contact for mortgage delinquencies and should be documented in the collection history. When talking to the mortgagor, the Servicer should emphasize the importance of making payments as they come due. The Servicer should try to get the mortgagor's commitment to bring the mortgage current as soon as possible. If appropriate, the Servicer should discuss the types of relief available.

The servicer should begin its telephone contacts within 15 days of delinquency, but earlier contact, between the 7th and 10th day of delinquency, may be warranted on loans less than six (6) months old and on loans which have a history of habitual delinquency. Call must be made by the 10th day of delinquency on all Zero Down and Interest First loans.

After issuance of the payment reminder notice the servicer must make no less than 2 calling attempts per week until account resolution or a QRPC is achieved. Calling attempts must continue 2 times per week even after a loan has been referred to WHEDA for foreclosure initiation.

Calls may be made using auto dialers, but the servicer must engage in manual calling attempts if the borrower cannot be contacted by the 15th calendar day of the second month of delinquency (i.e. approximately the 45th day of delinquency). The servicer must then make at least one manual call attempt per month until the account is resolved, QRPC is achieved or foreclosure is completed.

Calling attempts should be made on various days of the week, including weekends and various times of day including evening hours (after 5 pm.)

If the mortgagor cannot be contacted by phone, attempts must be made to contact them by mail, in person through a third party or other means in order to offer WHEDA's workout options no later than the 46th day following the past due date.

If the mortgagor cannot be contacted before the last calendar day of the second month of delinquency, skip tracing procedures must be implemented so that contact may be established.

If the mortgagor reaches the 120th day of delinquency without the servicer making contact, the servicer must engage in door knocking service to make a minimum of 3 contact attempts before the 150th calendar day unless the property is vacant or not accessible.

Letters (3/31/08)

Letters are often useful when phone contact cannot be made. An individually written letter can be an effective collection technique. Form letters may also be used to cure the mortgagor's delinquency.

Involuntary Unemployment Insurance (11/1/12)

All loans originated after January 1, 2004 may qualify for Mortgage Guardian Insurance. If the borrower qualifies and if the job loss is involuntary, this will protect the borrower by paying the mortgage payments for a maximum of 6 months. For assistance, the homeowner should contact Cynosure Financial at 800-341-0606.

Notifying Credit Bureaus (11/1/12)

Servicers should advise mortgagors who have reached the serious delinquency stage that their mortgage delinquency will be reported to the major credit bureaus. A Servicer should advise the mortgagor that the appearance of a mortgage delinquency on a credit report may affect his or her ability to obtain other forms of credit. This knowledge may result in the mortgagor bringing the account current when the other collection efforts have been unsuccessful.

Each month, Servicers must report all delinquencies to the credit bureau. It is the Servicer's responsibility to keep the reported information current and updated when a significant change occurs (i.e. if a loan is brought current, the Servicer must report this information). Similarly, the Servicer must report acceptance of deed in lieu of foreclosure or completion of foreclosure proceedings.

Delinquency Prevention

The Servicer must analyze each delinquent account to determine:

- The reason for default;
- Documentation of cause and history of delinquency;
- Whether the reason is temporary or permanent; and
- The mortgagor's attitude toward the debt.

The Servicer should make every effort to assist mortgagors who are acting in good faith and are willing to work out a way to prevent or cure their delinquency.

Assessing Late Charges (3/31/08)

Late charges may be assessed according to the provisions in the mortgage note. We recommend that a payment not be returned for failure to remit late charges.

The Servicer may defer late charges to a future date. However, WHEDA will not foreclose the mortgage if the only delinquent amount is unpaid late charges.

Accepting Partial Payments (3/31/08)

A Servicer should accept partial payments to help cure a delinquency. It should return partial payments when it believes that this action will be an effective collection tool. In all cases where the Right to Cure has been issued, partial payments will not be allowed. Only when the Servicer has entered into a written Forbearance/Repayment Plan with the borrower will partial payments be accepted. (See Section for Special Forbearance)

If a mortgagor indicates that he or she will not be able to make full payments on a continuing basis, the Servicer should determine whether some sort of relief provision could be used to bring the account current. Please reference Reinstatements, for more information.

Military Relief Measures (11/1/12)

A Servicer must offer relief to mortgagors who qualify under the Soldiers and Sailors' Civil Relief Act of 1940. This type of relief can be granted only to mortgagors who had a mortgage when they entered the military service. The mortgagor is responsible for providing the following documentation to WHEDA:

- Letter of request from the borrower
- Deployment orders
- Special Analysis Worksheet (SF 10.08)

Under the Relief Act, if the mortgagors's interest rate is higher than 6%, the interest rate will be reduced to 6% and a new coupon book must be provided. The reduced rate will remain in effect as long as the mortgagor is in military service on active duty. If there is an extension to the mortgagor's deployment the servicer must notify WHEDA. The servicer should have an accounting system that properly identifies these types of mortgage loans where we are modifying the rate of the mortgage. If the mortgagor is delinquent in monthly payments prior to entering the service and cannot pay the entire amount of the installment, the Servicer can accept a lesser payment as long as it covers the interest and escrow portion of the mortgage payment.

The mortgagor should repay the entire delinquency within three months of discharge from the military. If the mortgagor is unable to meet this requirement, then the Servicer should consider a forbearance plan (See Special Relief Provisions).Section 14 - Delinquency Prevention

It is the Servicer's responsibility to follow the application of the Soldiers and Sailors' Relief Act.

Listing Property for Sale (3/31/08)

If the reason for the mortgagor's delinquency appears to be permanent, the Servicer may suggest the mortgagor sell the property. This may allow the mortgagor to pay the mortgage off prior to completing the foreclosure action.

Referral to Counseling Agencies (3/31/08)

The Servicer should be aware of any government programs that might assist mortgagors in resolving their delinquencies or of any counseling agencies that may help them in their debt management and refer the mortgagors to those agencies when it is appropriate. The Servicer may also refer homeowners to local churches, community chamber of commerce, and charitable organizations (e.g. United Way, Goodwill, Red Cross, etc.) who may be able to provide counseling and/or financial assistance. Please go to WHEDA.com/Home Ownership/Resources to obtain further information on credit counseling agencies.

Property Inspections

Required Inspections (11/1/12)

The servicer must order a property inspection no later than when the loan reaches its 61st day of delinquency. The servicer must continue to obtain property inspections every 30 days thereafter until the loan is brought current. Particular attention should be paid to properties located in areas that have a high rate of vandalism and neglect. If a property is vacant, the servicer must make internal inspections to assure the property has not been vandalized. A Loan Status Report (SF 10.12) must be submitted to WHEDA following each inspection.

It is servicer's responsibility for any losses incurred due to inspection company negligence.

If the servicer fails to properly maintain the property due to a known vacancy, WHEDA, as the investor, will require the servicer to repurchase the loan. This will be due to failure to maintain the property. This repurchase will take place within 30 days of investor (WHEDA) notification to servicer.

The servicer must comply with all requirements the mortgage insurance companies have for mortgages they insure. The servicer must follow all applicable local and state law requirements pertaining to property preservation, as well as investor (WHEDA) requirements. This includes, but is not limited to, repairs necessary to maintain the property, excessive debris removal and any outstanding code violations.

Prior to work/repairs being completed, the servicer must provide WHEDA, the necessary documentation along with two (2) bids for review.

No work should be completed without necessary approvals from the WHEDA.

Use of Relief Provisions (3/31/08)

The servicer should inspect the property before it recommends a delinquent mortgage be placed under a relief provision and then re-inspect it as often as necessary to protect our interests.

Property Maintenance (11/1/12)

Servicer is responsible for performing all property maintenance functions to assure the condition and appearance of the property is maintained satisfactorily.

- Mow the lawn, remove trash and other debris, winterize the property, etc.
- Penalties accessed by the city or other agencies as a result of failing to comply will be charged back to the servicer.

Following the Confirmation of Sheriff's Sale, we will designate a broker or agent to handle the property maintenance and marketing functions.

Securing Abandoned or Vacant Properties (11/1/12)

The servicer should initiate securing the property upon confirmation of vacancy or abandonment and send a Notice of Right to Cure.

Servicers are required to:

- Secure a rear or a secondary door for access including the main dwelling and all outbuildings
- Only one lock is allowed to be changed on main dwellings for access
- The main entrance should be rekeyed if it is the only option for gaining access
- In the event the main dwelling becomes unsecure or servicer's locks are changed, proceed with re-securing to gain access
- Slider locks and window locks must be placed if existing locks are inoperable or are not present on the main level and were accessible
- Properties should not be boarded unless absolutely necessary to prevent vandalism

The cost to replace the existing locks should not exceed $25.00/each window.

The servicer should notify WHEDA immediately of any damage to the property or injury to a person on the property. Garage doors must be secured with existing locks when possible. If they cannot be secured with existing locks, then two (2) bids must be obtained and submitted to the mortgage insurance company and WHEDA for approval before the work is completed.

Winterizing (11/1/12)

Properties should be winterized only once. The servicer must submit two (2) bids when the property must be re-winterized if the initial winterization is deemed to be no longer effective. The Servicer must submit the bids to both the primary mortgage insurer and to WHEDA for approval prior to having the 2nd winterization completed. Winterization also includes a complete draining of all plumbing and heating systems and system check. The heating source should be left on to prevent any damage.

Sump Pumps (11/1/12)

If an existing sump pump is used to keep basements or crawl spaces dry, check the sump pump to make sure it is operational. The sump pump should be plugged into a power source; the electricity to the property should be turned on and transferred into the servicers name. If the sump pump is inoperable, the servicer must obtain two (2) bids to repair or replace the pump or electric lines to the sump pump. Bids are to be submitted to the primary mortgage insurer and to WHEDA for approval prior to the work being completed.

Foreclosure Avoidance

WHEDA does not want to foreclose a delinquent mortgage if there is a reasonable chance of saving the mortgage. We will agree to a number of different measures for avoiding foreclosure - all of which are discussed in this section. Because of existing covenants with bondholders, WHEDA is unable to modify the terms and conditions of loans.

Reporting (3/31/08)

A Loan Status Report (SF10.12) must be filed in its entirety with WHEDA upon the earlier of the following occurrences:

- Once the loan is 61 days delinquent (report is due no later than the 70th day)
- Foreclosure or other appropriate action is recommended
- Forty five (45) days after a first payment default

Failure to file a Loan Status Report within the time required will result in an interest curtailment of up to 30 days. The servicer will be responsible for the retention of the SF10.12. Retention can be on electronic media or a copy of the report in the borrower's file.

Notice of Acceleration (11/1/12)

Notice of Right to Cure or Notice of Acceleration must be sent no later than the 75th day of delinquency. It should not be used as a collection tool. Once the Right to Cure has been sent, partial payments are not allowed to be accepted on the loan. Before the Servicer can accept partial payments, a written forbearance/repayment plan, approved by WHEDA, with the borrower must be put into place.

Special Relief Provisions (3/31/08)

We will not object to any reasonable repayment plan the Servicer develops as long as it does not jeopardize our lien position or reduce the amount of any future claim we might have with the mortgage insurance companies. Any repayment plan over four (4) months in length must be in writing, signed by the borrower and approved by WHEDA.

There are several types of relief provisions to offer delinquent mortgagors. The Servicer should use these provisions whenever appropriate. The types of relief provisions available are: special forbearance, mortgage assumption, and accepting a deed in lieu of foreclosure.

If the Servicer believes the mortgagor should be granted relief, it should:

- Explain our relief provisions and the mortgagor's responsibilities under each;
- Obtain any financial information needed to develop the repayment plan; and
- Stress the consequences of not meeting the terms of a repayment plan to make sure the mortgagor has a complete understanding of the agreement.

The Servicer should analyze each case carefully before developing a repayment plan and have a face-to- face interview with the mortgagor before a formal relief plan is executed. However, if the Servicer believes the mortgagor fully understands the proposed repayment terms and nothing will be gained by a face-to-face meeting, the servicer does not need to schedule one.

When establishing repayment terms, the Servicer should consider the mortgagor's financial condition, other obligations and anticipated future income to make sure the repayment plan finally agreed to is realistic.

Special Forbearance (11/1/12)

Under special forbearance, with prior approval from WHEDA and the MI provider, the servicer can agree to reduce or suspend the mortgagor's monthly payments for up to 6 months provided the mortgagor is expected to be placed on a repayment plan no later than the 120th day of delinquency.

At the conclusion of the forbearance one of the following actions must occur:

- The loan is reinstated
- The loan is paid in full
- A repayment plan that results in full reinstatement of the is executed
- The property is sold

WHEDA and the mortgage insurance company must approve all special forbearance agreements. The servicer should document the forbearance by retaining and providing the following documentation to WHEDA:

- Terms of the forbearance plan
- Complete financial package including income, assets and expenses for the last 2 months
- Letter of hardship written by the borrower or a personal representative
- An explanation of the borrower's ability to resolve the delinquency upon completion of the forbearance plan.
- A tri-merged credit report run within 30 days of submission

Repayment Plan (11/1/12)

With prior approval from WHEDA and the MI provider, the servicer may enter Repayment Plan to recover all unpaid principal, interest, escrow and costs incurred during the period of delinquency (including attorney fees and inspection fees, etc.). This option may be used when a temporary hardship is resolved but the borrower is unable to resolve the arrearage. Repayment plans exceeding 4 months require WHEDA prior approval. Repayment plans entered into with borrowers in foreclosure also require WHEDA prior approval and the Notice of Right to Cure must allow for Repayment Plan proceeds to be applied and foreclosure to resume immediately upon default of the Repayment Plan.

The servicer should document the Repayment Plan by retaining and providing to WHEDA upon request the following items:

- Terms of the plan
- Complete financial package including income, assets and expenses for the last 2 months
- Letter of hardship written by the mortgagor
- Proof of the mortgagor's ability to resolve the delinquency
- A tri-merged credit report run within 30 days of submission

Modification (11/1/12)

Modifications are only allowed when a borrower wants to reduce their monthly principal and interest by applying a large principal reduction. All requests the servicer receives regarding modifying the terms of the Note and Mortgage must be made to WHEDA. A loan modification request should be submitted to WHEDA, in writing, and must include the date and amount of principal payment, date payment change is effective and the new P&I amount. A fee of $100 must be submitted with each loan modification request.

Deed in Lieu of Foreclosure (11/1/12)

Servicer must comply with all requirements for Deeds in Lieu of Foreclosure the mortgage insurance companies have for mortgages they insure or guarantee.

Approval must be obtained from WHEDA prior to submission to the MI Company.

WHEDA requires servicers to obtain the necessary approvals from the MI provider and does not allow servicers to rely on any delegated authority they may have obtained from MI providers relative to workout options.

Deeds in Lieu should be limited to truly exceptional hardship circumstances and only after other workout options have failed. Examples of exceptional hardship circumstances include:

- Permanent disability
- Terminal illness
- Death

The servicer may recommend that WHEDA accept a voluntary deed in lieu of foreclosure from the mortgagor if the property has been actively on the market for at least 90 days. The property must be listed at Fair Market Value (FMV). A listing agreement must be provided.

Once WHEDA determines that a Deed in Lieu is warranted, the servicer will submit a complete Deed in Lieu package to WHEDA for review. The package should be sent to WHEDA prior to submission to the MI company and should include:

- Letter of hardship written by the mortgagor or personal representative
- Bank statements, pay stubs and documentation for all sources of income from the last 30 days
- Financial statement and copies of the mortgagors last two years' tax returns
- Recent tri-merged credit bureau report
- Payoff statement - If the loan is in foreclosure, WHEDA will obtain the attorney fees and costs and forward onto the servicer via the letter executed by the attorney
- Broker's Price Opinion (BPO) or appraisal – no more than 90 days old. Must include interior and exterior photos
- If mortgagor is in a Chapter 7 bankruptcy, copies of bankruptcy schedules in lieu of financials will be accepted.

WHEDA will review the package. If further information or documentation is needed, contact with the servicer will be made to discuss and obtain.

WHEDA will give the servicer notice when the file is ready to be submitted for review and approval by the primary and pool insurance companies. WHEDA will submit the package to the pool insurer.

Servicer will notify WHEDA when they have obtained an answer from the primary mortgage insurer. Copy of letter of approval or denial must be sent to WHEDA for the file.

WHEDA will notify the servicer in writing of the response from the pool insurer.

In all cases, property must be vacant and borrower must be able to convey clear and marketable title to the property. Title review will be completed by WHEDA's attorney.

Preforeclosure/Short Sales (1/13/16)

The mortgagor may be considered only after all other foreclosure prevention alternatives have been exhausted. The servicer must explain both the benefits and the drawbacks of a Short Sale to the mortgagor. These include:

- Merely listing the property for sale will not delay the initiation of foreclosure proceedings
- The Mortgage Insurer(s) may insist on a financial contribution to mitigate their loss
- There may be tax consequences as a result of the short sale
- The Home-Owner will be expected to cooperate fully in the execution of all necessary documentation
- Mortgagor is still responsible for maintaining the property up until the date of closing
- Cost of the Broker's Price Opinion will be charged to their account, and remain there as a Corporate Advance (even if the Short Sale falls through).

The servicer should obtain the following information and forward to WHEDA. Upon approval the service should submit to the applicable MI provider:

- Letter of hardship
- Financial statement, signed and dated
- Most recent paystubs covering 60 days for each mortgagor
- Most recent federal tax returns including all schedules
- Bank statements for all depository accounts covering most recent 60 days
- Offer to Purchase and Short Sale Addendum
- Current tri-merged credit report
- Listing Agreement
- Closing Disclosure – the maximum sale commission is 6% (5% for CMG)
- Title Commitment
- Interior Broker's Price Opinion or Appraisal
- Payoff statement

WHEDA will review the short sale package. If further documentation or information is needed, contact with the servicer will be made to discuss and obtain. The servicer will be notified when the file is ready to be submitted for review and approval by the primary and pool insurance companies. WHEDA will submit to the pool insurer.

The servicer must forward a copy of the primary mortgagor's decision to WHEDA. WHEDA will notify the servicer of the response from pool insurer. An approval letter will be sent to the servicer if the workout has been approved.

Servicer should provide a payoff good through the anticipated closing date of the sale. If the loan is in foreclosure, WHEDA will obtain the attorney fees and costs good through the closing date and forward on to the servicer via the letter the attorney executes. WHEDA will process the Satisfaction of Mortgage on all Lender Serviced Short Sales.

Foreclosures

Initiating Foreclosure Proceedings (11/1/12)

Foreclosure proceedings must be referred to WHEDA no later than the 110th day of delinquency unless there is a special forbearance agreement in effect. Foreclosure proceedings may begin at once if the property has been abandoned or vacated, and it is apparent the mortgagor does not intend to make the mortgage payments. All guidelines of the private mortgage insurance company must also be followed.

Servicer is responsible for any loss mitigation and continued servicing of the loan during foreclosure. WHEDA approval is necessary if a workout is pursued. Servicer reviews loss mitigation package that was sent by the MI company and submits a copy to WHEDA. Servicer is responsible for putting figures together and should discuss workout with WHEDA. This would include any repayment plan, pursuit of a deed in lieu or presale once the foreclosure process has begun.

It is the Servicer's responsibility to monitor the account and advise WHEDA whether the account has been brought current or to commence foreclosure. If foreclosure is recommended, Servicer must submit the following documentation to WHEDA after the Right to Cure has expired:

- Copy of current Right to Cure Notice
- Current Loan Status (SF10.12)
- Detailed explanation of reason for default
- Complete documentation on all Workouts and Loss Mitigation efforts offered to the borrower to cure the delinquency
- Copy of collections notes from the servicer's system evidencing all written, electronic, telephonic and in-person contact attempts
- Copies of reports filed with the mortgage insurer or governmental agencies
- Payoff through the end of month with advances broken down
- Copies of the recorded Mortgage and recorded Assignment; and Title Commitment.

If any of the above items are missing from the foreclosure recommendation package, the package will be considered incomplete and will not be processed. Penalties caused by submission of an incomplete foreclosure package will be borne by the servicer.
WHEDA will initiate legal proceedings on all accounts referred for foreclosure. The servicer will be advised of the status of these proceedings through communication from WHEDA. Prior to the sheriff's sale, the servicer will be contacted to obtain the information needed to calculate the bid. The bid consists of the unpaid principal balance, accrued interest to the date of the sale, any advances for taxes and insurance and other foreclosure related costs. On occasion, the servicer may be required to bid at the sheriff's sale on WHEDA's behalf.

Collection comments submitted when a loan is referred to WHEDA for foreclosure will be reviewed by WHEDA staff to assure the servicer was diligent in meeting the early and ongoing collection requirements.

Non Owner Occupied Properties (11/1/12)

All WHEDA properties must be owner occupied for the life of the loan. If you find that the property is non-owner occupied or vacant, it is imperative that you attempt to correct the situation. Notify the borrower of the violation and provide a list of options to resolve it within a reasonable time frame of 90 – 180 days. If the mortgagor fails to take action the servicer should contact WHEDA for further direction.

Reinstatements (3/31/08)

With WHEDA's approval, the servicer may allow a full reinstatement if foreclosure proceedings have begun and as long as the property is owner-occupied. WHEDA will not allow reinstatement of an account when the property is non-owner occupied.

A full reinstatement includes:

- All delinquent mortgage payments;
- Any funds advanced to pay taxes, insurance premiums, etc.; and
- All legal fees and expenses incurred.

A mortgagor's proposal for any reinstatement will be reviewed by WHEDA on a case-by-case basis. The proposed plan must be submitted in writing and sent to WHEDA for approval.

Request for Reduced Redemption Period (3/31/08)

Wisconsin Statutes allow a reduced redemption period if the property is vacant or abandoned. The servicer must notify WHEDA of any change of occupancy in order to petition the court for a reduced redemption period.

For **Property Inspection and Maintenance** requirements, refer to the Property Inspections chapter.

Expenses during Foreclosure Process (2/4/16)

The servicer should use any funds remaining in the mortgagor's escrow account to pay taxes, and insurance premiums. If the escrow balance is not sufficient to cover these expenses, the servicer must advance its own funds. Reimbursement may be made to the servicer upon our receipt of the primary mortgage insurance payment. If adjustments are made to the claim, the reimbursement amount may differ from the amount requested, (i.e. hazard insurance, late reporting, etc).

Upon confirmation of the sheriff's sale, a written notice will be sent informing the servicer to cancel the hazard insurance policy and request a refund of the unearned premium if the servicer's post-foreclosure property inspection does not reveal any insured damage. In order for WHEDA to file the primary mortgage insurance claim.

- Servicer must forward a complete payment and disbursement history of the loan
- Copies of any receipts which produce a negative escrow or send any surplus escrow funds
- Advise their accounting department to delete the loan from the servicing reports
- Provide servicers collection comments from the date of foreclosure referral through the foreclosure process
- Final property inspection

If the servicer's post-foreclosure property inspection reveals property damage that would be covered by the hazard insurance policy until confirmation of sale, the servicer should immediately file a claim with the insurance carrier and advise WHEDA. The servicer should not authorize any repairs to the property. If the insurance policy is scheduled for expiration before the claim will be paid, the servicer must pay the renewal premium if necessary to preserve the claim. As soon as the servicer receives the loss settlement proceeds, it should ask the insurer to cancel the policy and to refund any unearned premium. The servicer should forward the loss settlement proceeds to WHEDA.

Expenses during Foreclosure Process, continued

Servicer must report any vacant or abandoned properties to the homeowner's insurance company within 30 days of inspection.

When our procedures require the servicer to cancel the hazard insurance coverage, the servicer should request the cancellation immediately. We will not reimburse any hazard insurance premiums paid after the date on which the policy should have been canceled.

WHEDA staff will review collection comments to verify QRPC has been achieved on at least 60% of the servicers loans that have reached day 120 of delinquency.

Preparing IRS Form 1099-A/1099-C (2/4/16)

WHEDA will be responsible for completing the IRS Form 1099-A (Acquisition or Abandonment of Secured Property) or IRS Form 1099-C (Cancellation of Debt) on all properties acquired through foreclosure, short sale or deed in lieu of foreclosure.

Bankruptcy

Notice to WHEDA (11/1/12)

In order to monitor bankruptcy actions effectively, the servicer must provide WHEDA with a copy of each bankruptcy notice.

- If the foreclosure process has started, WHEDA will file the Proof of Claim and Motion for Relief, when applicable.
- If the foreclosure process has not started, the servicer is responsible for filing a Motion for Relief or sending a Reaffirmation Agreement if the account is current.

Servicer must submit a Notice of Delinquency to the MI company on a Bankruptcy filing, even if the account is current and up to date.

Motion for Relief and Proof of Claim figures must be received within three (3) days of WHEDA's request.

Chapter 13 Bankruptcy

Forward the notice of filing to WHEDA. WHEDA will file the Proof of Claim and/or Motion for Relief depending on the intent of the mortgage. If the foreclosure process has started, the servicer must provide WHEDA with documentation required to file a Proof of Claim within 3 days of WHEDA's request:

- Complete breakdown of the payoff statement good through the filing
- Escrow Analysis and Disclosure Statement
- Dates and amounts of all fees including inspections, attorney fees, escrow shortages, etc.
- Delinquency breakdown that includes all principal, interest, fees or other charges incurred

If the foreclosure process has not started the servicer is responsible for all of the following:

- Taking all actions that are necessary to protect WHEDA's interests
- Providing a complete referral package to the bankruptcy attorney
- Filing claims and/or notices in a timely manner
- Forwarding a copy of the referral to WHEDA

After the Proof of Claim is filed, WHEDA will send the servicer a report of Trustee Payments (SF 10.14) for each Chapter 13 Bankruptcy. The Lender will return a copy of this report each time that a Trustee (inside the Bankruptcy Plan) Payment is received.

Chapter 13 Bankruptcies - Trustee Payments (11/1/12)

Trustee payments will first be applied to all Legal Fees that are due according to the Proof of Claim. After all Legal Fees have been paid, trustee disbursements are applied to PITI. When all PITI payments have been received according to the amounts on the Proof of Claim, trustee disbursements are applied to plan interest. According to what the payment represents, trustee payments are disbursed to WHEDA using the following procedure:

1. Legal Disbursements – If Trustee checks come to WHEDA, we will apply to our legal fees first and then submit the remainder to the servicer to be applied to the PITI. If the trustee check is received by the servicer forward the check to WHEDA, Attn: Bankruptcy Department, PO Box 1728, Madison, WI 53701-1728. Attach the payment to a copy of the Report of Trustee Payments (SF 10.14).

2. Principal, Interest, Taxes, and Insurance Payments (PITI) - After all legal disbursements are paid, funds can then be accumulated and applied as a normal payment to the delinquent amount. Applied funds are transmitted to WHEDA with the servicers other monthly collections through the normal SOAR system. A copy of the Report of Trustee Payments (SF 10.14) is sent to WHEDA, Attn: Bankruptcy Department, upon receipt of each Trustee payment.

3. Plan Interest - Once the delinquent amount is fully recovered under the Proof of Claim, funds will be applied to the plan/add-on interest. These payments are remitted to WHEDA in the same manner as the legal disbursements. Attach payment to a copy of the Report of Trustee Payments (SF 10.14).

Notice of Payment Changes (11/1/12)

The servicer must notify the mortgagor, mortgagor's counsel and the Trustee of any change in the payment amount 30 days before the new payment amount is due.

Chapter 13 Delinquent Bankruptcies (11/1/12)

On the 17th day of the 3rd month of delinquency, or the first business day thereafter if the 17th is not a business day, the servicer must provide WHEDA with a Motion For Relief referral. This referral will include the payment amount, breakdown of the arrearage and payment history.

If there is a doomsday provision on the loan, WHEDA needs to be notified by the 17th day of the month if the current monthly post petition payment has not been made. The servicer will need to provide the amount of the payment due.

Notice of Fees, Expenses and Charges (11/1/12)

Requires notice to the Trustee, mortgagor and mortgagor's counsel of all post-petition fees, expenses or charges within 180 days from when they were incurred. For loans that WHEDA has filed the Proof of Claim, it will be the servicer's responsibility to send notice (including dates and amounts) to WHEDA within 180 days of when the fees, expenses or charges were incurred.

Chapter 13 Bankruptcy – Notice of Final Cure (11/1/12)

Within 21 days after receipt of the Notice of Final Cure payment, the servicer is responsible for providing notification to the mortgagor, mortgagor's counsel and the Trustee. This notification includes:

- Whether the services agrees that the mortgagor has paid in full the amount required to cure the default on the claim
- Confirm the mortgagor is current on all payments consistent with 1322(b)(5) of the Code

The servicer will notify WHEDA of any outstanding amount on claims filed through our counsel.

Monthly Updates (3/31/08)

The servicer will submit a Loan Status Report (SF 10.12) for each loan that is 60 days delinquent on Post Petition (Outside the Plan) Payments in a Chapter 13 Bankruptcy; or 60 days contractually delinquent in a Chapter 7 Bankruptcy. If a Doomsday is in effect, the servicer will notify WHEDA immediately upon default of the Doomsday provisions. WHEDA intends to file for Relief from the Automatic Stay if a Debtor is 60 days delinquent in Post Petition Payments or has defaulted on a Doomsday provision, unless extenuating circumstances warrant forbearance. Form (SF 10.12) only needs to be sent if there is a delinquency issue involved. If a Chapter 7 loan is current or a Chapter 13 loan is current on Post Petition payments, you are not required to submit a Form (SF 10.12) beyond the initial notice that the account is now protected under bankruptcy.

Required Property Inspections (11/1/12)

See Property Inspection chapter for requirements.

Chapter 7 Bankruptcy

Reaffirmation Agreements (3/31/08)

It is the responsibility of the servicer to have reaffirmation agreements prepared and executed on all Chapter 7 bankruptcy filings where applicable. The servicer must follow all laws set forth by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 that went into effect October 17, 2005. Please consult your legal council to ensure that you are preparing the reaffirmation agreements correctly, so that both the servicer and WHEDA are adequately protected.

Chapter 7 Delinquent Bankruptcies (11/1/12)

If WHEDA has started the foreclosure process and a bankruptcy is filed, WHEDA will be filing the Motion for Relief. The servicer must provide a breakdown of the arrearages within 3 days of request. If WHEDA has not started foreclosure, the servicer is responsible for filing a Motion for Relief immediately.

Discharge or Dismissal (3/31/08)

Servicer will notify WHEDA when a Bankruptcy has been discharged or dismissed. The servicer will send the Discharge or Dismissal Notice when received.

Notice of Final Cure Payment (11/1/12)

The Trustee is required to file a Notice of Final Cure payment. It is the servicer's responsibility within 21 days after service of the notice to file and serve the mortgagor, mortgagor's counsel and the Trustee a statement indicating:

- Whether the servicer agrees that the mortgagor has paid in full the amount required to cure the default on the claim, and
- Whether the borrower is otherwise current on all payments consistent with 1322(b)(5) of the Code.

The servicer will notify WHEDA of any outstanding amounts on claims filed through our counsel.

Transfer of Ownership

Assumptions (11/1/12)

Loans may be assumable by new borrowers with the approval of WHEDA and the primary mortgage insurance company or pool insurer. Assumptions provide for the release of the original mortgagors. Contact the Single Family Origination Manager for detailed information.

Release of Liability (11/1/12)

A Release of Liability is when one of the current borrowers is released from responsibility on the mortgage.

A co-borrower will be considered for release under the following circumstances:

- Divorce
- Separation of two single borrowers
- Other circumstances where such a release would be reasonable and prudent.

Eligibility (11/1/12)

The remaining borrower must meet all WHEDA Advantage underwriting guidelines and primary and pool insurance requirements. All WHEDA first mortgage products are eligible.

Procedure (11/1/12)

The borrower will work directly with WHEDA in processing the request. Instruct the borrower to contact the WHEDA Servicing Department at 800-562-5546.

Fees (11/1/12)

A cashier's check or money order for $400, made payable to WHEDA, must accompany the loan package. The fee is partially refundable if the request is denied.

Transfers of Servicing

Approval (3/31/08)

Transfers between servicers must be preapproved by WHEDA and must not adversely affect insurance coverage such as private and pool mortgage insurance.

Eligibility (3/31/08)

The proposed transferee must be an approved servicer, service the loan within the state of Wisconsin and be in good standing with us. We suggest a servicer contemplating the purchase of another servicer's portfolio contact WHEDA before it begins negotiations with the other servicer to make sure there are no major objections to its becoming a transferee servicer for the portfolio it is considering purchasing.

To assure we have sufficient time to review a proposed transaction and to give servicers time to receive our written authorization before the transfer's proposed effective date, the two servicers must submit a written request for approval to WHEDA 60 days before the proposed effective date.

Unauthorized Transfers (3/31/08)

We will not recognize unauthorized transfers of servicing. Any such action may be the basis for terminating the contractual relationships we have with both the transferor and transferee servicers. We may impose penalty fees or exercise other available remedies if servicers fail to obtain our approval, or do not give us adequate advance notice of transfers.

Assumption of Warranties and Other Obligations (3/31/08)

The transferee servicer must agree to assume the responsibilities, duties and selling warranties agreed to when the mortgage was originally sold to us. However, the transferee servicer's assumption of these responsibilities, duties, and warranties will in no way release the transferor servicer from its contractual obligations related to the transferred mortgages.

Notifying Mortgagors

Transferor Servicer's Responsibility (3/31/08)

Before the date of the actual transfer, the transferor servicer must send each mortgagor the following information in writing:

- The effective date of the transfer, and the date the mortgagor's first payment to the new servicer will be due;
- The new servicer's name, address and telephone number, and the name of a contact person (or department) who can answer questions;
- Instructions on how to handle payments that become due before the new servicer notifies the mortgagor about where his or her future monthly payments are to be sent;
- Assurance that the legal terms and conditions of the mortgage (other than the name and address of the party to whom payments are made) will not be affected by the transfer;
- Suggestions or instructions about how to handle any optional item that the servicer previously escrowed for, such as mortgage life or accident and health insurance, that the new servicer may not offer; and
- The name and telephone number of a contact person (or department) in the transferor servicer's office that the mortgagor may contact if he or she has any questions about the notification or the pending transfer.

Transfer Servicer's Responsibility (3/31/08)

Before the date of the actual transfer, the transferee servicer must send each mortgagor a written confirmation of the information contained in the transferor servicer's notice to the mortgagor. In addition, the transferee servicer must send the following information to the mortgagor as soon as possible, generally at least 15 days before it is due to receive the mortgagor's first payment:

Detailed information about the monthly payment, amount, due date, applicable late charges, etc. (including payment coupons if the servicer normally provides them for its customers);

The address to which payments are to be sent;

An explanation of the method the servicer uses for determining escrow deposits for taxes and insurance, any change that may be made to the monthly payment as the result of the servicer's method of calculating escrow deposits, the reasons for the changes, and the approximate date on which the changed payment will become effective;

The telephone number of a contact person (or department) who the mortgagor can call if he or she has questions; and

If the transfer affects the mortgagor's present optional life insurance coverage, information describing the terms and costs of any mortgage life or disability insurance coverage the servicer offers.

Notifying Third Parties (3/31/08)

Before a transfer of servicing occurs, the transferor servicer must notify third parties which include all insurance carriers, primary mortgage insurance carriers, tax services and taxing authorities to assure uninterrupted coverage.

Transfer of Individual Mortgage Files (3/31/08)

No later than 30 days after the effective date of the transfer, the transferor servicer must deliver to the transferee servicer the individual mortgage file for each mortgage included in the transfer. If both servicers agree, this information may be provided on microfiche. The individual mortgage file must include:

- A complete history of all mortgage payments received and escrow disbursements made;
- The most recent escrow analysis and appropriate supporting documentation;
- Copies of any current assumption or payoff statements and any pertinent related information that will avoid delays in processing a subsequent payoff or in refunding the mortgagor's escrow balance;
- A copy of the notice sent to advise the mortgagor of the pending transfer of servicing; and
- Copies of all correspondence or notices related to the servicing transfer that were sent to the mortgagor, mortgage insurer, WHEDA, any government authority, or any interested third party.

For properties WHEDA has acquired by foreclosure or acceptance of a deed in lieu, the transferor servicer must give the transferee servicer a complete history of its actions from the date the property was acquired, including a list of expenditures, receipts, a summary of management and marketing activities, and any other appropriate supporting documentation.

Transfer of Individual Mortgage Files (3/31/08)

Both the transferor and transferee servicers must maintain adequate records, lists, cards, computer tape, microfilm, etc., of the transfer in their corporate records to identify the mortgages included in the transfer, the effective date of the transfer, and the parties involved in the transfer. Retention of transferred files is at the discretion of the transferor servicer.

Transitional Responsibilities (3/31/08)

The transferee servicer must assume responsibility for responding to mortgagor inquiries received after the effective date of the transfer. It must not refer any mortgagor to the transferor servicer. If any servicing or accounting problem cannot be resolved without the involvement of the transferor servicer, the transferee servicer, not the mortgagor, should initiate the contact.

During the transition period, the transferee servicer must give special consideration to the mortgagor's needs and make every effort to resolve disputes to the mortgagor's satisfaction when the dispute arises from legitimate misunderstanding of the instructions contained in the notices of transfer that were sent to the mortgagor. Late charges must be waived for 60 days after the transfer and, if necessary, appropriate adjustment must be made to payments and credit records to reflect misapplied or unapplied payments that were owed to the transferee servicer but were sent to the transferor servicer.

WHEDA-Initiated Transfers of Servicing (3/31/08)

We may transfer or suspend for any reason servicing for all of the mortgages in a servicer's portfolio upon 60 days written notice.

Transfers Related to Termination with Cause (3/31/08)

When we terminate servicing because the servicer breached any of its contractual agreements, we will give the servicer notice of our intent to do so. If we consider it necessary to protect our interest, we may make the termination effective immediately. When we transfer servicing for cause, we will not pay any fee to the servicer. We will make all the arrangements necessary to complete the transfer of servicing, but the terminated servicer must assist in the orderly transfer of all records related to the mortgages being transferred.

Recertification and Eligibility Requirements

In order to maintain eligibility, the servicer must comply with the terms of the Loan Servicing Agreement and the provisions of the HOME Loan Servicing Manual and operate servicing functions through an office located in the State of Wisconsin.

Recertification Requirements (3/31/08)

WHEDA will audit a certain number of servicers annually to determine they continue to meet eligibility requirements. In this audit, WHEDA will review each servicer's financial condition, organization and staffing, servicing activity and volume, and any other factor relevant to determine if the servicer remains qualified. Audited lenders will receive a Lender Recertification Form. This form must be completed and returned to WHEDA within 30 days of receipt.

Servicers are required to use WHEDA's SOAR (Servicer Online Automated Remittance) system for both daily remittances and payoff amounts. Servicers must also send a monthly file of loan payment activity in a specified layout.

Eligibility Requirements

Net Worth and Liquidity Requirements (3/31/08)

The Lender should maintain a net worth of at least $2,000,000, plus a dollar amount that represents .2% of the outstanding principal balance of its total WHEDA portfolio.

Financial Statements and Reports (3/31/08)

WHEDA reserves the right to request audited financial statements. Financial statements must be prepared according to generally accepted accounting principles, include the opinion of an independent public accountant and reflect a two-year comparative report. If the financial statements are consolidated with those of a parent or holding company, they should contain sufficient detail that will enable WHEDA to review the financial data separately from that of the other companies.

A state or federally supervised lending institution may provide information from its latest published financial statement if audited statements are not available every year.

Fidelity Bond and Errors and Omissions Coverage (3/31/08)

Each servicer must have a blanket fidelity bond and an errors and omissions insurance policy in effect at all times. Obtain a direct surety bond to cover any officers, including its principal owner, if the fidelity bond cannot cover them.

A servicer who is a subsidiary of another institution may use the parent company's fidelity bond and errors and omissions insurance policy as long as it is named as a joint insured under the bond or policy. However, if the parent organization's deductible amount exceeds the maximum deductible allowable for the lender's total servicing portfolio, the servicer must obtain a fidelity bond in its own name. The fidelity bond must be for an amount that is at least equal to the amount of the parent's deductible, with a separate deductible amount no higher than the maximum amount we allow for the lender's coverage.

Fidelity Bond and Errors and Omissions Coverage, continued

For corporate servicers, coverage under the Mortgage Banker's Blanket Bond Policy, the Savings and Loan Blanket Bond Policy or the Banker's Blanket Bond Policy is acceptable. However, individual coverage is required if the servicer is owned as a sole proprietorship or as a partnership. Coverage underwritten by an insurer affiliated with Lloyd's of London is also acceptable.

The insurer must agree to notify WHEDA at least 30 days before it cancels, reduces, declines to renew, or imposes restrictive modifications to the servicer's coverage for any reason other than a partial or full exhaustion of the insurer's limit of liability under the policy. The insurer must also agree to notify WHEDA within ten days after it receives a servicer's request to cancel or reduce any coverage.

The servicer is required to report certain events to WHEDA within ten business days after they occur. Specific events that must be reported include:

- The occurrence of a single fidelity bond or errors and omissions policy loss that exceeds $100,000 - even when no claim will be filed or when our interest will not be affected; and

- The receipt of a notice from the insurer regarding the intended cancellation, reduction, non-renewal, or restrictive modification of the servicer's fidelity bond or errors and omissions policy. The servicer must send WHEDA a copy of the insurer's notice, describe in detail the reason for the insurer's action if it is not stated in the notice, and explain the efforts made to obtain replacement coverage or to otherwise satisfy the insurance requirements.

In addition, even if WHEDA funds are not involved, the servicer must promptly advise WHEDA of all cases of embezzlement or fraud in its organization even if no loss has been incurred. The servicer's report should indicate the total amount of any loss regardless of whether a claim was filed with an insurer.

Fidelity Bond Coverage (3/31/08)

The fidelity bond coverage must be equal to a percentage of the total servicing portfolio (all residential and commercial mortgages). The minimum amount of coverage is as follows:

Coverage Required	Mortgages Serviced
$300,000	$100,000,000 or less
+ .150% of the next	$400,000,000
+ .125% of the next	$500,000,000
+ .100% of any amount over	$1,000,000,000

The policy's deductible clause may be for any amount up to the lesser of $100,000 or 5% of the bonds face amount. Servicers must get WHEDA's permission for higher deductible amounts.

Errors and Omissions Coverage (3/31/08)

The errors and omissions policy must protect the servicer against negligence, errors and omissions in:

- Maintaining required hazard and flood insurance coverage;
- Maintaining conventional mortgage insurance;
- Determining whether properties are located in special flood hazard areas;
- Paying real estate taxes and any special assessments; and
- Complying with reporting requirements of the mortgage insurance companies.

The errors and omissions coverage must equal the amount of the required fidelity bond coverage.

The policy's deductible clause may be for any amount up to the lesser of $100,000 or 5% of the policy's face amount if the policy provides for coverage per aggregate loss. If the policy provides for coverage per mortgage, the maximum deductible amount for each mortgage cannot be more than 5% of the insurer's liability per mortgage. Therefore, if a policy provided $100,000 liability per mortgage, the deductible amount for each mortgage would be $5,000 - regardless of the actual principal balance of the mortgage.

A mortgage impairment policy is an acceptable substitute for an errors and omissions policy.

Compliance with Mortgage Insurance Requirements (3/31/08)

Servicers must comply with all requirements the mortgage insurance companies have for mortgages they insure or guarantee. The servicer must not take any action which may prevent WHEDA from recovering the full amount due under any insurance contracts.

Internal Audit and Management Control Systems (3/31/08)

The servicer must maintain adequate internal audit and management control systems to:

- Assure the mortgages are originated and serviced in accordance with sound mortgage banking and accounting principles;
- Monitor the performance of any third party originators the lender uses;
- Guard against dishonest, fraudulent, or negligent acts; and
- Guard against errors and omissions by officers, employees, or other authorized persons.

The servicer must design systems to assure its staff complies with WHEDA requirements, with state and federal requirements, and with the requirements of any other party which has an interest in the way the mortgage is serviced. We require the servicer's overall management control system to provide at least the following:

- A delinquent loan servicing system;
- A system to control and monitor bankruptcy proceedings; and
- A foreclosure monitoring system.

If these systems identify a concern, the servicer must promptly take appropriate corrective action. The servicer must keep a record of any activity under these internal systems, and if requested, the servicer must make these records available for our review.

Examination of Mortgage Operations (3/31/08)

The servicer must certify that an examination by an independent public accountant provided:

- A review of the custodial accounts to confirm they are named as agent for WHEDA.
- A comparison of the internal trial balances for a given month and the accounting information submitted to WHEDA for the same month to confirm the servicer is accurately reporting the status of its accounts.

Disaster Recovery Plan (3/31/08)

WHEDA reserves the right to request an outline of the servicer's disaster recovery plan. An outline of a disaster recovery plan should include:

- Off-site storage of key data, programs, operating system, and documentation;
- An outline of the detailed steps to be taken in the event of a disaster - for example, off-site processing locations, listings of critical applications, run documentation, telecommunications information, names and phone numbers of key employees (both user and data processing personnel) and software- hardware vendor information; and
- Backup agreements and alternative sites.

Servicing Volume (3/31/08)

Servicing lenders need to maintain a minimum number of WHEDA HOME loans in their portfolio to continue to be eligible to service WHEDA loans. WHEDA establishes the minimum and reserves the right to change it at our discretion. WHEDA will give sufficient notice to the Servicing Lenders when it is changed. If a servicer does not maintain this requirement, servicing must be transferred to WHEDA. This would not adversely affect the servicer's ability to originate loans under the program.

Quality Control – WHEDA (11/1/12)

WHEDA reserves the right to perform on-site audits of servicers' operations to verify compliance with WHEDA default management and other servicing requirements.

Custodial Accounting

Establishing and Maintaining Custodial Bank Accounts (3/31/08)

The servicer must hold in a custodial bank account any funds it receives for WHEDA home mortgages. The custodial account must be with a financial institution regulated by the State of Wisconsin (which may be the servicer's own institution) that has its accounts insured under either the Bank Insurance Fund or the Savings Association Insurance Fund (both of which are administered by FDIC) or the National Credit Union Share Insurance Fund (which is administered by NCUA). Each custodial account must be in the servicer's name, and the title of the account must show that it is our custodial account. The accounts must be titled so maximum insurance coverage is maintained.

When the servicer establishes or changes a custodial account, it must send us the Agreement for Servicer's Custodial Account (SF 10.01) that recites the terms and conditions of the account.

Custodial Account Activity (3/31/08)

Funds for both the principal and interest payments (P&I) and the taxes and insurance escrow deposits (T&I) may be deposited into a single custodial account or the servicer may establish a special interest- bearing account for the T&I funds.

Activity in a custodial account must follow these guidelines:

- All funds received for the mortgage must be deposited to the custodial account. The servicer may deduct late charges and servicing fees before the funds are deposited, as long as the late charges are recorded on the mortgagor's payment record.
- All disbursements related to the mortgage must be made from the custodial account. If a disbursement creates an overdraft in any given mortgagor's escrow deposit account, the servicer must advance its own funds, by the end of the accounting month, to cure the overdraft. Any funds the servicer advances must stay in the custodial account until the mortgagor remits funds sufficient to cure the overdraft.
- All funds must be credited to the custodial account by the next business day after they are received.
- The mortgagor's escrow funds must be deposited to the custodial account immediately after we purchase the mortgage.

Use of Clearing Accounts (3/31/08)

If deposits and disbursements cannot be made directly to or from the custodial accounts, the servicer may use clearing accounts. When clearing accounts are used, separate accounts must be established for collections and disbursements

Clearing accounts must be established within depository institutions that have their accounts insured under the Bank Insurance Fund or the Savings Association Insurance Fund (administered by FDIC) or the National Credit Union Share Insurance fund (administered by NCUA). The titles of the accounts must reflect that they are custodial in nature and the depository in which the accounts are maintained must be informed (in writing) that they are custodial accounts.

Use of Clearing Accounts, continued

Activity in clearing accounts must follow these guidelines:

- Collections deposited to the clearing account must be credited to the custodial account by the first business day after the servicer receives them.
- Debit and credit memos may be used to transfer funds between the custodial account and the clearing account.
- When the servicer transfers funds from the custodial account to a disbursement clearing account by check, any checks the servicer draws against the custodial account and their deposit to the disbursement clearing account must be concurrent with, or prior to, issuance of any checks on the clearing account.
- Checks returned for "insufficient funds" may be netted against another day's collections, or a check may be drawn on the custodial account to reimburse the clearing account.
- Adequate records and audit trails must be maintained to support all credits to, and charges from, the mortgagor's payment records and the accounts.

Interest-Bearing Custodial Accounts (3/31/08)

The servicer may establish a special interest-bearing custodial account for mortgagors' escrow funds.

Interest-bearing accounts must meet all federal, state, and local laws and government regulations. The servicer must agree to certain conditions when it uses an interest-bearing account to accumulate funds. These conditions are in addition to those specified for regular custodial accounts.

- The servicer must pass all deposits and withdrawals through the custodial account.
- The servicer must comply (at its own expense) with all applicable laws, regulations and contracts that require the payment of interest on a mortgagor's tax and insurance escrow or other funds the servicer holds in escrow.
- The mortgagor's account must accrue interest daily. This interest must be posted to mortgagor's account annually.
- The servicer must pay any expenses, losses, or damages sustained because a mortgagor's escrow funds were not in a demand deposit account.

Reconciling Custodial Bank Accounts (3/31/08)

Each month the servicer should reconcile its cash book to the custodial accounts. The servicer should retain each month's reconciliation and analysis in its records. Occasionally, we may ask the servicer to submit its reconciliation records to us.

Contractual Relationships

Servicer's Basic Duties and Responsibilities (3/31/08)

Servicers perform their servicing obligations under the Loan Servicing Agreement as an independent contractor, not as an agent or representative of WHEDA. Servicers must use sound business judgment in all aspects of their operations, must have adequate staff and facilities to protect WHEDA'S investment, and provide mortgagors with assistance when they request it.

To respect the privacy of their respective customers and to protect the security and confidentiality of those customers' nonpublic personal information, WHEDA and lender shall comply with the applicable requirements of the Gramm-Leach- Bliley Act (15 USC 6801-6809, Disclosure of Nonpublic Personal Information).

Servicing Fees (3/31/08)

The servicer is entitled to collect a monthly servicing fee equal to the outstanding principal balance multiplied by the monthly service fee factor for all loans for which a payment is made by the borrower.

These fees are payable to the servicer from the time we purchase a mortgage until it is paid in full (or otherwise liquidated), as long as the servicer collects the mortgage payments and performs its basic duties.

Because servicing fees are computed on the same unpaid principal balance and for the same period as the interest portion of the monthly installment, the servicer can base its servicing fee calculation on the interest collected. The servicing fee WHEDA pays varies depending on the bond issue.

Late Charges (3/31/08)

The servicer is entitled to any late charges provided for in the mortgage note as long as they do not exceed the maximum allowed by state law. Late charges may be collected on any payment made more than 15 days after it is due.

Fees for Special Services (11/1/12)

The servicer may charge the mortgagor fees to perform the following special services:

- Uncollectible checks;
- Partial Release of Security (see Protection of Security);
- Assumptions (see Transfer of Ownership);
- Property inspection/preservation;
- Amortization schedules.

Fees should be determined by what is reasonable and customary for the area, unless referred to elsewhere in this manual.

Changes in Servicer's Organization (3/31/08)

The servicer must send us written notice within five days of any changes in its organization, including with its notice copies of any filings with, or approvals from, state or other regulatory authorities.

We require official notice of these changes:

- The resignation of any senior management personnel;
- Any mergers, consolidations, or reorganizations;
- Any substantial change in ownership;
- Any change in corporate name;
- A change in a savings and loan association's charter from federal to state or vice versa;
- A significant change in the servicer's financial position; and
- A change in business address.

If a regulatory agency assumes a role in the management of the firm's operations, the servicer must provide us with immediate notice. If the servicer fails to obtain our approval for, or does not give us adequate advance notice of a change in ownership that results in a defacto transfer of servicing, we may impose a penalty fee and exercise any other available remedies.

Repurchase (3/31/08)

As a result of the servicer's breach of any warranty under the terms of the Loan Servicing Agreement, we will require repurchase of mortgages or of acquired properties.

When we initiate a demand for repurchase, the servicer must pay us the funds due within 30 days of our demand. If the servicer believes our demand is not justified, it must provide us with a written explanation for its position within 30 days after our demand. If we subsequently have to take legal action to enforce our repurchase right, the servicer will be liable to us for our attorney's fees, costs and related expenses.

Improper Servicing (3/31/08)

We review the servicing of mortgages that have experienced early payment defaults and those for which we have acquired the underlying property. If we determine a mortgage was not properly serviced in accordance with the requirements of this Manual, we will require the servicer to repurchase the mortgage (or the property). Even if there have been no materially adverse effects on the property's value, we may require repurchase for improper servicing under the terms of the Loan Servicing Agreement.

Suspension of Servicing (3/31/08)

We may suspend a servicer's right to add new mortgages to its WHEDA servicing portfolio, whether those mortgages represent new mortgages we would purchase or existing WHEDA mortgages that would be transferred from another servicer. Generally, we suspend servicing only after we have attempted to improve the servicer's performance without taking formal disciplinary action, although we are not obligated to do so.

Right of Servicing Transfer (3/31/08)

WHEDA reserves the right to take back servicing without cause. If there is no cause, we will negotiate a service release fee. Where there is cause due to noncompliance with the servicing manual and/or agreement or performance issues (including delinquency rates in excess of rates of other fixed rate conventional loans in Wisconsin), WHEDA will demand servicing returned and has no obligation to pay a service release fee.