

HomeSaver Advance

A New Loss Mitigation Option for Delinquent Mortgages

HomeSaver Advance™ is an extension of Fannie Mae's HomeStay™ Initiative—a multi-faceted initiative that helps lenders and servicers meet the needs of today's challenging market. HomeSaver Advance is the latest example of our ongoing commitment to flexible servicing policies and homeownership preservation.

HomeSaver Advance, an unsecured personal loan, is a new loss mitigation alternative available to approved Fannie Mae servicers for eligible borrowers designed to bring a delinquent loan current. It provides funds to cure arrearages of principal, interest, taxes, and insurance (PITI), as well as other advances and fees as listed in the Highlights section below. HomeSaver Advance is documented by a borrower-signed promissory note, payable over 15 years at a fixed rate of 5% with no payments or interest accrual for the first six months.

HomeSaver Advance is designed for qualified borrowers who have fallen behind on their mortgage, but are able to resume timely payments once their loan is brought current by the advance. It helps simplify and streamline the workout process for applicable loans, as it provides an option for earlier resolution of delinquent loans.

HomeSaver Advance Highlights

- Loan amount up to the lesser of \$15,000 or 15% of the original UPB for delinquent PITI, escrow advances, and advances for attorney fees and costs and up to 6 months of unpaid HOA fees (12 months, where the HOA fee is paid once per year)
- Advances may not include late charges or other ancillary fees and costs
- The full loan amount is applied directly to arrearage (borrower never receives funds in hand)
- Truth in Lending Statement and unsecured promissory note are executed at time of agreement with borrower
- Note rate at a fixed rate of 5% with 6-month no-interest/no-payment period
- Amortization period of 14.5 years after the conclusion of the 6-month no-interest/no-payment period
- Workout fee paid to servicer is \$600
- Fannie Mae will contract with a third party to service HomeSaver Advance promissory notes

Loan Eligibility

A HomeSaver Advance can be made in connection with any mortgage loan that is purchased or securitized by Fannie Mae (including a *pooled from portfolio* loan) if the mortgage loan meets the following criteria:

- The mortgage is delinquent in an amount equal to or greater than two full payments of principal, interest, taxes, and insurance;
- The mortgage must be seasoned with a minimum of six monthly payments made since the date of loan closing;

- The mortgage may secure a principal residence, second home, or investment property—owner occupancy is not required; and
- The mortgage may generally be any type of loan (i.e., fixed-rate, adjustable-rate, interest-only, bi-weekly or daily simple interest).

HomeSaver Advance does not have a loan-to-value restriction or property valuation requirement.

Borrower Eligibility

Servicers must also ensure their borrower meets the following qualifications:

- The borrower has successfully resolved the reason for delinquency;
- The borrower demonstrates a long-term financial capacity to resume making the payments on the first mortgage loan and all other debts, including any subordinate mortgage loans (verbal confirmation of financial capacity is acceptable);
- The borrower has surplus income to support an additional monthly payment of at least \$200 but does not have the ability to cure the arrearage using a repayment plan within a period of not more than nine months;
- The borrower is willing to participate in HomeSaver Advance; and
- The borrower does not currently have an outstanding HomeSaver Advance note; the HomeSaver Advance option may only be used once during the life of the particular first mortgage loan.

Borrowers involved in an active bankruptcy proceeding or who have had the debt previously discharged in a bankruptcy action are not eligible for this loss mitigation option.

HomeSaver Advance Complements Our Loss Mitigation Framework

HomeSaver Advance provides servicers an additional, flexible workout option for today's challenging market, helping borrowers avoid foreclosure and protect their credit as part of a process that may include the following loan resolution actions:

- R** **Repayment Plan**—an arrangement by which a borrower agrees to pay down past due amounts while still making regularly scheduled payments;
- A** **Advance** (HomeSaver Advance)—a monetary advance to cure a delinquent loan;
- M** **Modification**—any change to the terms of a mortgage loan, including changes to the interest rate, loan balance, or loan term;
- P** **Preforeclosure or Short Sale**—the process in which a servicer works with a delinquent borrower to sell the house through a real estate professional prior to the foreclosure sale; and
- D** **Deed-in-Lieu**—the transfer of title from a borrower to the lender to satisfy the mortgage debt and avoid foreclosure (also called a "voluntary conveyance").

For More Information

HomeSaver Advance will be available to all Fannie Mae-approved servicers in April 2008.

For more information, call the Fannie Mae Servicing Solutions Center at 1-888-FANNIE8 (1-888-326-6438), option #2.