

# United Guaranty

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## LOSS MITIGATION GUIDE



Please note: This information is intended for use by mortgage servicers only. It does not apply to individual borrowers or consumers. This guide applies to all insured loans, regardless of origination date.

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## Loss Mitigation

United Guaranty's goal is to help families stay in their homes by making it easier for Servicers to process retention workouts for loans we insure. In situations where the Borrower is unable to make ongoing monthly mortgage payments or qualify for a retention workout, we will coordinate with you to structure a liquidation solution.

Servicers must make every reasonable effort to cure the default and cooperate with and assist United Guaranty to prevent and mitigate losses. Failure to comply with servicing requirements may result in a delay in Claim processing, curtailment of a Claim payment, or the denial of a Claim.

Servicers should use the following options, in the order listed below, when considering a Borrower for a workout:

### Home Retention

- Repayment Plan.
- Forbearance.
- Other retention options such as GSE- or Treasury-sponsored programs.
- Modification.
- Claim Advance or Retention Solutions Program.

### Liquidation

- Short Sale.
- Deed in Lieu.
- Foreclosure.

## Home Retention Options

### Repayment Plans

Servicers are delegated to offer Borrowers a repayment plan with a term up to 18 months to cure the delinquency by making a fixed monthly payment in addition to the regular mortgage payment. Plans in excess of 18 months require United Guaranty's prior approval.

Considerations:

- Borrower can either partially or completely recover from financial setbacks within a few a months.
- Borrower is unable to pay the arrearage all at once.

## Forbearance

Servicers are delegated to reduce or suspend monthly payments for up to 12 months. Arrangements in excess of 12 months require United Guaranty's prior approval.

Considerations:

- Servicer must have a written forbearance agreement with the Borrower.
- Borrower demonstrates a willingness and ability to cure the default.
- Borrower suffers a temporary financial hardship, has become multiple months in arrears but will have the ability later to resume making regular monthly payments.

## Modifications

Modifications usually include changes to the terms of the original note through such options as interest rate reduction, extending the loan term or changing the loan type from an adjustable rate to a fixed rate to make the loan more affordable for Borrower. Unless applicable Servicer-specific delegation agreements are in place, United Guaranty's approval is required prior to finalizing a modification.

Consideration:

- Borrower experiences difficulty in making regular mortgage payments as a result of a permanent or long-term financial hardship.

## Capitalization

Capitalization is the addition of delinquent interest and other fees and costs to the principal balance of the loan. United Guaranty's prior approval is required unless applicable Servicer-specific delegation agreements are in place.

The Borrower must demonstrate the ability and willingness to resume regular payments. Please keep in mind that investor approval may be required for this option.

## Principal Forgiveness

United Guaranty will cover any principal forgiveness amount in the event of a Claim. From the time of principal forgiveness the MI premium will be calculated as follows:

- **Declining monthly/annual premiums:** MI premium is calculated based on the current UPB (including any arrearage capitalized) plus the amount of principal forgiven.
- **Level monthly/annual premiums:** MI premium is calculated based on the UPB at time of modification (including any arrearage capitalized) plus the amount of principal forgiven. The UPB for MI premium calculation purposes remains the same for the life of the loan.
- **Single premiums:** no premium adjustment.

## Claim Advance

United Guaranty may advance part or all of a Borrower's arrearage directly to the Servicer to enable the borrower to cure the default on their mortgage. The Servicer must agree that the Claim advance is deductible from United Guaranty's obligation if the loan defaults in the future resulting in a Claim payment. The borrower will be required to execute a non-interest bearing promissory note to pay back the advance. Each submission is evaluated on a case-by case basis.

Considerations:

- Borrower is willing and able to make mortgage payments in the future, but is unable to qualify for an alternative retention workout.

## Retention Solutions Program

Loans that fail to qualify for all available loan Modification programs (including the Home Affordable Modification Program - "HAMP") can be considered for United Guaranty's Retention Solutions Program (RSP) for a cash advance. The Servicer must agree that the Claim advance is deductible from United Guaranty's obligation if the loan defaults in the future resulting in a Claim payment. Each submission is evaluated on a case-by case basis. Details on this program can be found at: [RSP Program Overview](#).

## Delegated Authority for Home Retention Options

To assist Servicers in mitigating losses, United Guaranty extends delegated authority for the following:

- Loan Modifications under the GSE- or Treasury- sponsored programs listed on our [corporate web page](#). Modifications must meet the program guidelines.
- Forbearance up to 12 months.
- Repayment plans up to 18 months.
- Servicer-specific home retention delegations.

Loans must be submitted to United Guaranty for approval in the following instances:

- Loan does not meet the guidelines of the home retention delegation options, or
- Servicer does not have delegated authority for non GSE- or Treasury-sponsored retention programs.

Loans with workout terms exceeding the above outlined parameters should be submitted to United Guaranty for review to determine acceptability. Requests should be sent using the [Loan Modification Request form](#).

United Guaranty will respond within 24 to 48 hours.

## Workout Reporting

You must report all delegated home retention options that meet the delegated criteria to United Guaranty within 30 days of the workout completion date to [workout@ugcorp.com](mailto:workout@ugcorp.com).

- To report individual delegated workouts the Servicer must submit:
  - Completed workout documentation, or
  - Executed Modification agreement.
- To report multiple delegated workouts the Servicer must submit:
  - Mortgage Insurance Loan Activity Report (MILAR).
  - Submit reports by the seventh business day of the month. *NOTE:* Some Servicers have already set up an alternate submission method. Those submission methods do not change.

## Liquidation Workouts

### Short Sale (Pre-foreclosure sale)

Any short sales not under the GSE- or a Servicer-specific delegation must have *prior approval* from United Guaranty. Our staff of Loss Mitigation Specialists will work with the Servicer and the borrower to obtain a short sale approval that is mutually beneficial. Offers are considered on a case-by-case basis. United Guaranty will respond within 24 to 48 hours.

### Deed in Lieu of Foreclosure

Any deed in lieu not under the GSE- or a Servicer-specific delegation must have *prior approval* from United Guaranty.

There are circumstances where United Guaranty will consider a deed in lieu of foreclosure as an appropriate workout option.

Considerations for Deed in Lieu:

- If the borrower is in Chapter 7 bankruptcy and deficiency rights do not exist, a deed in lieu may be an appropriate remedy.
- A deed in lieu may also be considered as an alternative if the hardship is the death of one of the borrowers that substantially impacts the family income.
- Unsuccessful attempts to do a short sale where the property has been listed at least 90 days will also be considered for deed in lieu.

Additional considerations for all liquidations:

- If the borrower does not have a hardship or has a weak hardship, (for example, strategic defaults), our staff will often seek the borrower's participation in the pending loss in order to approve the liquidation workout.
- Borrowers with legitimate hardships that are unwilling to contribute any funds to reduce United Guaranty's loss will be reviewed based on the borrower's income, assets and financial history to determine their ability to contribute towards the loss.

Borrower contributions may be in the form of:

- Cash OR
- A United Guaranty non-interest bearing promissory note OR
- A combination of both.

In addition, United Guaranty may consider a Claim reduction as a settlement option.

## Home Affordable Foreclosure Alternatives (HAFA)

In processing loans under HAFA, mortgage Servicers are instructed to use any existing delegation agreements for short sale or deed in lieu workouts. If no liquidation delegation authority exists or if the mortgage Servicer is unsure if delegated authority exists, requests should be submitted to United Guaranty for review. Upon receipt of all pertinent information, United Guaranty will respond within 24 to 48 hours.

## GSE Delegated Liquidation Loan Review

United Guaranty has granted delegated authority to Fannie Mae and Freddie Mac for short sale and deed in lieu liquidation workouts. Please follow the applicable investor guidelines for GSE loans.

United Guaranty performs a review of each delegated short sale or deed in lieu closing. Documentation collected during liquidation review is required after closing and should be provided during the initial MI Claim filing or to [workout@ugcorp.com](mailto:workout@ugcorp.com).

Required documentation:

- Final HUD-1, executed deed in lieu documents, or Closing Disclosure.
- Credit Report
- Hardship Letter
- BPO or appraisal
- Estimated payoff amount
- If applicable; Uniform Borrower Assistance Form/RMA/Form 710/other income and expense breakdown, tax returns, bank statements, and paystubs (Sources of Income)

The above items are noted on our MI Claim Document Stacking Form located at: [Claim Document Stacking Order Form](#). For additional documents required at Claim filing, please refer to United Guaranty's Claims Guide.

A waiver of deficiency is granted for delegated or United Guaranty-approved liquidation workouts.

## Submitting Requests for Liquidation Review

Requests for Short Sale or Deed in Lieu approvals should be submitted using the Loss Mitigation Summary form located at: [Loss Mitigation Summary](#).

United Guaranty will respond within 24 to 48 hours.

## Foreclosure

Once it is clear that foreclosure cannot be avoided, Servicers should begin the process as soon as possible, but no later than when the loan becomes six months in default. The sooner title to – and possession of – the property can be obtained, the better. Foreclosure actions should be reported on United Guaranty's monthly status report or on your monthly electronic reporting.

In most states, you must protect your rights (and subsequently United Guaranty's rights through subrogation) to obtain a Deficiency Judgment through appropriate bidding at the foreclosure sale. We request that such rights be preserved except in those states where such a course of action would have one of the following effects:

- Require a special foreclosure action that would extend the foreclosure period beyond that of a regular foreclosure.
- Cause the redemption period to be extended beyond that of a regular foreclosure.

No additional approvals are required by United Guaranty to initiate a foreclosure proceeding. The Servicer may postpone a foreclosure sale in order to complete a workout transaction with the borrower if this option would reduce the likelihood of a Claim.

## Additional Topics

### Loan Charge Off

With a charge off, the outstanding debt on a delinquent loan is written off as a loss. The Servicer does not take title to the property with this liquidation option. United Guaranty may consider a charge off under certain circumstances, but a charge off is not an allowed liquidation option within the Master Policy.

### Request for Delegation

To inquire about delegation for home retention or liquidation workouts, please submit your request to [workout@ugcorp.com](mailto:workout@ugcorp.com) or contact the Loss Mitigation Department at 800.334.8966.

### Loss Mitigation Outreach Programs

United Guaranty has Loss Mitigation Specialists to assist Servicers and borrowers in developing a plan best suited for the borrower and their financial situation. As part of our workout program, one of our specialists may attempt to contact delinquent borrowers to determine whether intervention might facilitate bringing the loan current. After confirming a loan is 60 days delinquent, the specialist will determine whether a plan has been worked out with the borrower. If a plan is not in place and the Loss Mitigation Specialist is successful in contacting and analyzing the borrower's situation, we will work with the Servicer for options to assist in bringing the loan current.

Additional services provided include coordinating with the Servicer to perform document follow up/package collection, attempting to reach borrowers where the Servicer has not made contact, and United Guaranty on-site representation at Servicer.



## Loss Mitigation Support Contact Information

Email: [workout@ugcorp.com](mailto:workout@ugcorp.com)

Phone: 800.334.8966

Fax: 336.275.2893

Address: PO Box 21367, Greensboro, NC 27420

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