

761 CMR: 22.00 SERVICER'S GUIDE

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GENERAL

22.01: Definitions and Construction

Definitions of certain terms used in this Guide are set forth in 761 CMR 19.02 of the Statement of Terms and Conditions of the Commitment Application. Wherever in this Guide the Servicer is directed to deliver any notice, document or other communication to MHMFA, Servicer shall also deliver a copy thereof to Seller.

22.02: Loan Servicing Agreement

Each sale of Loan Participations to MHMFA shall be evidenced and governed by a Loan Participation Agreement and a Loan Servicing Agreement. The Loan Servicing Agreement sets forth the agreement of Servicer to service the Mortgage Loans sold under a specific Loan Participation Agreement in accordance with the Loan Servicing Agreement and this Servicer's Guide.

22.03: Amendments

This Servicer's Guide may be amended or supplemented by MHMFA from time to time by issuance of changed pages, such amendments or supplements to be effective five business days after the date of mailing thereof; provided, however, that no amendment which materially affects the rights and obligations of the Servicer under the Loan Servicing Agreement (except reporting requirements) shall apply to loans delivered or to be delivered under an outstanding Commitment Application without the consent of Servicer.

22.04: Servicing Facilities

Servicer must maintain servicing facilities in The Commonwealth of Massachusetts that are staffed with trained personnel to adequately service Mortgage Loans, as determined at MHMFA's sole discretion, in accordance with standards normally employed by private institutional mortgage investors. Servicer's personnel shall be familiar with all regulations and requirements affecting Mortgage Loans serviced for MHMFA including, but not limited to, those insured by FHA or guaranteed by VA.

A Servicer must be a Mortgage Lender which has as one of its principal purposes the servicing of loans secured by real estate mortgages. Such mortgage loan servicing must customarily be part of the Servicer's regular, usual, and normal course of business. An organization which services mortgage loans occasionally or in special circumstances does not come within this definition.

22.05: Loan File

Servicer or its agent shall maintain a Loan File for each Mortgage Loan as set forth in 761 CMR 21.70; it shall contain all documents to be held by Servicer, as well as all legal notices, correspondence, forms, reports and results of conversations relating to the Mortgage Loan. The Loan File need not contain form collection letters and form notices to Borrower, provided Servicer possesses an adequate record of collection efforts including the dates of mailing of such letters and notices.

22.06: Reports

Unless otherwise indicated, all reports and recommendations by Servicer required under this Servicer's Guide are to be submitted on the appropriate MHMFA form appended hereto. Reports calling for a response from MHMFA are to be submitted in duplicate. Every report and correspondence regarding a particular Mortgage Loan must reference the MHMFA Loan Participation Number. Any notice to FHA, VA or private mortgage insurer required to be sent to MHMFA must be sent with the appropriate MHMFA form. Servicer shall furnish detailed reports of individual Mortgage Loans on a form acceptable to MHMFA when requested by MHMFA. All reports required or requested by MHMFA shall be prepared accurately and submitted promptly.

22.07: Insurance Loss Settlements and Hazard Insurance

Servicer is required to take all actions required by the terms of the mortgage impairment policy or required by prudent practice and custom and normally taken by responsible Mortgage Lenders to require that hazard insurance is maintained in effect by the Borrower(s). Servicer will, upon receipt of any information that hazard insurance maintained by the Borrower will for any cause terminate, procure within the time period required by the terms of a mortgage impairment policy, fire and extended coverage insurance of the account of the Borrower for at least the minimum requirement of the Mortgage Loan and pay the premium therefore, so as to prevent lapse in protection on the mortgaged property. Servicer shall place all insurance loss draft proceeds in an unapplied account pending application. If proceeds are applied to restoration, any excess proceeds shall be applied against the Mortgage Loan debt unless other disposition has been approved by MHMFA. (See 761 CMR 21.21.)

(1) Amount of Loss \$2,500 or Less. Servicer is not required to submit a report to MHMFA on the disposition of proceeds of losses of \$2,500 or less, unless Servicer recommends application of the proceeds against the Mortgage Loan debt. Servicer shall determine that the property has been repaired to at least its original condition. After the property has been repaired, and provided that there is no delinquency or other servicing problem, Servicer shall disburse the proceeds and document in the Loan File all pertinent facts concerning the loss and disposition of the proceeds. Servicer shall exercise its prudent judgment in determining whether a physical inspection of the property should be made prior to the release of the draft.

22.07: continued

(2) Amount of Loss Exceeding \$2,500. Servicer is required to submit a report to MHMFA advising the nature and extent of any loss in excess of \$2,500 immediately upon learning of it. As soon as possible, Servicer shall recommend a disposition of the proceeds indicating the proposed nature and cost of repairs. Partial disbursement or a draw plan may be utilized, provided that physical inspection is made to insure that the work has been satisfactorily completed at least equal to the amount of funds to be disbursed on each draw. Whenever a total or near total loss is sustained and Servicer recommends that the proceeds be applied against the Mortgage Loan debt, Servicer shall explain to MHMFA its reasons. Servicer shall adhere to all applicable laws regarding application of insurance proceeds, all FHA, VA, private mortgage insurer requirements, and prudent practices concerning notification, inspection and approval. Servicer shall take any action necessary to protect the priority of the mortgage, including, but not limited to, obtaining waivers of material or mechanics' liens.

(761 CMR 22.08 through 22.10: Reserved)

LOAN SERVICING

22.11: Guidelines for Dealing with Delinquencies

With respect to any FHA Mortgage Loan or VA Mortgage Loan, Servicer shall take such actions with respect to delinquencies as are required by the FHA or VA, respectively. With respect to any Conventional Mortgage Loan, Servicer shall take such actions with respect to delinquencies as it would take with respect to Mortgage Loans serviced for others or held for its own account. Servicer is required to remit to MHMFA the monthly interest due MHMFA whether or not Servicer has collected any payments from the Borrower. MHMFA and Seller shall reimburse Servicer as required when the Mortgage Loan is reinstated or from the proceeds of the liquidation of the Mortgage Loan.

22.12: Liquidating Plans, Special Forbearance Relief, and Modifications

MHMFA grants Servicers broad discretion to extend appropriate relief to Borrowers who encounter hardship, yet who are cooperative and have proper regard for their obligations. Servicers should be readily available to Borrowers to offer skilled financial counseling and advice. Servicers should make personal contact with delinquent Borrowers as soon as possible in order to achieve a solution which will bring Mortgage Loans current as soon as possible. It is expected that Servicers will be fully familiar with various forms of relief to Borrowers provided for herein, and will employ such relief wherever appropriate rather than recommending termination of the Mortgage Loan. However, no such relief should be granted to any Borrower unless there is a reasonable expectation that the relief granted will result in bringing and maintaining the Mortgage Loan current.

Prior to granting relief as herein provided, Servicer should inspect the property and ascertain that the reason for the default and attitude and circumstances of Borrower justify the relief to be granted. Servicer is responsible for satisfying all applicable FHA, VA or private mortgage insurance requirements with respect to the relief granted. Servicer is responsible for collection from Borrower of any recording or similar costs incidental to the granting of relief.

Where relief is appropriate, Servicer should determine whether the relief should be:

- (a) a "liquidation Agreement" giving Borrower a definite period in which to bring the Mortgage Loan current by immediately commencing payments in excess of the regular monthly installment;
- (b) a "Special Forbearance Relief Agreement" reducing or suspending the regular monthly installments for a specified period of time; or
- (c) a "Modification Agreement" of the Mortgage Loan repayment provisions which may include an extension of the original maturity date.

22.12: continued

(1) Liquidating Agreement. Servicer is authorized in its discretion to enter into a Liquidating Agreement which shall provide that the total delinquency will be repaid (commencing immediately) within the shortest period practicable, and in any case not to exceed 12 months from the date of execution.

The Liquidating Agreement must be executed by Borrower and by servicer in the form of a letter agreement if the earliest unpaid installment is more than 45 days past due in the case of Conventional Loans and more than 60 days past due in the case of FHA/VA Mortgage Loans. Servicer shall report to MHMFA the terms of the Liquidating Agreement executed if more than 60 days (Conventional) or 90 days (FHA/VA) delinquent, but need not forward a copy to MHMFA.

(2) Special Forbearance Relief Agreement. A "Special Forbearance Relief Agreement" is a written agreement to reduce or suspend regular payments for a forbearance period of up to 12 months in the case of Conventional Mortgage Loans and 18 months for FHA/VA Mortgage Loans, after which regular payments are required to be resumed.

The Prior approval of a Special Forbearance Relief Agreement by MHMFA is required. Servicer shall obtain any necessary approval of FHA, VA or MHMFA prior to executing a Special Forbearance Relief Agreement. After approval of the terms by MHMFA and any others required, Servicer shall prepare the agreement, have it executed by all parties and forward a copy of the completed agreement to MHMFA.

If Borrower fails to comply with Borrower's obligations under the Special Forbearance Relief Agreement, Servicer shall, before the failure has continued for 60 days, either;

- (a) recommend a new Special Forbearance Relief Agreement with Borrower, provided the aggregate forbearance period does not exceed 12 months in the case of Conventional Mortgage Loans or 18 months for FHA/VA Mortgage Loans;
- (b) recommend a modification of the Mortgage Loan; or
- (c) recommend foreclosure or acceptance of a deed in lieu thereof. (See 761 CMR 22.16 and 22.17.)

(3) Modification Agreement. The modification or extension of a Mortgage Loan shall be recommended by Servicer when, in its estimation, a change in the terms of payment of the Mortgage Loan presents the best means of recovering fully the maximum principal and interest. MHMFA approval of a proposed Modification Agreement is required. If MHMFA approves a recommended Modification Agreement, Servicer shall have the Modification Agreement prepared and obtain the consent in writing of any co-maker, guarantor, surety, or other obligors, which written consents shall be affixed to the Modification Agreement. Where necessary to protect MHMFA's interest, Servicer shall obtain the consent of any junior lien holder and confirmation by the title insurer that no loss in the priority of the lien is incurred. Any necessary recordation shall be made by Servicer at Borrower's expense. When a Modification Agreement is executed, Servicer shall supply copies to MHMFA and Borrower, and shall retain the original in the Loan File. Servicer must satisfy all requirements of the FHA, VA or private insurance and must forward a copy of the Modification Agreement to the FHA, VA or private mortgage insurance carrier.

MHMFA shall not be responsible for the legal adequacy of any Liquidation Agreement, Modification Agreement, Special Forbearance Relief Agreement or any other document relating thereto, all of which is Servicer's responsibility.

22.13: Late Charges

Servicer shall only collect late payment charges to the extent expressly provided for in the Mortgage Loan instruments, but in no event shall Servicer impose any late payment charge with respect to any payment received within 15 days after the payment is due, nor shall Servicer impose any late payment charge in an amount in excess of four percent of the payment which is late. Late charges may not be collected by charging Borrower's escrow account, deducting from a regular monthly payment or adding to the outstanding principal balance of the Mortgage Loan. Servicer shall be entitled to retain late charges received, as additional servicing compensation; provided, however, that no part of any funds received with respect to a foreclosed Mortgage Loan shall be applied to late charges, notwithstanding any provision in the Mortgage Loan to the contrary. Servicer may waive late payment charges when such waiver is of assistance to Servicer in bringing the Mortgage Loan current.

22.14: Notice of Liens; Bankruptcies; Probate Proceedings, etc.

Servicer shall promptly notify MHMFA upon becoming aware that any lien prior to the mortgage securing any Mortgage Loan has attached or will attach. Notice shall promptly be given to MHMFA of any state insolvency or federal bankruptcy proceedings in which any Borrower is seeking relief or is a defendant debtor, of the death of any Borrower or guarantor, of the sale, transfer or vacancy of the property or the occurrence of waste, deterioration, or lack of repair of the property or of the occurrence of any other default under the terms of the Mortgage Loan as to which Servicer has knowledge. In the event that MHMFA directs, Servicer shall take such actions as it deems to be prudent and MHMFA shall reimburse Servicer for reasonable fees and expenses, including reasonable attorneys' fees, incurred by Servicer. Accurate records of the aforesaid matters shall be maintained by Servicer.

22.15: Request for Partial Release, Easements, Waivers and Consents

Application for partial release of real property, easements, the waiver of any right under a mortgage, consent to substantial alterations, removal, demolition, taking or division of property, and other matters relating to changes affecting a Mortgage Loan or the property shall require specific approval of MHMFA. Servicer shall furnish detailed information, including, but not limited to, supporting appraisals, blue prints, plats, sketches and legal instruments and shall recommend action. If approval of the FHA, VA, private mortgage insurer or MHMFA is required, it should be obtained first, together with the consent of co-makers, guarantors and other obligors as applicable.

Servicer shall have the responsibility to see that the instruments used in connection with changes affecting Mortgage Loans or mortgaged properties are in proper form, and that all requirements under applicable law are met. Application against the Mortgage Loan of any proceeds from a release, easement, or other modification, or from a taking by eminent domain, shall be set forth in the Loan File.

If necessary, Servicer shall inform the tax authority of the release of real property and request a division of any taxes levied or to be levied.

A conformed copy of the instrument used to complete the transaction shall be sent to the FHA, VA, the private mortgage insurer or MHMFA as appropriate, by Servicer.

With respect to a Mortgage Loan guaranteed or insured by FHA, VA or private insurance, Servicer shall notify the FHA, VA, the private mortgage insurer or MHMFA immediately upon learning of any planned or impending taking of a property securing a Mortgage Loan by eminent domain. Servicer should take all steps necessary to prevent loss of FHA insurance, VA guaranty or private insurance benefits by reason of eminent domain.

22.16: Deed in Lieu of Foreclosure

If Borrower offers or is willing to execute a voluntary deed in lieu of foreclosure, Servicer shall recommend acceptance of such a deed if Servicer determines that such action is in MHMFA's best interest, that marketable title will be obtained, and that full benefits of the FHA insurance, VA guaranty or private mortgage insurance will be received.

22.17: Institution of Foreclosure

By the 90th day following the due date of the earliest unpaid installment, Servicer shall recommend appropriate servicing action based on the particular circumstances of each Mortgage Loan. Servicer should not recommend foreclosure until every reasonable effort has been made to arrive at a solution to delinquency, as provided above. However, once Servicer determines that no other course of action will cure the default, then Servicer should promptly recommend foreclosure, and should include in the report recommending foreclosure a brief servicing history to date and a statement of the reasons for recommending foreclosure. Servicer shall actively continue all efforts to cure the default until approval of the foreclosure has been received from MHMFA.

Servicer shall proceed with the foreclosure immediately when so directed by MHMFA.

Servicer may provide notice of impending foreclosure to Borrower prior to approval of the action by MHMFA. However, no action may actually be stated until approved by MHMFA.

Servicer shall select the foreclosure counsel, subject to MHMFA approval. All legal fees relating to foreclosure are to be paid by Servicer and all reasonable and customary legal fees will be reimbursed pro-rata by MHMFA and Seller if not collected from Borrower upon completion of the proceedings.

Servicer should prepare and forward with the recommendation of foreclosure, any documents which require execution by MHMFA.

22.18: Action During Foreclosure

Servicer shall take such action as is required during foreclosure to protect the property. Regular inspections shall be made with special emphasis on properties that have been vacated. Servicer shall, when appropriate, report to MHMFA the progress of foreclosure, including any unusual expenses incurred, the results of any inspection and any protective action taken. Servicer shall also report immediately to MHMFA the setting of a sale date, the suspension of foreclosure, and the holding of a sale.

Servicer shall retain Borrower's Escrow Payments, and tax receipts, and obtain bills for escrow expenses. If the balances in Borrower's escrow account are insufficient to pay escrow expenses as they become due during foreclosure, Servicer shall pay such escrow expenses when and to the extent necessary to protect MHMFA's interest as well as for the costs of foreclosure and protective action. Such advances will be repaid by MHMFA and Seller, pro-rata, upon receipt of proceeds from the liquidation of the Mortgage Loan (See 761 CMR 22.23 -- Escrow Payments). Servicer shall be responsible for satisfying all requirements and promptly forwarding all required reports and other documents, to the FHA, VA, the private mortgage insurer or MHMFA to assure maximum benefit of all such guarantees or insurance.

Seller and MHMFA agree to reimburse on a pro-rata basis Servicer for its reasonable out-of-pocket expenses incurred, including attorneys' fees, and for any advances by Servicer authorized by MHMFA in prosecution of foreclosure proceedings, and for protection of the mortgaged property, at the time of foreclosure out of the proceeds of the liquidation of the Mortgage Loan. If MHMFA shall so direct, Servicer shall relinquish servicing of a Mortgage Loan in default, and resume servicing when requested by MHMFA.

22.19: VA 30 Day Waiting Period

While foreclosure of a VA Mortgage Loan normally may not be instituted until 30 days elapse from submission of the VA Notice of Intention to Foreclosure, Servicer should not postpone a recommendation to MHMFA to foreclose. The purpose of a 30-day waiting period is to allow the VA to contact the Borrower; however, Servicer should continue collection efforts during such waiting period. Also, if the property has been abandoned or is rented or there are other extraordinary circumstances, Servicer should ascertain whether the 30-day waiting period requirement is applicable.

22.20: Bidding Instructions

Servicer shall issue bidding instructions to its employees, agent or the attorney attending the foreclosure sale unless otherwise directed by MHMFA. With respect to Conventional Mortgage Loans, at least 15 days prior to the foreclosure sale, Servicer shall recommend the maximum amount which should be bid on behalf of MHMFA and shall request approval of such amount. In the case of an FHA, VA or private mortgage insurance Mortgage Loan, bidding instructions shall be in conformity with FHA, VA and private mortgage insurance regulations.

For VA guaranteed Mortgage Loans, no bid in excess of the "upset price" established by the VA shall be entered on behalf of MHMFA. If the VA upset price is not received by Servicer as of the date of the sale, the sale should be postponed.

22.21: Offer of Payment During Foreclosure

When during foreclosure a Borrower offers payment of the full delinquency, including advances, legal costs, and other foreclosure costs and expenses, Servicer shall ascertain the amount of all foreclosure costs and expenses that have been incurred or will be incurred, if the offer is accepted. Such an offer may be accepted by Servicer, but it may not be declined without MHMFA concurrence.

If the offer is accepted, upon receipt of funds, Servicer shall take action to prevent additional foreclosure costs and expenses from being incurred and apply funds (exclusive of foreclosure costs and expenses) to Borrower's account, and pay the foreclosure costs and expenses. Servicer shall report all details of the transaction to MHMFA.

When during foreclosure Borrower offers to pay an amount less than the full delinquency (including, but not limited to, advances and legal costs), Servicer will ascertain the amount of foreclosure costs and expenses that have been or will be incurred if the offer is accepted. Servicer may decline without MHMFA's concurrence, but shall obtain HMFA's approval prior to accepting. Servicer shall recommend to MHMFA whether the foreclosure action should be suspended or should be dismissed and how the remaining delinquency will be cured.

22.22: Acquired Properties; Disposition

Servicer shall be responsible for the maintenance and security of properties acquired through foreclosure of Mortgage Loans for a period of 60 days following the date of acquisition of such earlier date as MHMFA shall specify in writing to Servicer. Servicer shall make regular inspection of the condition and occupancy of each acquired property and report the same to MHMFA, take protective action when necessary, collect and remit rents, and pay minor expenses.

Servicer shall notify the insurance carrier of changes in occupancy and ownership. If the property is vacant, Servicer shall promptly investigate the availability and cost of vandalism and malicious mischief insurance and make a recommendation thereon to MHMFA. Any accidents or incidents occurring on the property must be immediately reported to MHMFA, in writing, by Servicer.

In the case of Conventional Mortgage Loans insured by private mortgage insurer, Servicer shall make timely application for the benefits of such insurance and ascertain whether the property is to be conveyed to the insurance carrier or the claim otherwise settled. Servicer shall work closely with MHMFA and take all action necessary to obtain for MHMFA the benefits of such insurance. After receipt of payment from the insurance carrier, Servicer shall remit the MHMFA ratable portion with the next remittance scheduled.

With respect to properties acquired pursuant to FHA/VA Mortgage Loans, Servicer shall arrange for the prompt transfer of the property to the FHA or VA within the period prescribed by FHA or VA, shall file the necessary notices, and satisfy all FHA or VA requirements. Servicer shall promptly process the claim for FHA insurance or VA guaranty benefits on behalf of MHMFA and arrange for payment directly to MHMFA. Whenever possible, MHMFA prefers that foreclosed property be deeded directly to FHA or VA.

22.22: continued

Copies of all notices relating to a claim for benefits sent to the FHA or VA or private mortgage insurer must be simultaneously sent to MHMFA. Copies of responses from the FHA or VA or private mortgage insurer must immediately be forwarded to MHMFA along with recommendations of actions to be taken, if necessary.

22.23: Escrow Payments

Servicer shall collect Escrow Payments to the maximum extent permitted (except that the collection of Escrow Payments for hazard insurance premiums is not required) by the Real Estate Settlement Procedures Act, as amended, along with the monthly installment of interest and principal. The Escrow Payment shall be held in trust for the benefit of the Borrower, Seller and MHMFA in an account with a Mortgage Lender (which may be the Servicer) insured to the fullest extent legally possible.

Servicer shall from time to time obtain bills for all escrow expenses and will effect payment thereof prior to the applicable penalty or termination date. Servicer shall maintain adequate records of proof of payments of all taxes, insurance premiums and other escrow expenses. Servicer shall at least annually compute the required Escrow Payments on the basis of assessments and bills and reasonable installments of Escrow Payments payable prior to the due dates of taxes and other escrow expenses exceeds the amount required to pay such charges as they fall due, the excess shall be either promptly repaid to Borrower (if there is no default under the terms of the Mortgage Loan) or credited to Borrower against monthly installments of Escrow Payments. Any interest payable to Borrower for Escrow Payments or any other funds held by Servicer, whether due to contractual agreement or operation of law, shall be paid by Servicer, at Servicer's sole expense.

When Escrow Payments collected from Borrower are insufficient to pay taxes and other escrow expenses when due, Servicer should attempt to obtain the necessary additional deposit from Borrower before the latest date on which such items may be paid prior to charge, lapse of insurance policies or other penalty. If Borrower fails to remit the amount of deficiency or if there is insufficient time to obtain such amount, Servicer shall pay from its own funds any items when and to the extent necessary to protect MHMFA's interest, and should reflect a deficit balance in Borrower's escrow account. (See 761 CMR 21.18.)

Whenever Servicer shall have made advances, with respect to any Mortgage Loan to pay taxes, and other escrow expenses such advances shall be a lien on the mortgaged property added to the amount of the Mortgage Loan and payable upon demand with interest (at the rate applicable under the Mortgage Loan) from the time of payment of the same and secured by the mortgage lien and if not paid by Borrower shall be reimbursed out of the proceeds of foreclosure, assignment, judgment or other final disposition of the Mortgage Loan.

22.24: Change of Ownership; Assumptions

(1) Sales subject to Existing Mortgages. MHFA will allow the transfer of properties subject to the terms of the Mortgage Loan on all FHA/VA Mortgage Loans. Servicer shall make any disclosure necessary, assure that all insurance policies reflect the new ownership if required by FHA/VA and take any action necessary to continue the benefits of the FHA/VA insurance or guaranty without interruption. Servicer need not notify MHMFA of any such transfer subject to the terms of an existing mortgage, where there is no right of acceleration upon transfer of ownership, unless it becomes necessary at some later date to communicate with MHMFA regarding any servicing matter. At that time, Servicer shall advise MHMFA of the name of the new owner, the date title was acquired, and the terms of the sale, if known.

(2) Assumptions.

(a) FHA/VA Mortgage Loans -- When a property securing an FHA/VA Mortgage Loan is sold and the purchaser assumes the liability of the obligation, MHMFA will concur in the decision reached by FHA or VA as to the acceptability of the new Borrower and whether or not the prior Borrower is to be released from liability. Servicer shall make any disclosure necessary, assure that all insurance policies reflect the new ownership and comply with all requirements of the FHA or VA in obtaining their approval to the change of liability.

22.24: continued

(b) Conventional Mortgage Loans -- MHMFA believes that the right of acceleration upon transfer of ownership is an invaluable tool of any prudent private institutional mortgage investor in assuring that Borrowers are responsible for making payments. Servicer shall use its best efforts to learn of the sale or transfer of a mortgaged property or any other event giving rise to the right of acceleration.

(c) Approval by Servicer -- Servicer has the authority to approve an assumption without obtaining approval from MHMFA provided the new Borrower meets the eligibility criteria of the MHMFA Loan Participation Program.

Documentation supporting the purchaser's satisfaction of the eligibility criteria of the MHMFA Loan Participation Program must be made part of the Loan File but should not be forwarded to MHMFA unless specifically requested. Servicer shall notify MHMFA of the name of the assumptor.

MHMFA has no objection to the release of the original Borrower upon assumption by a satisfactory purchaser.

(d) Approval by MHMFA -- MHMFA will consider on a case basis assumptions by purchasers who do not conform exactly to the requirements outlined above. (See 761 CMR 21.11 for general requirements.) Servicer should submit their recommendations accompanied by an application for an exemption by the proposed Borrower; a current credit report of the proposed Borrower; an executed copy of the contract of sale; approval of the private mortgage insurance carrier; any other pertinent information.

(e) Disclosure and Compliance -- Servicer shall make any disclosure and perform any acts necessary to comply with the requirements of any applicable law or regulation including, but not limited to, the Truth in Lending Act.

(f) Insurance Policies -- Servicer shall assure that all insurance policies reflect the new ownership and take any action necessary to continue the benefits of insurance without interruption.

(3) Fees. Servicer may charge and retain a fee for the processing of an assumption of a Mortgage Loan in which a Loan Participation is purchased by MHMFA where it is the common practice of private institutional mortgage investors in the area. Such fee should bear a relationship to the actual costs involved and be in accordance with amounts allowed by FHA, VA or other authority having jurisdiction.

(4) Preparation of Documents. When an assumption or novation is approved by MHMFA, Servicer shall prepare the appropriate documents and shall forward them to Seller for execution. Servicer is responsible for delivering an executed copy of any document to all interested parties and retaining a copy in the Loan File. Where it is the custom of private institutional mortgage investors, Servicer shall arrange for the recording of any documents, the cost of which may be borne by Borrower where permissible. Servicer shall take all steps commonly taken by private institutional mortgage investors to assure the priority of the existing first lien.

22.25: Property Inspections

Servicer must inspect each mortgaged property at least once every three years. The scope of the inspection must cover the maintenance of the property, and the general condition of the neighborhood. Entry to the dwelling is not necessary during a routine property inspection. The inspector should pay special attention to the exterior of the dwelling for items that are in disrepair and can ultimately affect the value of the property. In the event there are items found to be in disrepair, the Servicer shall contact the Borrower in writing advising him of the suggested repairs that should be made. A record of the property inspection must be contained in the Servicer's Loan File.

(761 CMR 22.26 through 22.30: Reserved)

ACCOUNTING AND REPORTING

22.31: Accounting and Fiscal Responsibilities

The fiscal responsibilities of the Servicer shall include the following:

- (1) The accounting for and monthly remittance to MHMFA and MHMFA's Trustee of the allocable principal and interest portions of monthly payments, and any other sums which MHMFA may require to be remitted.
- (2) The accounting for an administration of escrow accounts or amounts deposited by Borrowers for payment of taxes, assessments, ground rents, hazard insurance premiums, premiums due the federal insurer guarantor or private mortgage insurer, and other escrowed expenses.

22.32: Mortgage Accounting Records

Permanent mortgage accounting records shall be maintained for each Loan Participation. The records must indicate MHMFA's interest in each Mortgage Loan and contain the Loan Participation Number assigned by MHMFA.

For purposes of reporting to MHMFA, Servicer's accounting system must be capable of producing for each Mortgage Loan, as of the 30th day of the month, an account transcript itemizing: (a) the date and amounts of principal and interest collected, (b) the date to which interest is paid, and the accrued interest due on each Mortgage Loan to the 30th day of each month, and (c) the date, amount and nature of each disbursement, advance, adjustment or other transaction affecting the amounts due from or to the Borrower, including the then current outstanding principal balance, and current escrow balance for each Mortgage Loan. The system must provide for immediate disclosure of any escrow deficiency.

The accounts and records relating to Loan Participations shall be maintained in accordance with sound and generally accepted accounting practices, and in such a manner as will permit the representatives or designees of MHMFA, at any time during business hours, to examine and audit such documents and records.

22.33: Acceptable Mortgage Accounting Method

The amortization method of individual loan accounting, with interest calculated in arrears, must be used on Loan Participations serviced for MHMFA. In this method, application of an individual mortgage payment of interest and principal is determined by first calculating the interest portion and applying the balance of the constant payment as a principal reduction. The interest is calculated using not less than the outstanding principal balance after application of the preceding payment. The interest so computed applies to the period preceding the due date of the installment being applied.

Where computations involve a multiple of installments (such as for delinquent installments), each installment is calculated in succession using a principal balance resulting after the prior calculation and principal application. Similarly, a method which strictly applies payments in accordance with a predetermined amortization schedule is also acceptable. All monthly interest calculations shall be made using a 30-day month, and a 360-day year.

22.34: Application of Mortgage Payments

The Servicer must apply all payments under each Loan Participation to respective interest, principal, escrow, and any late charge, in that order. The Servicer must maintain accurate records of all expenditures for taxes, assessments, and other public charges, hazard insurance premiums (if collected) and mortgage insurance premiums, and must annually certify to MHMFA that all insurance premiums, taxes, and assessments have been fully and properly paid with respect to all Loan Participations.

Servicer shall remit ten percent of all principal payments to Seller and 90% of all principal payments to MHMFA.

From interest payments received, Servicer shall

22.34: continued

- (a) deduct and retain a three eighths of one percent annual Servicing Fee, calculated monthly;
- (b) remit to MHMFA monthly the MHMFA Required Rate;
- (c) remit the balance, which shall not exceed the Adjusted Rate, to the Seller.

When payments due are not received, Servicer shall remit MHMFA's share of the interest to MHMFA as though payments have been received; provided, however, that in lieu of remitting such interest to MHMFA the Seller or Servicer shall have the option to purchase the Loan Participation owned by MHMFA. Servicer shall receive reimbursement including Servicing Fee at the time the delinquency is cured, or in the event of foreclosure, at the time of liquidation of the Mortgage Loan. Reimbursement from foreclosure proceeds will be made to Seller and MHMFA on a pro-rata basis, except that Servicer shall receive any Servicing Fee in arrears and the full amount of any interest advanced to MHMFA.

When the Servicer received prepaid installments of principal and interest, such amounts should be retained by the Servicer and only forwarded to MHMFA (and Seller) when due in accordance with the regular predetermined amortization schedule of the mortgage loan.

22.35: Remittance of Funds

All payments to MHMFA must be settled in the form of Boston Clearinghouse Funds or wire transfer directly to the MHMFA Trustee.

The following instructions should be used in transferring funds: _____, New England Merchants National Bank, 28 State Street, Boston, Massachusetts 02106.

For the Credit of _____
(MHMFA Servicing Account No.)

- A. Outstanding Principal Balance \$ _____
- B. Total Principal Due \$ _____
- C. Total Principal Collected \$ _____
- D. Total Principal Due MHMFA (.90 x line B) \$ _____
- E. Total Principal Remitted to MHMFA (.90 x line C) \$ _____
- F. Total Interest Due \$ _____
- G. Total Interest Collected \$ _____
- H. Total Interest Due MHMFA (MHMFA Required Rate) \$ _____
- I. Net Remittance (line E plus Line H) \$ _____

22.36: Monthly Reporting

The Summary of Monthly Activity summarizes the monthly activity of Mortgage Loans serviced for MHMFA, and records the remittance due MHMFA for a given month. On the 30th of each month, a cut-off of activity is required for reporting purposes. The Summary of Monthly Activity should be prepared as of this date and submitted to MHMFA by the tenth of the next following month. The MHMFA Summary of Monthly Activity form must be used.

22.36: continued

The MHMFA Reconciliation of Constants and Forecasts of Principal Due reconciles Mortgage Loan constants, and forecasts the monthly principal due. It must be submitted to MHMFA with the Summary of Monthly Activity. The MHMFA Reconciliation of Constants and Forecasts Principal Due form must be used.

To support the Summary of Monthly Activity and Reconciliation and Forecast reports, MHMFA requires the following detail reports:

- (a) Monthly Activity Detail Schedule I. This report records information concerning payments in full, foreclosures, repurchases, loans added.
- (b) Monthly Activity Detail Schedule II. This report records information concerning curtailments, and delinquent principal paid.
- (c) Summary of Delinquent Loans. This report records delinquencies and delinquency ratios.
- (d) Trial Balance. This form records detail information about each Mortgage Loan on a monthly basis.

Servicer may submit the information required by the detail reports in any form provided that the reporting form must be legible, clearly titled and may not exceed standard legal paper size (8-1/2" x 14").

Detail reports must accompany the summary of Monthly Activity, and reflect, where appropriate, the same cut-off date.

The Multipurpose Loan Participation Servicing Report should be submitted for any transmittal to MHMFA of material other than the monthly reports, and must be used for any event listed on the report and for any other event for which MHMFA requires clarification or explanation or any event of which Servicer deems that MHMFA should be informed.

THIS DOCUMENT, THE MHMFA SERVICER'S GUIDE, IS TO BE INCORPORATED BY REFERENCE IN AGREEMENTS FOR THE SERVICING OF MORTGAGE LOANS IN WHICH MHMFA ACQUIRES A LOAN PARTICIPATION AND SHALL REQUIRE NO SIGNATURE FOR ITS OPERATION OR EFFECT BETWEEN A SERVICER AND MHMFA.

REGULATORY AUTHORITY

761 CMR 22.00: St. 1974, c. 846.