

.09 FORBEARANCE AND REPAYMENT PLANS

Forbearance and Repayment plans will be the primary tools that the Servicer will utilize in curing delinquent loans. However, the borrower has no right to forbearance and the ultimate decision rests with AHFC and/or the Servicer. No relief should be granted unless there is a reasonable expectation that the relief granted would result in bringing the loan current and maintaining it in that status. AHFC's and/or the Servicer's decision to approve a forbearance plan will be based on indications that the borrower is making his or her best effort to pay. The Servicer may utilize information such as tax returns and financial statements that would support the borrower's ability to uphold a forbearance or repayment plan in making its determination. Prior to granting forbearance, the Servicer should inspect the premises, ascertain the reason for default, and review the borrowers' financial condition and performance record in order to justify the relief action implemented.

The Servicer is responsible for satisfying all the insurer/guarantor requirements and must document its agreement with respect to the relief granted. The execution of a forbearance or repayment plan does not nullify the collection program and the Servicer is responsible for meeting AHFC's collection guidelines.

The Servicer is encouraged to enter into reasonable repayment plans with a borrower. The plan must be set forth in writing and signed by the Servicer and borrower to be considered a Formal Plan. Verbal agreements are considered an Informal Plan. The plan must include the date the loan is expected to be current. If the borrower fails to satisfy the terms of the repayment plan, the Servicer should commence immediate collection procedures.

A. Notification to AHFC

The Servicer has the delegated authority to approve a forbearance of 6 months or less and/or a repayment plan of 18 months or less. The Servicer is to notify AHFC by submitting a Notification of Recommended Action (Form SER-71) if the borrower is on a forbearance plan of 6 months or less, or a repayment plan that cures the delinquency in 18 months or less. The notification must inform AHFC of the plan terms and the date that the loan is expected to be current.

When a forbearance or repayment plan exceeds these timeframes, submit a completed Form SER-71, completed Financial Analysis (Form SER71B), most recent tax returns, paystubs or income verification and any further documentation supporting the recommendation. MI/Guarantor approval will be required, if applicable.

B. Forbearance Plan

A forbearance plan is a written agreement to forbear foreclosure action by paying one full payment per month until a repayment plan can be formalized

or by reducing regular loan payments for a stated period. At the conclusion of the forbearance relief period, regular loan payments must be resumed and satisfactory arrangements must be made to repay the amount suspended if it is not paid in a lump sum at the end of the forbearance. The Servicer should obtain any necessary approval from the insurer or guarantor.

The Servicer should not deny a reasonable plan without prior approval from the insurer/guarantor and AHFC. Nothing will prohibit the Servicer from accepting partial payments from the borrower during the time required to obtain the appropriate approvals. If the borrower fails to satisfy the terms of the forbearance plan, the Servicer will continue collection actions.

C. Repayment Plan

The objective of a repayment plan is to repay the total delinquency within the shortest time possible. Repayment plans should be established based on the borrower's ability to pay as reflected by the financial disclosure from all parties on the loan. The Servicer is required to obtain any necessary approval from the insurer/guarantor. A borrower's refusal to provide financial disclosure to the Servicer is to be documented.

Note: A borrower may enter into more than one forbearance or repayment plan if there is a reasonably good chance it will be successful. Broken or modified forbearance and repayment plans required updated notification.