.06   DELINQUENT LOAN MODIFICATION

An AHFC loan may be eligible for a loan modification. Not all loans pledged to bonds are eligible for modification; therefore, **the Servicer is to contact AHFC to determine eligibility, prior to offering a modification to a borrower.** The Servicer may consider a modification of the mortgage to cure the delinquency, subject to investor and insurer/guarantor approval (if applicable). AHFC will typically consider capitalization of delinquent interest.

Documentation to be included with the Notification of Recommended Action (Form SER-71) submission:

1.   Modification Addendum (Form SER-71ADD2).

2.   Servicer's letter specifying the terms of the proposed delinquent loan modification.

3.   Borrower's letter explaining the hardship and request for a modification.

4.   The Servicer's written detailed analysis of the cause of the delinquency and whether it is temporary or permanent in nature.

5.   An explanation as to why a forbearance and repayment plan is not feasible to resolve the delinquency.

6.   The Servicer's written report and analysis as to the borrower's capability and willingness to cure the default.

7.   The Servicer's detailed financial analysis of the project, along with all supporting documentation.

8.   A written analysis of the current condition of the local rental market.

9.   A written report or description of any other liens against the mortgaged premises.

10.   The borrower's payment history on the mortgage and the payment history of the borrower or entities or individuals affiliated with this borrower on any other mortgage serviced by the Servicer and owned in whole or in part by AHFC.

11.   A written analysis of the escrow account, if any, documenting any unpaid taxes or insurance premiums.

12.   Copies of the borrower's current financial statement, profit and loss, rent roll and credit report.

13.   Copy of the Servicer's initial 45-day delinquent property inspection with details of the condition and occupancy status. Any fair or poor rating on the inspection report should be explained.