



OHIO HOME OWNERSHIP PRESERVATION EFFECT

PREAMBLE

There is hereby established a voluntary public/private alliance between the State of Ohio, through Governor Ted Stickland and Director of the Ohio Department of Commerce Kimberly A. Zurz and the Mortgage Bankers Association¹ and the Ohio Mortgage Bankers Association² following consultation with their respective member companies who are engaged in servicing loans in Ohio. The articles contained herein represent best practices that should be employed in connection with servicing loans of Ohioans. This alliance represents a collaborative effort that recognizes the fact that Ohio currently has a mortgage loan delinquency and foreclosure rate that is above the national average³ and as a result, these best practices have been drafted to enhance homeownership preservation in Ohio and reflects the fact that assisting Ohioans in achieving and maintaining the American Dream of homeownership is a shared goal among all. These efforts will contribute to the stability of the Ohio economy as well as improve the quality of life of all Ohioans.

ARTICLE I LOSS MITIGATION PROCEDURES

Servicers should inform the public that borrower assistance programs such as toll free numbers, that provide access to loss mitigation resources are available from financial service providers, industry trade associations and the Ohio Department of Commerce, Division of Financial Institutions through pamphlets, citizen forums and other similar means. Other means may include the following: posting on websites, issuance of public service announcements, and participation in educational workshops addressing borrower assistance, foreclosure prevention and homeownership preservation.

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 500,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 3,000 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field.

² The Ohio Mortgage Bankers Association (OMBA), founded in 1961, is a statewide organization devoted exclusively to the field of residential and commercial real estate finance. OMBA consists of 145 member companies which represent approximately 80% of the mortgage lending business in the State of Ohio. OMBA's membership comprises mortgage originators and servicers, as well as investors, and a wide variety of mortgage industry-related firms. Mortgage banking firms engage directly in originating, selling, and servicing real estate investment portfolios. OMBA is dedicated to the maintenance of a strong housing, residential and commercial, real estate finance system. This involves support for a strong economy; a public-private partnership for the production and maintenance of single and multi-family homeownership opportunities; a strong secondary mortgage credit delivery system; equitable tax laws; suitable shelter for low income families and the disadvantaged; housing opportunities for the nation's veterans; appropriate environmental measures; and fair and equitable bankruptcy laws.

³ Mortgage Bankers Association, National Delinquency Survey, Second Quarter, 2007.

Servicers should adopt borrower assistance, loss mitigation and foreclosure prevention policies that dedicate resources to promote, sustain and preserve owner-occupied homeownership for Ohioans in accordance with applicable federal and state laws and prudent mortgage lending, servicing and risk management practices of the Servicer. Where feasible, Servicers should partner with experienced third-party counselors and non-profits such as Neighborworks America, to make outreach as effective as possible.

For those who are eligible, and to the extent refinancing is offered by the Servicer, refinancing to prime loans should be made in as streamlined and low-cost fashion as possible that is in accordance with legal and contractual obligations as well as applicable federal and state laws and prudent mortgage lending, servicing and risk management practices of the Servicer.

ARTICLE II IDENTIFICATION AND CONTACT AT-RISK AND DEFAULTING BORROWERS

For subprime ARM loans, Servicers should develop a means to notify borrowers in advance of an approaching interest rate reset or change in amount of their monthly payment. Such notification will be delivered in a form as determined by the Servicer that is in accordance with applicable federal and state laws.

Servicers should make good faith efforts to identify and contact owner-occupant Ohioans who hold subprime ARM loans prior to the loan reset to inquire whether the borrower can afford the new, higher payments, or whether the higher payments create a reasonable risk of default. If it is determined by the Servicer, after reviewing all the available facts and circumstances obtained from contact with the borrower, that the borrower will be unable to make the new payment when the loan resets, then the Servicer should analyze whether under the applicable servicing agreements that default on the mortgage is reasonably likely to occur. This conclusion may permit the Servicers, subject to the obligations that Servicers may have to loan holders, to offer borrower assistance, loss mitigation and foreclosure prevention programs to the borrower.

ARTICLE III LOAN MODIFICATION TO CREATE LONGTERM AFFORDABILITY

If borrowers in their reasonable opinion of the Servicer cannot afford the reset payment referred to in Article II, Servicers should seek to offer borrower assistance, loss mitigation and foreclosure prevention programs, including but not limited to the modification of loan terms, to the fullest extent possible so as to provide relief to Ohio borrowers, in accordance with their legal and contractual obligations and in accordance with applicable federal and state laws and prudent mortgage lending, servicing and risk management practices of the Servicer.

Such assistance, mitigation, foreclosure prevention and modification options should include, as appropriate, but is not limited to one or more of the following:

- Change of terms. Switching from an adjustable to a fixed rate loan at an affordable rate by, for example, making the introductory rate permanent.
- Reduce the interest rate. Reducing the interest rate is one way to assist a borrower to afford the mortgage. Ability to repay should take into account the borrower's total debt-to-income ratio, including factoring in the costs of taxes and insurance.
- Reduce principal. Reducing the loan principal in order to ensure affordability and a continued revenue stream on the loan.
- Reamortize the loan. Reamortizing the loan to account for any changed loan terms or to make the payments more affordable.
- Escrows. If possible, servicers should begin to escrow for taxes and insurance as part of the modification process to ensure the home loan will remain sustainable for the life of the loan.

ARTICLE IV REPORTING

The Ohio of Department of Commerce, Division of Financial Institutions shall organize and convene a summit of the Servicers who are engaged in servicing loans in the State of Ohio to develop the means by which the borrower assistance, loss mitigation, foreclosure prevention and homeownership preservation activities of the Servicers can be reported. Any information that will be obtained from reports under this Article must be maintained as audit information which is not subject to public records in accordance with the laws of the State of Ohio. The Summit will be convened by the Department of Commerce, Division of Financial Institutions by no later than December 15, 2007.