



**American Securitization Forum:
Recommended Definitions and Investor Reporting Standards for
Modifications of Securitized Residential Mortgage Loans
December, 2007**

Background:

The American Securitization Forum (ASF)¹ is publishing these *Recommended Definitions and Investor Reporting Standards for Modifications of Securitized Residential Mortgage Loans* (the "ASF Loan Modification Reporting Standards," or "Standards") as part of its continuing efforts to inform its members and promulgate relevant securitization industry guidance in light of the widespread challenges confronting the subprime residential mortgage markets.

In June 2007, ASF published a *Statement of Principles, Recommendations and Guidelines for the Modification of Securitized Subprime Residential Mortgage Loans* (the "June ASF Statement"). The purpose of that statement, together with several follow-up ASF initiatives since that time², is to establish a common framework relating to the structure and interpretation of loan modification provisions in securitization transactions, thereby promoting greater uniformity, clarity and certainty of application of those provisions throughout the industry. ASF's overall goal in issuing recommended guidance on these topics is to facilitate wider and more effective use of loan modifications and other loss mitigation options in appropriate circumstances.

The June ASF Statement included the following recommendations, among others:

- Greater clarity, transparency and consistency should be established regarding how any interest reduction or forgiveness of principal resulting from a loan modification should be reflected for purposes of investor reporting, and for purposes of allocating payments for the cash flow waterfall.

¹ The American Securitization Forum is a broad-based professional forum through which participants in the U.S. securitization market advocate their common interests on important legal, regulatory and market practice issues. ASF members include over 375 firms, including issuers, investors, servicers, financial intermediaries, rating agencies, financial guarantors, legal and accounting firms, and other professional organizations involved in securitization transactions. The ASF also provides information, education and training on a range of securitization market issues and topics through industry conferences, seminars and similar initiatives. For more information about ASF, its members and activities, please go to www.americansecuritization.com. ASF is an affiliate of the Securities Industry and Financial Markets Association (SIFMA).

² *ASF Statement on Reimbursement of Counseling Expenses in Residential Mortgage-Backed Securitizations*, October 10, 2007; *ASF Streamlined Foreclosure and Loss Avoidance Framework For Securitized Subprime ARM Loans*, December 2007.

- As an urgent, high priority matter, ASF should develop guidelines under which delinquency triggers and cumulative loss triggers in securitization operative documents, which control whether excess cash flow may be released to the residual, should be interpreted in a manner consistent with the parties' intent and in a manner that appropriately reflects any loan modifications that have occurred.
- Securitization operative documents should clearly state, for purposes of "delinquency triggers" or "cumulative loss triggers" which control whether excess cash flow may be released to the residual, the following: (a) whether and under what conditions a modified loan is to be considered "current," and (b) whether and how any interest rate reduction or forgiveness of principal resulting from a loan modification should be treated as a realized loss.

The following ASF Loan Modification Reporting Standards are intended to be responsive to the above recommendations contained in the June ASF Statement. These ASF Loan Modification Reporting Standards are an important body of companion guidance to accompany ASF's Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime ARM Loans (the "ASF Streamlined Framework"), which ASF is publishing simultaneously with these Standards.

Consistent with the June Statement, ASF is in the process of developing additional guidance on the treatment of modified loans for purposes of delinquency and cumulative loss trigger calculations, and will be issuing that further guidance shortly.

Scope and Implementation:

These ASF Loan Modification Reporting Standards are intended to apply to monthly investor reporting of loan modification activity for securitizations of residential mortgage loans generally, including but not limited to subprime mortgage securitizations. The scope of the recommended guidance does not include non-securitized (i.e., portfolio) loans. However, ASF recommends that consistency of reporting for all modification activity should be pursued whenever possible.

These Standards are intended to establish a common, minimum recommended framework for investor reporting of loan modification activity in securitizations. Individual transaction participants may elect to report additional loan modification details.

Servicers, trust administrators and other entities having responsibilities for securitization investor reporting are encouraged to implement these Standards as soon as practicable, including reporting prospective loan modification activity for existing transactions. For new deals, transaction participants are encouraged to incorporate these Standards into operative documents that set forth investor reporting requirements.

Finally, with the adoption of the ASF Streamlined Framework, servicers should consider collecting and reporting loan modification data for the various segments of loans that are set

forth in that guidance, as these are likely to be relevant to the ongoing evaluation of the efficacy of the loan modification recommendations set forth therein.

Summary of ASF Loan Modification Reporting Standards:

Part (A)--Definition of Modified Loan:

This definition is intended to identify actions taken with respect to a mortgage loan that constitute a loan modification, as distinct from other, less formal revisions to the payment terms of the loan, such as a trial period or forbearance arrangement. Accordingly, the definition of "Modified Loan" includes a revision to the contractual payment terms of the mortgage note that is agreed to by the servicer and borrower. The definition then sets forth a reasonably comprehensive, but not necessarily exclusive, list of actions that fit within this overarching definition. This definition does not include foreclosure, short sales, or any other final disposition of mortgage loans.

Part (B)--Recommended Loan Modification Data Fields:

This section of the Statement identifies and provides a brief description of the specific individual data fields for investor reports. Importantly, all of these reporting fields are intended to capture data at the individual loan level. This is intended to facilitate flexibility in aggregating loan-level data to produce pool-level reports, or other aggregated presentations of individual loan characteristics. The promulgation of specific data reporting templates and file formats was outside the scope of this initial project. This may be the focus of additional work, to the extent that developing standardized reporting templates and file formats may be helpful. Reporting fields applicable exclusively to adjustable-rate mortgages are denoted with an asterisk; certain other reporting fields are applicable only if they relate to particular loan types (e.g., balloon loans, IO loans).

A) Definition of Modified Loan:

"Modified Loan" includes the following: With respect to any mortgage loan, a revision to the contractual payment terms of the related mortgage note, agreed to by the servicer and borrower, including without limitation the following:

1. Capitalization of any amounts owing by adding such amount to the outstanding principal balance;
2. Extension of the maturity;
3. Change in amortization schedule;
4. Reduction or other revision to the mortgage note interest rate;
5. Extension of the fixed-rate payment period of any adjustable rate mortgage loan;
6. Reduction or other revision to the note interest rate index, gross margin, initial or periodic interest rate cap, or maximum or minimum mortgage rate of any adjustable rate mortgage loan;
7. Forgiveness of any amount of interest and/or principal owed by the related borrower;
8. Forgiveness of any principal and/or interest advances that are reimbursed to the servicer from the securitization trust; and
9. Forgiveness of any escrow advances of taxes and insurance and/or any other servicing advances that are reimbursed to the servicer from the securitization trust.

B) Recommended Loan Modification Data Fields:

Data Reporting Field	Description
1. Modified Loan Amount	Beginning actual unpaid principal balance owed by the borrower as of the Modification Effective Payment Date.
2. Modification Effective Payment Date	Date on which first payment is due under the modified terms.
3. Ending Actual Balance	Actual outstanding principal balance as of the monthly cutoff date.
4. Ending Scheduled Balance	Scheduled principal balance as of the monthly cutoff date.
5. Total Capitalized Amount	Total amount owing under the loan and added to the Ending Actual Balance.
6. Pre-Modification Interest Rate	Interest rate of the loan immediately preceding the Modification Effective Payment Date.
7. Post-Modification Interest Rate	Interest rate of the loan as of the Modification Effective Payment Date.

*Recommended Definitions and Investor Reporting Standards for
Modifications of Securitized Residential Mortgage Loans*

8. Post-Modification Margin	Margin as of the Modification Effective Payment Date.
9. Post-Modification Periodic Interest Caps*	Maximum interest rate which can be charged in an adjustment period, as of the Modification Effective Payment Date.
10. Post-Modification Lifetime Interest Caps*	Maximum interest rate which can be charged over the life of the loan, as of the Modification Effective Payment Date.
11. Pre-Modification P&I Payment	Total principal and interest payment amount preceding the Modification Effective Payment Date.
12. Post-Modification P&I Payment	Total principal and interest payment amount as of the Modification Effective Payment Date.
13. Pre-Modification Maturity Date	Original maturity date of the loan. (If there is more than one modification over the life of the loan, subsequent “pre-modification maturity date” would reflect the value immediately preceding the most recent Modification Effective Payment Date reported.)
14. Post-Modification Maturity Date	Maturity date of the loan as of the Modification Effective Payment Date.
15. Pre-Modification Interest Reset Period (If changed.)*	Original duration of the Interest Reset Period of the loan.
16. Post-Modification Interest Reset Period (If changed.)*	Duration of the Interest Reset Period of the loan as of the Modification Effective Payment Date.
17. Pre-Modification Initial Reset Date*	First interest reset date under the original terms of the loan.
18. Post-Modification Initial Reset Date, and Next Reset Date*	Initial interest reset date as of the Modification Effective Payment Date, and the subsequent reset date.
19. Fixed to ARM (Y/N)	Change in loan status from fixed rate to ARM.
20. ARM to Fixed (Y/N)	Change in loan status from ARM to fixed rate.
21. IO to Fully Amortizing (Y/N)	Change in loan status from IO to fully amortizing.
22. Fully Amortizing to IO (Y/N)	Change in loan status from fully amortizing to IO.

*Recommended Definitions and Investor Reporting Standards for
Modifications of Securitized Residential Mortgage Loans*

23. Pre-Modification IO Term (If applicable.)	Term of IO preceding the Modification Effective Payment Date.
24. Post-Modification IO Term (If applicable.)	Term of IO as of the Modification Effective Payment Date.
25. Balloon Payment Amount	Cumulative amount of balloon principal payment due.
26. Balloon Payment Date	Date on which Balloon Payment Amount is due.
27. Forgiven Principal Amount	Amounts owing and payable of principal forgiven.
28. Forgiven Interest Amount	Gross amount of interest forgiven.

*Applicable to adjustable-rate mortgages only.