

C.3 FDIC Loan Modification/NPV Example (see Note to Users)

Program Parameters

Current Freddie rate	5.1%
Program interest rate floor	3.0%

Loan origination information and current status

Original Loan Amount	\$300,000
Original Amortization Term	360
Original Interest Rate	7.000%
Interest only loan (Y/N)	N
Current UPB	\$290,000
Current Rate	7.000%
Remaining Term	336
Months past due	3
Property state	AZ
Advances/Escrow	\$321
Current Monthly Mortgage Payment	\$1,995.91
Current Interest Payment	\$1,750.00
Current Principal Payment	\$245.91
Past Due Interest	\$6,767
UPB Adjusted for Accrued Interest and Escrow	\$297,087

Borrower and loan information

Calculates P&I or IO payment based on original loan terms, user may adjust this field.

Sum of current UPB, past due interest, and advances

Borrower status

Monthly Income*	\$4,000
Monthly Taxes and Insurance	\$107

*Based on property state—
User should provide property specific information*

Foreclosure Scenario

UPB Adjusted for Accrued Interest and Escrow	\$297,087
Current Value	“\$210,000”
Home Price Appreciation Forecast	-4%
REO Stigma Discount	20%
Months to Foreclosure	1
Months to REO sale	3
Foreclosure Costs	\$2,364
Future Interest and Advanced Escrow	\$7,194
REO Value	\$151,722
Zero Cure PV Loss	(\$144,751)
Cure Rate	15%
PV Probability Wtd Loss	(\$123,038)

Assumption specific to the loan and borrower. User must supply this input.

*Present value of loss given foreclosure
Assumption specific to the loan and borrower.
User must supply this input.
Present value of loss given foreclosure
weighted by the likelihood of the loan
reperforming*

*Spreadsheet currently calculates the Modified Payment per a 38–31% DTI standard.

Note to Users: This table is based on an excel spreadsheet available on the FDIC’s website. Users can calculate their own NPV terms by going to the FDIC’s website and altering the highlighted terms. More specifically, users should adjust the fields highlighted in this table in accordance with the following color scheme:

Light blue: Origination loan characteristics and the borrower(s)’ updated income information.

Grey: Variable terms such as the current Freddie Mac Weekly Mortgage rate or assumptions driving the model.

Dark blue: Sample values are provided for these fields, user should provide property specific information.

Present Value of Modification

Affordable DTI level 38%

Modified Payment*	\$1,413.08
Interest Rate at 30 Year Term	3.7%
Interest Rate with 40 Year Term	4.8%

Remaining amortization term used for modification

Modified Loan Terms Required to Achieve Modified Payment

UPB adjusted for Accrued Interest and Escrow	\$297,087
Modified Rate	3.651%
Modified Payment	\$1,413.08
Modified Loan Term	336
Modified Full Am Payment	\$1,413.08
Difference from Affordable Payment	\$0.00
Principal Forbearance	\$0.00
PV Reduced Cash Flow	(\$18,792.56)

*Equal to Cell B30
Modification interest rate
Modification payment
Modification amortization term*

Calculations required to determine amount of principal forbearance

Valuation Given Redefault After Modification

Months to Redefault	3
Redefault Rate	40%
Home Price Appreciation Forecast (from current date to modification redefault disposition)	-5%
Future Interest and Advanced Escrow	\$7,043
REO Value	\$150,193
PV Estimated Loss	(\$141,111)

*User inputs expected months to default
Assumptions specific to the property location and borrower/loan characteristics.
User must supply these inputs.*

Value of Modification

Modification Value	(\$67,720)
Benefit from Modification	\$55,318.26
NPV Test (Pass/Fail)	Pass

Present value of the modification weighted by the probability of the modification performing and redefaulting

Modification Terms

% Difference from Original Payment	-29.2%
Borrower Payment after months:	
1	\$1,413.08
60	\$1,557.15
72	\$1,621.92
84	\$1,621.92
96	\$1,621.92
108	\$1,621.92

The spreadsheet automatically calculates the current mortgage payment based on the origination balance, interest rate, and term. This may not be the current monthly mortgage payment; users should adjust accordingly. The spreadsheet estimates escrow based on average property tax per state; users should adjust accordingly. The spreadsheet estimates months to foreclosure and costs based on sample state averages; users may adjust per portfolio or industry data. In this example, the spreadsheet calculates the Modified Payment per a 38–31% DTI standard.