SECOND MORTGAGE REDUCTION PLAN

1.	**Program Overview**	The Second Mortgage Reduction Plan (SMRP) will provide assistance to borrowers with an eligible financial hardship who have a second mortgage lien and who could achieve affordable monthly mortgage payments and an appropriate level of debt if their second mortgage (second lien) were eliminated; or could achieve affordable mortgage payments and an appropriate level of debt with a principal reduction and reamortization (recast) or modification of their second mortgage. The assistance will be provided as a one-time payment to lenders/servicers up to a maximum of $50,000 per household.
2.	**Program Goals**	The goals of SMRP are to help borrowers avoid foreclosure by reducing or eliminating the principal balance of their second mortgage or to facilitate a permanent loan modification or recast that achieves an affordable monthly mortgage payment and reduces the likelihood that a borrower will default.
3.	**Target Population/Areas**	All qualified Nevada residents who could achieve affordable primary mortgage payments and appropriate level of debt if their second mortgage were eliminated or reduced.
4.	**Program Allocation (Excluding Administrative Expenses)**	$16,495,339
5.	**Borrower Eligibility Criteria**	• Borrower must be legal U.S. resident or lawful permanent U.S. resident and Nevada resident. • Borrower qualifies as low-to-moderate income based on per-household income not to exceed 150% of the family State Median Income (SMI). • Borrower must have an eligible financial hardship as determined by program criteria and underwriting guidelines. Eligible financial hardships include: (a) borrowers with a reduced income due to underemployment, medical condition, divorce or death, as set forth in the program guidelines, with a negative equity position in which the borrower's combined loan-to-value (CLTV) is 100% or more; or (b) a negative equity position in which the borrower's CLTV is 115% or more. • Borrowers qualifying with a hardship as described in (a) in the previous bullet must also have pre-assistance total monthly mortgage payments for their primary and second mortgages PITI (principal, interest, taxes and insurance, as applicable) including any escrowed or non-escrowed homeowner's association dues or assessments, greater than 38% of the gross household income excluding temporary income (e.g., unemployment or short-term disability benefits).

- Borrower cannot have liquid assets, other than exempt retirement assets, in excess of the amount of assistance being provided, or $30,000, whichever is less.

- Borrower's post-assistance housing expenses must meet the definition of an affordable payment. For the purposes of SMRP, affordable payment means the borrower's post-assistance total monthly mortgage payments for the primary and second mortgages PITI including any escrowed or non-escrowed homeowner's association dues or assessments, must be between 25% and 38% of the gross household income excluding temporary income (e.g., unemployment or short-term disability benefits).

- Borrower agrees to provide all necessary documentation to satisfy program guidelines within the timeframes established by NAHAC, including a financial hardship affidavit.

- Second mortgage must be delinquent or the borrower must have a negative equity position in which the CLTV is 115% or more.

6. Property/Loan Eligibility Criteria

- The applicant must own and occupy the single family, 1-4 unit home (an attached or detached house or a condominium unit) located in Nevada, and it must be their primary residence.

- Mobile homes are eligible if they are permanently affixed to the real property that is secured by the first and second mortgages.

- The servicer must utilize the SMRP monies to bring the second mortgage current before applying SMRP monies to the borrower's principal balance.

- SMRP monies may be used to bring delinquent property taxes; homeowner's association dues, fees and assessments; and property related insurance as set forth in the program guidelines (collectively Property Related Expenses) current at closing.

- If the amount of SMRP monies is not sufficient to extinguish the second mortgage, the servicer/lender must agree to reamortize or modify the second mortgage or apply the funds as curtailment if the borrower's pre-assistance housing-to-income ratio is affordable, as set forth in program guidelines.

- Current unpaid principal balance (which includes the interest-bearing unpaid principal balance and any existing non-interest bearing forbearance balance) of the first-lien mortgage cannot exceed the current GSE loan amount.

- Post-assistance combined principal balance of the primary and second mortgages must not be less than 100% CLTV based upon valuation obtained by NAHAC or the servicer.

7. Program Exclusions

- Borrowers in active bankruptcy. Borrowers who have previously filed bankruptcy are eligible for consideration only with proof of court order Dismissal or Discharge.
- Borrowers in an active Home Affordable Modification Program (HAMP) trial period plan or a Second Lien Modification Program (2MP) trial period plan.
- Borrowers with liquid assets, other than exempt retirement assets, in excess of the total amount of assistance provided, or $30,000, whichever is less.
- Property is currently subject to a current foreclosure proceeding (judicial or non-judicial) under any lien encumbering the property, including the lien of a homeowner's association, unless the lender/servicer or homeowner's association agrees in writing to suspend their foreclosure proceeding and to record a Rescission of their Notice of Default and/or Notice of Sale at closing.
- Property is abandoned, vacant or condemned.
- Property has more than two (2) mortgages.
- Property is subject to a first priority lien securing a Home Equity Line of Credit (HELOC).
- Property is listed for sale.

8. Structure of Assistance

- The assistance will be administered as a one-time direct payment to the servicer. The assistance will be structured as a 0% interest forgivable loan with no monthly payment evidenced by a promissory note with a sixty (60) month term. The loan will be secured by a junior lien on the property. If the borrower complies with the terms of the loan, the loan will be considered satisfied at the end of the sixty (60) month period following funding and the lien released.
- If the borrower defaults under the terms of the loan prior to the maturity date of the note evidencing the assistance loan, the loan will be due and payable to NAHAC. If the borrower sells the property or obtains a refinancing where the borrower is eligible to receive cash out of the transaction before the maturity date of the note, all net equity proceeds after payment of borrower's closing costs (with the commission to real estate brokers, if applicable, by the borrower limited to 6 percent) and the payment to the holders of the senior deeds of trust, will be due and payable to NAHAC to satisfy payment of all or a portion of the loan funds.
- Borrowers will not always receive the maximum assistance amount of $50,000.
- All funds returned to NAHAC will be used to assist additional borrowers in accordance with the agreement.

9. Per Household Assistance

The maximum amount of second mortgage principal reduction receivable by a qualified borrower is $50,000.

10. Duration of Assistance	Program funds will be distributed as a one-time payment to the servicer.
11. Estimated Number of Participating Households	Approximately 1,195 households could be assisted under this program, assuming an average assistance amount of $13,800.
12. Program Inception/ Duration	This program began on March 1, 2010, and will continue until all funds are committed or December 31, 2020, whichever occurs first.
13. Program Interactions with Other HFA Programs	This program could interact with the Principal Reduction Program and other HHF Programs pre- and post-assistance. Borrowers may receive assistance from more than one (1) HHF Program as long as the total combined assistance does not exceed $100,000.
14. Program Interactions with HAMP	This program does not interact with HAMP. The HAMP program is now closed to new applications.
15. Program Leverage with Other Financial Resources	While NAHAC does not require a contributin from the servicer, it will be encouraged and in addition, servicers will be requested to waive fees.