General Buyout Policy

Current Policy: Issuers may buy out delinquent loans if the borrower fails to make any payment for three consecutive months. (Chapter 18-3(B)(1))

Proposed policy: Issuers may buy out mortgage loans that are due but unpaid for four consecutive installments.
- The criteria for determining eligibility are based on the loan record, rather than the borrower's behavior (e.g., the clock does not start over when the borrower makes a payment, instead the record advances). (See examples below)
- Aligns policy with the GSEs.

Example 1: No Payment Received

	January 1	February 1	March 1	April 1
Payment Due	$1,000	$1,000	$1,000	$1,000
Amount Paid	$0	$0	$0	$0
Last Paid Installment	December 1	December 1	December 1	Eligible for buyout
Due, but unpaid	Jan 1	Jan 1, Feb 1	Jan 1, Feb 1, Mar 1	Jan 1, Feb 1, Mar 1, April 1

Example 2: Payment Received in the Amount Due

	January 1	February 1	March 1	April 1	May 1
Payment Due	$1,000	$1,000	$1,000	$1,000	$1,000
Amount Paid	$0	$0	$1,000**	$0	0
Last Paid Installment	December 1	December 1	January 1	January 1	Eligible for buyout
Due, but unpaid	Jan 1	Jan 1, Feb 1	Feb 1, Mar 1	Feb 1, Mar 1, April 1	Feb 1, Mar 1, Apr 1, May 1

**Payments in the full amount of the installment are applied to the oldest installment due, but not yet paid.

Example 3: Partial Payment Received

	January 1	February 1	March 1	April 1
Payment Due	$1,000	$1,000	$1,000	$1,000
Amount Paid	$0	$0	$500*	$0
Last Paid Installment	December 1	December 1	December 1	Eligible for buyout
Due, but unpaid	Jan 1	Jan 1, Feb 1	Jan 1, Feb 1, Mar 1	Jan 1, Feb 1, Mar 1, Apr 1

*Payments for less than the amount due are not sufficient to advance the loan status.

Example 4: Partial Payments Received

	January 1	February 1	March 1	April 1	May 1
Payment Due	$1,000	$1,000	$1,000	$1,000	$1,000
Amount Paid	$0	$500*	$500**	$0	0
Last Paid Installment	December 1	December 1	January 1	January 1	Eligible for buyout
Due, but unpaid	Jan 1	Jan 1, Feb 1	Feb 1, Mar 1	Feb 1, Mar 1, Apr 1	Feb 1, Mar 1, Apr 1, May 1

*Payments for less than the amount due are not sufficient to advance the loan status.

**The two partial payments when added together are equal to a full installment and are sufficient to advance the loan record. Therefore, they are applied to the oldest unpaid installment.