

## Receive \$5000

Borrowers will be eligible to accrue up to \$1,000 each year in Pay-for-Performance Success Payments for up to five years, a total of up to \$5,000 over five years, subject to certain *de minimis* constraints (discussed below). Accruals are based on on-time payment performance. The first annual principal balance reduction will be effective 12 months after entering the Trial Period as long as the borrower is not terminated from the program. In any given month, the borrower's mortgage payment must be made on time, accounting for standard servicer grace periods, in order to accrue the monthly Pay for Performance Success Payment. The borrower will receive information on a monthly basis regarding the accrual of these payments. The payment will be directed to the servicer, who will reduce the principal balance by the payment amount (but not by more than \$1,000 per year) for five years if the borrower continues in the program. Payments are to be applied directly and entirely to reduce the principal balance, and any applicable prepayment penalties on partial principal prepayment made by the government must be waived. The equivalent of three months of Pay-for-Performance Success Payments will be made upon successful completion of the Trial Period, contingent upon the servicer signing a service agreement with the Treasury. Borrowers who are terminated from the program lose their right to outstanding accruals.

To qualify for servicer Pay for Success payments and borrower Pay for Performance Success Payments, the modification must reduce the monthly payment by a minimum of 6 %. The monthly payment is the PITIA payment, as used in defining DTI, with the loan fully indexed and fully amortized. When paid, servicer annual Pay for Success payments and borrower Pay for Performance Success Payments will be the lesser of (i) \$1,000 or (ii) half the reduction in the borrower's annualized monthly payment. The *de minimis* constraint does not apply to the up-front Servicer Incentive Payment, the Payment Reduction Cost Share, or the Home Price Depreciation Reserve Payment.