

Walnut Street Finance, LLC (“WSF”) Procedure: District of Columbia COVID-19 Supplemental Emergency Amendment Act of 2020

Issue Date: May 28, 2020

1. Overview

This procedure is being implemented in response to the District of Columbia Department of Insurance, Securities, and Banking’s May 4, 2020 enactment of the COVID-19 Supplemental Emergency Amendment Act of 2020 (the “Act”).

The Act requires that commercial mortgage lenders create a deferment program to work with borrowers affected by COVID-19 by allowing at least a 90-day deferment period of payments of principal and interest on mortgages, suspending negative credit reporting, and waiving any late, processing, or other fees accrued during the public health emergency.

2. Application and Approval of D.C. Deferment Program

In order to comply with the requirements as set forth in the Act and aid customers of WSF who have been affected by the COVID-19 pandemic, WSF has established a D.C. Deferment Program.

As required, WSF has created the D.C. Deferment Program Application (the “Application”) for borrowers to use to apply for the D.C. Deferment Program. The Application is available for borrowers to complete on WSF’s website at www.walnutstreetfinance.com. The Application will also be made available to borrowers via telephone.

Under WSF’s D.C. Deferment Program, borrowers must request and complete the Application in order to be considered for the D.C. Deferment Program. Borrowers must also provide additional information that is requested on the Application to prove the existence of a financial hardship created directly or indirectly by COVID-19. In order to prove a financial hardship, borrowers must be able to provide documentation that include statement of circumstances supported by documentation detailing financial hardship cause by Covid-19.

WSF will take the following steps in evaluating borrowers Applications for deferment:

- Review documentation provided by borrower for completeness,
- Re-underwrite property collateral, market conditions, status of property i.e. percent complete, loan amount, funded loan amount and construction and interest reserve.
- Consider deferring current interest and extending loan maturity.

If a borrower meets the criteria for deferment, the borrower will be notified that they have been conditionally approved. The terms for repayment will be negotiated and reviewed with the borrower and a Deferment Agreement will be sent to them.

The borrower will be advised to sign and return the agreement by email to info@walnutstreetfinance.com. If the borrower does not meet criteria for deferment, they will be notified via email that their application was denied and will be provided reasons for the denial.

3. Repayment Plans for Deferred Loans

In order to be approved for the D.C. Deferment Program, borrowers must agree to repay the deferred amounts within a reasonable time, which WSF will determine on a case-by-case basis, determined based on borrower's individual circumstances, but in no case exceeding five (5) years from the end of the deferment period.

4. Reporting to D.C.

WSF will provide D.C. with an Initial Deferment Status Report regarding its D.C. Deferment Program to include the application for deferment that will be made available to borrowers and procedures for handling requests for deferment.

Additionally, every fifteen (15) days, WSF will provide D.C. with updated Mortgage Deferment Status Reports, providing the number of mortgage deferment applications that have been approved and include the name of the borrower, the property address, the type of mortgage the borrower holds (residential or commercial), the period of deferment, and the amount of the approved deferment.

The Report will include the same information for each pending and denied application, and for each application that is denied, WSF will provide a detailed reason for the denial.

All reports will be sent to the Department of Insurance, Securities, and Banking at mortgagerelief@dc.gov.

5. Record Retention

Per the requirements of the Act, WSF's will retain all D.C. Deferment Program Applications, whether approved or denied, for at least three (3) years after the final payment is made on the borrower's mortgage, or the mortgage is sold, whichever occurs first.