MEMORANDUM

TO:	Legal and Compliance Department
FROM:	Robo Junior Associate[1]
DATE:	February 18, 2026
SUBJECT:	Servicer Authority to Modify Mortgage Loans Facing Imminently Foreseeable Default under WaMu Series 2007-HE2 Pooling and Servicing Agreement

Executive Summary

This memorandum outlines the provisions within the Pooling and Servicing Agreement (the "Agreement") regarding the Servicer's authority to modify Mortgage Loans where default is reasonably foreseeable. While the Servicer is granted broad discretion to modify such loans to maximize recoveries, this authority is subject to specific economic tests, volume caps requiring insurer consent, and strict adherence to federal tax (REMIC) regulations.

[1] Google NotebookLM

General Authority to Modify

The Agreement explicitly grants the Servicer the authority to waive, modify, or vary the terms of a Mortgage Loan if the Mortgage Loan is in default or, in the judgment of the Servicer, such default is "reasonably foreseeable."[2]

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[2] Section 3.07 Collection of Certain Mortgage Loan Payments.
The Servicer shall make reasonable efforts to collect all payments called for under the terms and provisions of the Mortgage Loans, and shall, to the extent such procedures shall be consistent with this Agreement and the terms and provisions of any applicable insurance policies, follow such collection procedures as it would follow with respect to mortgage loans comparable to the Mortgage Loans and held for its own account. Consistent with the foregoing, the Servicer may in its discretion (i) waive any late payment charge or, if applicable, any penalty interest, or (ii) extend the due dates for the Monthly Payments due on a Mortgage Note for a period of not greater than 180 days; provided that any extension pursuant to this clause (ii) shall not affect the amortization schedule of any Mortgage Loan for purposes of any computation hereunder, except as provided below. In the event of any such arrangement pursuant to clause (ii) above, the Servicer shall make timely advances on such Mortgage Loan during such extension pursuant to Section 4.04 and in accordance with the amortization schedule of such Mortgage Loan without modification thereof by reason of such arrangements, subject to Section 4.04(d) pursuant to which the Servicer shall not be required to make any such advances that are Nonrecoverable Advances. Notwithstanding the foregoing, in the event that any Mortgage Loan is in default or, in the judgment of the Servicer, such default is reasonably foreseeable, the Servicer, consistent with the standards set forth in Section 3.01, may also waive, modify or vary any term of such Mortgage Loan (including modifications that would change the Mortgage Rate, forgive the payment of principal or interest or extend the final maturity date of such Mortgage Loan, accept payment from the related Mortgagor of an amount less than the Stated Principal Balance in final satisfaction of such Mortgage Loan (such payment, a "Short Pay-off") or consent to the postponement of strict compliance with any such term or otherwise grant indulgence to any Mortgagor; provided, that in the judgment of the Servicer, any such modification, waiver or amendment could reasonably be expected to result in collections and other recoveries in respect of such Mortgage Loans in excess of Net Liquidation Proceeds that would be recovered upon the foreclosure of, or other realization upon, such Mortgage Loan and provided further, that the NIMS Insurer's prior written consent shall be required for any modification, waiver or amendment if the aggregate number of outstanding Mortgage Loans which have been modified, waived or amended exceeds 5% of the number of Closing Date Mortgage Loans as of the Cut-off Date.

This authority acts as an exception to the general prohibition found in Section 3.01, which otherwise forbids the Servicer from permitting modifications that change the Mortgage Rate, principal balance, or final maturity date.[3]

Permissible Modification Types

Under Section 3.07, when default is reasonably foreseeable, the Servicer is permitted to effect the following specific modifications:

- **Rate Adjustments:** Changing the Mortgage Rate
- **Forgiveness:** Forgiving the payment of principal or interest
- **Term Extensions:** Extending the final maturity date of the Mortgage Loan
- **Short Pay-offs:** Accepting payment from the Mortgagor of an amount less than the Stated Principal Balance in final satisfaction of the Mortgage Loan
- **Postponement:** Consenting to the postponement of strict compliance with any term or granting indulgence to any Mortgagor

Conditions and Constraints on Authority

The Servicer's ability to execute these modifications is restricted by several critical conditions:

A. **The Net Recovery Test** The Servicer must determine, in its judgment, that the modification, waiver, or amendment could reasonably be expected to result in collections and other recoveries in excess of the "Net Liquidation Proceeds" that would be recovered upon foreclosure or other realization of the Mortgage Loan.

B. The 5% Volume Cap (NIMS Insurer Consent) The Servicer must obtain the *prior written consent* of the Net Interest Margin Securities (NIMS) Insurer for any

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[3] Section 3.01 ... Notwithstanding anything in this Agreement to the contrary, the Servicer may not make any future advances with respect to a Mortgage Loan (except as provided in Section 4.04) and the Servicer shall not (i) permit any modification with respect to any Mortgage Loan that would change the Mortgage Rate, reduce or increase the principal balance (except for reductions resulting from actual payments of principal) or change the final maturity date on such Mortgage Loan (unless, as provided in Section 3.07, the Mortgagor is in default with respect to the Mortgage Loan or such default is, in the judgment of the Servicer, reasonably foreseeable) or (ii) permit any modification, waiver or amendment of any term of any Mortgage Loan that would both (A) effect an exchange or reissuance of such Mortgage Loan under Section 1001 of the Code (or final, temporary or proposed Treasury regulations promulgated thereunder) and (B) cause any Trust REMIC to fail to qualify as a REMIC under the Code or the imposition of any tax on "prohibited transactions" or contributions after the startup day under the REMIC Provisions.

modification, waiver, or amendment if the aggregate number of outstanding Mortgage Loans that have been modified, waived, or amended exceeds **5% of the number of Closing Date Mortgage Loans** as of the Cut-off Date.

REMIC Tax Compliance Notwithstanding the ability to modify loans to prevent default, the Servicer is strictly prohibited from permitting any modification, waiver, or amendment that would both:

1. Effect an exchange or reissuance of the Mortgage Loan under Section 1001 of the Internal Revenue Code; and
2. Cause any Trust REMIC to fail to qualify as a REMIC or result in the imposition of "prohibited transaction" taxes or contribution taxes under REMIC provisions.

D. PMI Policy Adherence The Servicer is prohibited from agreeing to any modification or assumption of a PMI Mortgage Loan (a loan covered by the specific PMI Policy identified in the Agreement) that could result in the denial of coverage under said policy.[4]

Extension Limitations

While Section 3.07 allows for maturity extensions in the face of foreseeable default, Section 3.01 provides a general constraint on extensions for non-defaulted loans. Specifically, for collecting payments, the Servicer may extend due dates for Monthly Payments for a period not greater than 180 days 1. However, if the default is reasonably foreseeable, the broader modification powers (including changing final maturity) apply, provided they meet the recovery and REMIC standards described above.

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[4] Section 3.28 PMI Policy; Claims Under the PMI Policy.
Notwithstanding anything to the contrary elsewhere in this Article III, the Servicer shall not agree to any modification or assumption of a PMI Mortgage Loan or take any other action with respect to a PMI Mortgage Loan that could result in denial of coverage under the PMI Policy. The Servicer shall notify the PMI Insurer that the Trustee, as trustee on behalf of the Trust, is the insured, as that term is defined in the PMI Policy, of each PMI Mortgage Loan. The Servicer shall, on behalf of the Trust, prepare and file on a timely basis with the PMI Insurer, with a copy to the Trustee, all claims which may be made under the PMI Policy with respect to the PMI Mortgage Loans. The Servicer shall take all actions required under the PMI Policy as a condition to the payment of any such claim. Any amount received from the PMI Insurer with respect to any such PMI Mortgage Loan shall be deposited by the Servicer, no later than two Business Days following receipt thereof, into the Collection Account. On each Servicer Remittance Date, the Servicer shall pay to the PMI Insurer the PMI Insurer Fee for such Distribution Date from the amounts on deposit in the Collection Account prior to transferring any amounts in the Collection Account to the Trustee for deposit into the Distribution Account

Conclusion

The Servicer possesses the necessary contractual authority to proactively modify loans to prevent imminent default. However, Operational Compliance must ensure that (1) a documented analysis comparing modification recovery vs. foreclosure recovery is on file, (2) the cumulative 5% modification threshold is monitored to trigger NIMS Insurer consent protocols, and (3) all modifications are vetted for REMIC tax compliance.