

Lender Letter LL-2011-01R**January 19, 2011****TO: All Fannie Mae Single-Family Servicers****Making Home Affordable: Further Guidance on Interactions with Hardest-Hit Fund Unemployment and Reinstatement Programs****Introduction**

This Lender Letter (LL-2011-01R) is a reissuance of Lender Letter LL-2011-01, which was originally issued on January 18, 2011. The Lender Letter is being re-issued to clarify the modification eligibility of an unemployed borrower who becomes re-employed.

In Lender Letter LL-2010-12, *Making Home Affordable: Interactions with Hardest-Hit Fund Unemployment and Reinstatement Programs*, Fannie Mae provided guidance on servicer roles and responsibilities regarding the Hardest Hit Fund (HHF) programs.

Fannie Mae servicers must continue to work closely with the Housing Finance Agencies (HFAs) as they assist borrowers in states with HHF programs. This Lender Letter provides further guidance on servicer responsibilities in connection with mortgage loans owned or guaranteed by Fannie Mae and the HHF Unemployment and Reinstatement Programs. It also clarifies the modification eligibility of an unemployed borrower who becomes re-employed.

Impact on Operational Readiness

After being approached by an HFA, the servicer must engage immediately to secure signed agreements with the HFA for program participation and take the steps necessary to achieve operational readiness to receive HFA funds. Servicers are encouraged to adapt their processes to implement this policy immediately. However, the servicer must be ready to receive funds from an HFA within 60 days after an HFA launches its official (non-pilot) program and execution of the agreement with the HFA, provided the servicer uses its best efforts to obtain the signed agreement.

Servicers that do not service mortgage loans in any of the 19 states that are receiving funds from HFAs are not required to take any action as outlined in Lender Letter LL-2010-12 or in this Lender Letter. The 19 states that are receiving HFA funds are: Alabama, Arizona, California, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee, and Washington, D.C. To obtain specific descriptions of these programs, servicers may consult financialstability.gov.

Impact on Foreclosure Proceedings

Servicers are required to comply with the foreclosure process requirements as indicated in the *Servicing Guide* and announcements. If an HFA notifies a servicer that a borrower has been

approved for HFA assistance, the servicer must not refer the mortgage loan to foreclosure or conduct a scheduled foreclosure sale for 45 days.

If a notice of trustee/sheriff sale has been recorded and the servicer is notified of borrower approval by the HFA, the servicer may postpone the foreclosure proceedings.

HHF Reinstatement Program

HFAs may also offer a Reinstatement Program, which provides funds to bring the borrower's mortgage loan current or reduce the period of delinquency. Reinstatement may occur either before or after the period of HFA unemployment assistance. The servicer must accept funds from the HHF Reinstatement Program to cure or reduce the borrower's period of delinquency.

HAMP Permanent Modification

If a mortgage loan has been permanently modified under HAMP, a borrower who subsequently becomes unemployed may use an HHF Unemployment Program to make monthly mortgage payments.

Should a borrower remain unemployed upon completion of the HHF Unemployment Program, the servicer must evaluate the borrower for one of Fannie Mae's foreclosure prevention alternatives, including forbearance. The servicer must follow the guidance provided in Announcement SVC-2010-15, *Updates to Fannie Mae's Forbearance, Income Eligibility, and Home Affordable Modification Program Requirements*. If the borrower **was not in a permanent HAMP modification and** has become re-employed, the servicer must consider the borrower for HAMP. **An unemployed borrower who fails a permanent HAMP modification and becomes re-employed can only be evaluated for a Fannie Mae modification.**

Servicers should contact their Servicing Portfolio Manager, Servicing Consultant, or the National Servicing Organization's Servicer Support Center at 1-888-FANNIE5 (888-326-6435) with any questions on this Lender Letter.

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