

Servicing Guide Lender Letter LL-2012-02

March 6, 2012

To: All Fannie Mae Single-Family Servicers

Hardest-Hit Fund Transition Assistance and Policy Clarifications

In Lender Letters 2010-12: *Making Home Affordable: Interactions with Hardest-Hit Fund Unemployment and Reinstatement Programs* and 2011-01R: *Making Home Affordable: Further Guidance on 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 Housing Finance Agencies (HFAs), as they assist borrowers in states with HHF programs. This Lender Letter provides guidance to servicers in connection with transition assistance programs (TAPs), and clarifications regarding servicers' implementation of HHF unemployment, reinstatement, and loan modification assistance programs.

Effective Date

Effective immediately, servicers must comply with this Lender Letter and facilitate the borrowers' receipt of HHF funds in connection with TAPs on mortgage loans held in Fannie Mae's portfolio or in an MBS pool with the special servicing option or a shared-risk MBS pool for which Fannie Mae markets the acquired property.

Transition Assistance Programs

Several HFAs have established TAPs to provide assistance to borrowers who are working towards preforeclosure sales or deeds-in-lieu of foreclosure. Each participating HFA has its own eligibility guidelines, evaluates borrower eligibility, and approves the provision of HHF funds for transition or relocation assistance. Fannie Mae encourages servicers to refer borrowers to state HFAs when working with borrowers on preforeclosure sales or deeds-in-lieu of foreclosure.

As part of the qualification process, the HFA will contact the servicer to confirm a borrower's loan status. Servicers must work closely with the HFAs and eligible borrowers to provide necessary information for program participation. If the borrower is approved for TAP funding, the HFA will notify the servicer of the approval. In nearly all of the HFA programs, TAP funds go directly to the borrower at or after closing a preforeclosure sale or deed-in-lieu transaction.

Reporting

A servicer must be able to readily identify on its servicing system any borrower who is participating in an HHF TAP. Furthermore, servicers must establish processes to ensure their ability to provide this information to Fannie Mae upon request.

HHF Unemployment Assistance, Reinstatement, and Loan Modification Assistance Program Clarifications

Collection and Solicitation Activity

For borrowers who are already approved for HHF unemployment, loan modification, or reinstatement assistance, servicers may cease collection and solicitation activities. If a servicer receives notice that a borrower's approval status has changed, it must resume collection and solicitation activities. Servicers are reminded that decisions to cease (or resume) collection activities, based on approval for HHF programs, must be appropriately documented in their servicing systems.

Foreclosure Actions

As outlined in Lender Letters 2010-12 and 2011-01R, if an HFA notifies a servicer that a borrower has been approved for HFA assistance under an unemployment mortgage assistance or reinstatement program, the servicer must not refer the mortgage loan to foreclosure or conduct a scheduled foreclosure sale for 45 days. In Announcement SVC-2011-18: *Updates to Delinquency Management and Default Prevention Requirements*, Fannie Mae announced guidance for servicers in connection with HFA and other third party loan modification assistance programs. Fannie Mae is clarifying with this Lender Letter that the requirements related to suspension of foreclosure actions for HFA-approved borrowers also apply to borrowers who have been approved for HFA loan modification assistance programs.

Most servicers who participate in HHF programs communicate with the HFAs via common data file (CDF). Through CDF, servicers and HFAs transmit records to indicate the status of a mortgage loan. Fannie Mae is clarifying that the trigger for suspending foreclosure actions is the servicer's receipt of the "I" record, which signifies a borrower's conditional approval in the CDF. A servicer may extend the suspension of foreclosure actions beyond 45 days, as necessary, to facilitate the processing of HHF assistance, provided that:

- it continues to validate with the HFA that the borrower's status has not changed,
- the action is in compliance with its agreement with the HFA, and
- it obtains Fannie Mae's prior approval for any suspension beyond 60 days.

Reminder of Servicer Obligations in HFA Interactions

Servicers are reminded that for HHF unemployment mortgage assistance, the HFA, or its third party vendor is responsible for collecting amounts due from the borrower and forwarding a full monthly payment to the servicer. Servicers must apply these payments as described in the *Servicing Guide*, Part III, Section 101: Scheduled Mortgage Loan Payments.

Additionally, servicers must keep the attorney (or trustee) advised about the status of relevant foreclosure prevention alternative negotiations, which includes HHF program participation.

Servicers should contact their Servicing Consultant, Portfolio Manager, Investor Reporting Business Analyst, or Fannie Mae's National Servicing Organization's Servicing Solutions Center at 1-888-FANNIE5 (1-888-326-6435) with any questions regarding this Lender Letter.

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