



Fannie Mae's Principal Reduction Modification Servicer Frequently Asked Questions

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1. When must servicers solicit borrowers on Fannie Mae's Principal Reduction eligible list for Streamlined Modifications?

If the servicer has not implemented the Principal Reduction Modification program by July 15, 2016, then the servicer must send at least one additional solicitation for Fannie Mae's Streamlined Modification to all eligible borrowers on the Fannie Mae Principal Reduction eligible list and who have a post-modification MTMLTV ratio greater than 115% at the time of solicitation. All borrowers who accept this modification and comply with the other terms of the program will later be eligible to have their deferred principal balance cancelled.

2. When must servicers evaluate and solicit borrowers on the Fannie Mae Principal Reduction eligible list for Principal Reduction Modifications?

Servicers must begin evaluating borrowers for the Principal Reduction Modification by October 1, 2016, and must send eligible borrowers at least one written solicitation no later than October 15, 2016. Servicers who are able to implement the program earlier are strongly encouraged to do so. Servicers may solicit for the Principal Reduction Modification more than once and may use alternate forms (phone, email, text, Web portal, etc.) of communication for additional outreach in accordance with applicable law. All Principal Reduction Modification solicitations must be sent no later than December 31, 2016.

3. Is a Borrower still eligible if he or she was eligible as of March 1, 2016, but subsequently became less than 90 days delinquent as of the servicer's evaluation date?

Yes, borrowers who are 90 days or more delinquent as of March 1, 2016 and later become less than 90 days delinquent prior to evaluation are still eligible for a Principal Reduction Modification solicitation as long as they are at least 30 days delinquent when the servicer evaluates borrower eligibility.

4. Should the servicer evaluate a complete BRP if it is submitted by a borrower who is eligible for the Principal Reduction Modification?

Yes, the servicer must acknowledge receipt of the complete BRP and evaluate in accordance with Fannie Mae's requirements and applicable law. Fannie Mae's current loss mitigation hierarchy remains in place, and a borrower may still be eligible for principal reduction if they're on Fannie Mae's Principal Reduction eligible list, they have a post-modification MTMLTV ratio greater than 115% and their Trial Period Plan first payment due date is on or after May 1, 2016 and no later than December 1, 2016.

5. Are eligible borrowers who complete other modifications able to have their principal reduced?

Yes, eligible borrowers who convert to a permanent Fannie Mae Streamlined, Standard, HAMP, or MyCity modification are eligible to have their modification's deferred principal balance cancelled provided their



loan is on Fannie Mae's Principal Reduction eligible list, they have a post-modification MTMLTV ratio greater than 115% and their modification Trial Period Plan has a first payment due date on or after May 1, 2016 but no later than December 1, 2016. Servicers must send an opt-out letter to these borrowers no later than December 31, 2016, regardless of whether these borrowers have completed their Trial Period Plan by that date.

6. If a servicer submits a request to Fannie Mae for a non-delegated approval of a modification, can the borrower still qualify for Principal Reduction?

Yes. For a non-delegated modification, however, the servicer must receive specific approval from Fannie Mae to offer the borrower principal reduction.

7. If a borrower receives a Principal Reduction Modification solicitation but specifically asks for a MyCity Modification or HAMP, which modification solution should the servicer provide to the borrower?

If the borrower is eligible for either of these modifications and the modification provides a lower payment, the servicer should work with the borrower to provide the offer for that modification. These borrowers may still be eligible for principal reduction as long as they're on Fannie Mae's Principal Reduction eligible list, they have a post-modification MTMLTV ratio greater than 115% and have a Trial Period Plan first payment due date on or after May 1, 2016 but no later than December 1, 2016.

8. Is a borrower who is eligible for a short sale or eligible for a deed-in-lieu of foreclosure transaction also eligible to be solicited for a Principal Reduction Modification?

Yes. Servicers must solicit all eligible borrowers, including those eligible borrowers who do not have an approved short sale offer on the property or have not received deed-in-lieu of foreclosure documents for execution.

9. Are loans in the foreclosure process eligible for the Principal Reduction Modification? What about loans that recently went to foreclosure sale prior to implementation?

The servicer may continue to solicit borrowers throughout the foreclosure process and up until 60 days prior to a foreclosure sale date in a judicial foreclosure state or 30 days prior to a foreclosure sale date in a non-judicial foreclosure state. Once a foreclosure sale has been completed, the mortgage loan no longer exists and cannot be modified.

10. If the borrower indicates they are currently living in the property that was originated as an investment property, can the borrower be considered for the Principal Reduction Modification?

Yes, the servicer should follow the guidance in Fannie Mae's Lender Letter to evaluate the current occupancy status and submit a non-delegated case to the servicer for approval.



11. What documentation should the servicer obtain if they need to further validate the property is the borrower's primary residence if originated as an investment property?

The servicer can use a variety of industry accepted practices to verify occupancy, including, but not limited to, utility bills, tax returns, and state identification cards such as a driver's license.

12. Is the servicer permitted to send the opt-out letter prior to receipt of the modification agreement?

Yes. The requirements in the Lender Letter establish the latest time frame in which it is permissible to send the opt-out letter. Servicers may always choose to send the opt-out letter earlier.

13. Should the servicer still send the opt-out letter to borrowers who are in an active Trial Period Plan that is not a Principal Reduction Modification if it misses the December 31, 2016 deadline to send the opt-out letter?

Yes. The servicer should still send the opt-out letter to the borrower because the borrower still needs to be advised of the possible tax consequences and given the opportunity to accept or decline the principal reduction.

14. What happens if the borrower does not reply to the servicer's notification of the opportunity to opt out of the Principal Reduction Modification?

If an eligible borrower does not respond to the servicer's notification during the opt-out period but completes the Trial Period Plan and returns the executed modification agreement, then the servicer will complete the forgiveness of the forbearance amount.

15. What if the servicer receives funds from the borrower for pay off of the full unpaid principal balance prior to effectuating the principal reduction?

The servicer should not include the impact of principal reduction in the mortgage loan payoff statements until the modification agreement has been executed by both the borrower and the servicer and the borrower has not elected to opt-out of the principal reduction.

16. Is a borrower eligible for a Fannie Mae Streamlined Modification if the borrower defaults on a Fannie Mae Principal Reduction Modification Trial Period Plan or a Fannie Mae Principal Reduction Modification that is based upon a Principal Reduction Modification solicitation?

No. If the borrower defaults on a Fannie Mae Principal Reduction Modification Trial Period Plan or a Fannie Mae Principal Reduction Modification after receiving a Principal Reduction Modification solicitation, the borrower is not eligible for a Fannie Mae Streamlined Modification.



17. If there is more than one borrower on the mortgage loan, is the servicer authorized to allow one of the borrowers to opt out of principal reduction and another borrower to receive principal reduction?

No. If there is more than one borrower on the mortgage loan, servicers are not authorized to allow one of the borrowers to opt out of receiving principal reduction while allowing another borrower to receive principal reduction. No portion of the principal balance will be reduced if any borrower elects to opt out of principal reduction. Servicers may revise the Principal Reduction Solicitation Letter and Principal Reduction Opt-Out Letter as necessary to clarify this requirement.