

Announcement SVC-2010-04**March 3, 2010****Reclassified MBS Mortgage Loans****Introduction**

This Announcement describes the following:

- Reclassifying Home Affordable Modification Program MBS Mortgage Loans
- Expedited Reimbursements of Servicer Advances for Reclassified MBS Mortgage Loans
- Executing Modification Agreements

Reclassifying Home Affordable Modification Program MBS Mortgage Loans

Announcement 09-35, *Updates to the Home Affordable Modification Program -- MBS Mortgage Loans*, revised the Home Affordable Modification Program (HAMP) reclassification and removal requirements for MBS mortgage loans from MBS pools to complete HAMP modifications. This Announcement represents a further revision of the reclassification and removal requirements to complete HAMP modifications for mortgage loans that are part of an MBS pool that is serviced under the special servicing option or a shared-risk MBS pool for which Fannie Mae markets the acquired property.

Effective March 2010 (loans selected and reclassified by Fannie Mae and the servicer in March), servicers will no longer be required to receive all of the required documentation before a mortgage loan is removed from the MBS pool to facilitate a HAMP modification. Accordingly, a servicer will no longer be required to review the Reclassification Request Report and cancel the reclassification for any mortgage loan for which all of the documentation has not been received.

Revised Process for Reclassification of HAMP MBS Mortgage Loans

A delinquent MBS pool mortgage that is serviced under the special servicing option or a shared-risk MBS pool for which Fannie Mae markets the acquired property generally will be removed from its MBS pool in accordance with the procedures for automatic reclassification of delinquent MBS mortgages as portfolio mortgages.

For MBS mortgage loans that are not subject to the automatic reclassification process, Fannie Mae will select for reclassification those mortgages that are part of an MBS pool that are serviced under the special servicing option or a shared-risk MBS pool for which Fannie Mae markets the acquired property and that are reported through the Home Saver Solutions[®] Network (HSSN) as having made all of the required HAMP trial period payments in the final month of the trial period. Fannie Mae will automatically reclassify these mortgages as "actual/actual" remittance type portfolio mortgages effective with the March reclassification activity.

Servicers are reminded that a mortgage loan that is part of a regular servicing option MBS pool or part of a shared-risk special servicing option MBS pool for which the servicer's shared risk liability has not expired must not modify the mortgage loan while it remains in the MBS pool. The servicer must purchase the mortgage loan from the MBS pool upon completion of the trial period provided the mortgage loan has been in a continuous state of delinquency for at least four consecutive monthly payment due dates (or at least eight consecutive payment due dates in the case of a biweekly mortgage loan) without a full cure of the delinquency during that period. Regular servicing option MBS pool mortgage loans and such shared-risk special servicing option MBS pool mortgage loans that have been purchased from an MBS pool for purposes of modification are not eligible for redelivery to Fannie Mae. Performing MBS mortgage loans (and those that do not meet the delinquency criteria described above) are ineligible for repurchase for the purpose of modifying the mortgage loan.

Expedited Reimbursement of Servicer Advances for Reclassified MBS Mortgage Loans

***Servicing Guide*, Part VI, Section 304: Reimbursement of Servicer's Advances**

As a follow-up to recent Fannie Mae News Releases (on [February 10, 2010](#) and on [March 1, 2010](#)), Fannie Mae will expedite its reimbursement to servicers of delinquency advances and unpaid principal balances for loans reclassified out of MBS pools. Servicers will receive Fannie Mae reimbursements one business day prior to the draft date of scheduled remittances for the month in which the reclassification takes place. This expedited reimbursement will assist servicers by eliminating the need for advances related to reclassified MBS loans.

Custodial Account Management

Currently, the *Servicing Guide* states that reimbursements of delinquency advances and unpaid principal balances for reclassified loans will occur on the same date Fannie Mae drafts the servicer's designated account for its scheduled remittances. At times, this practice caused the servicer to temporarily advance funds to its drafting account while awaiting the reimbursement credit from Fannie Mae.

Effective April 2010, servicers will receive the Fannie Mae reimbursements one business day prior to the scheduled remittance draft. The reimbursement will be deposited directly into the custodial account that the servicer has previously designated as the account for Fannie Mae to use for the drafting of its MBS pool remittances. The reimbursement, which will cover all of the mortgages that were reclassified in the preceding month, will be based on the pass-through rate that applied when each mortgage was still part of the MBS pool.

Executing Modification Agreements

Servicers are also reminded that modification agreements must be signed by an *authorized* representative of the servicer, must reflect the *actual date* of signature by the servicer's representative, and the signature *must not* occur until after the mortgage loan has been removed from the MBS pool. Servicers can confirm that Fannie Mae has reclassified a mortgage loan by reviewing the Purchase Advice that is posted on Servicer's Reconciliation Facility (SURF™). Servicers are also reminded that payments received should only be applied

in accordance with the modified terms once the servicer has confirmed that Fannie Mae has reclassified the mortgage loan.

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

Marianne E. Sullivan
Senior Vice President
Single Family Chief Risk Officer