

Announcement SVC-2011-04**April 15, 2011****Prohibitions on Loss Sharing, Indemnification, and Settlement Agreements with Mortgage Insurers*****Servicing Guide*, Part II, Section 102: Conventional Mortgage Insurance**

Fannie Mae reminds servicers of their contractual obligation and responsibility to ensure that any mortgage insurance coverage required at the time a loan is delivered to Fannie Mae is maintained and remains in force to protect Fannie Mae's interests in its mortgage loans at all times, unless the conditions that Fannie Mae imposes for replacing or cancelling the coverage are met as described in the section of the *Servicing Guide* referenced above. Fannie Mae is clarifying that arrangements that compromise mortgage insurance coverage are generally inconsistent with protecting Fannie Mae's interests in mortgage loans.

Effective immediately, Fannie Mae is prohibiting servicers from entering into any agreement that modifies the terms of an approved mortgage insurance master policy on loans delivered to Fannie Mae. Prohibited agreements include, but are not limited to, agreements that directly or indirectly

- modify master policy provisions for settling of claims,
- limit the right of a mortgage insurer to conduct file reviews or investigate claims,
- limit the right of a mortgage insurer to rescind coverage,
- rescind or modify coverage, or
- restrict notice to Fannie Mae of changes in coverage status.

Further, Fannie Mae prohibits loss sharing, indemnification, settlement or similar agreements of any kind between servicers and mortgage insurance companies that affect Fannie Mae's interest in its mortgage loans.

Fannie Mae requires that servicers disclose any such agreements previously enacted with mortgage insurers without delay and requests servicers provide Fannie Mae with a copy of any executed agreements or materials pertaining to an arrangement with mortgage insurers outside of an approved master policy. Such disclosure must be made to the lender's Customer Account Manager or lead Fannie Mae regional office.

Note: The contents of this Announcement will be incorporated in the next update of the *Selling Guide*.

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 (888-326-6435) with questions regarding this Announcement.

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