

Announcement SVC-2011-09**June 6, 2011****Servicing Fees on Modified Mortgage Loans and Mortgagee Clause for Loans Registered with MERS®**

This Announcement describes policy changes to the following:

- Servicing fees on modified mortgage loans
- Clarification of mortgagee clause for loans registered with MERS

Servicing Fees on Modified Mortgage Loans***Servicing Guide*, Part VII, Section 602.02: Modifying Conventional Mortgage Loans and Part X, Section 405: Calculations Related to Servicing Fee/Excess Yield**

With the introduction of trial plan periods as a requirement for modifying a Fannie Mae mortgage loan (described in Announcement SVC 2011-03, *Updates to Fannie Mae's Mortgage Modification Requirements* and the *Servicing Guide*, Part VII, Section 609.04.07: Trial Payment Period), system updates to Fannie Mae's HomeSaver Solutions® Network (HSSN) are required to insure correct servicing fees are applied after a mortgage loan has been modified.

Fannie Mae currently requires that the servicing fee can only be changed after a mortgage loan was modified if the loan was modified to reflect a different amortization type (for example, adjustable- to fixed-rate), or if an MBS mortgage loan was appropriately removed from a pool in order to modify its terms. The *Servicing Guide* in these circumstances makes a distinction in servicing fees between MBS loans and portfolio mortgage loans post-modification.

Fannie Mae is updating the *Servicing Guide* to reflect a simplification of the existing servicing fee structure for mortgage loan modifications while making the servicing fee comparable to that of other secondary market investors. Effective for all modified mortgage loans for which a case is closed in HSSN on or after June 18, 2011, the new servicing fee will be the lower of:

- the fee the servicer was receiving before the modification or
- one-quarter of one percent (.25%).

Clarification of Mortgagee Clause for Loans Registered with MERS***Servicing Guide*, Part II, Section 208: Mortgage Clauses**

As noted in Announcement SEL-2011-04, *Selling Guide Updates*, Fannie Mae is clarifying that if a mortgage loan is registered with the Mortgage Electronic Registration System (MERS) and is originated naming MERS as the original mortgagee of record, MERS must not be named as the loss payee on property insurance policies.

Servicers are reminded that Fannie Mae does not require that Fannie Mae be named in the mortgagee clause, unless the coverage would be impaired by Fannie Mae not being named. When Fannie Mae is not named in the mortgagee clause, the servicer's name, followed by the phrase "its successors and assigns," should be shown as the mortgagee. The insurer should be instructed to send all policies, bills, and other correspondence to the servicer and not to Fannie Mae.

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 any questions regarding this Announcement.

Note: The *Servicing Guide* references in this Announcement refer to the June 10, 2011 version of the *Servicing Guide* that will be available at that time.

Gwen Muse-Evans
Vice President
Chief Risk Officer for Credit Portfolio Management