

***Servicing Guide* Announcement SVC-2012-18**

August 22, 2012

Updates to Delinquency Management and Default Prevention Requirements

This Announcement describes policy changes to several delinquency management and default prevention requirements, including updates to:

- the *Uniform Borrower Assistance Form*
- the stay of foreclosure provisions for servicemembers
- Fannie Mae's Home Affordable Modification Program (HAMP), Second Lien Modification Program (2MP), and Home Affordable Foreclosure Alternatives Program (HAFA) Programs

These new requirements implement consistent mortgage loan servicing and delinquency management requirements described in a Federal Housing Finance Agency directive to Fannie Mae and Freddie Mac, as well as other related delinquency management policy changes.

Updates to the *Uniform Borrower Assistance Form*

***Servicing Guide*, Part VII, Section 205.03: Borrower Solicitation Package**

Fannie Mae is updating the *Uniform Borrower Assistance Form* ([Form 710](#)), which is included in the Borrower Solicitation Package and is part of the documentation a borrower must complete to be evaluated for a foreclosure prevention alternative. The primary changes to Form 710 include, but are not limited to:

- Written Explanation Describing Nature of Hardship
- Income Documentation for Salary or Hourly Wage Earners
- New Hardship – Increase in Housing Expenses
- Underemployment and Reduction in Income Hardships
- Distant Employment Transfers/Relocation
- Clarification and Expansion of Borrower Acknowledgment

Servicers are strongly encouraged to begin using the updated Form 710 for all Borrower Solicitation Packages mailed as of the date of this Announcement; however, servicers must implement the revised Form 710 including the updated documentation requirements for Borrower Solicitation Packages mailed on or after November 1, 2012, including the Form 710 requirements listed below.

Written Explanation Describing Nature of Hardship

Fannie Mae is updating Form 710 to add a hardship option for the borrower to consider entitled "Other." This option must be selected when the other standard choices are not applicable to the borrower's circumstances.

Currently, all borrowers are required to provide a written description of the specific nature of their hardship as part of their Borrower Response Package. Fannie Mae is updating this requirement to require a written explanation only when the borrower selects "Other" as the hardship.

Income Documentation for Salary or Hourly Wage Earners

Currently, each borrower who is a salaried employee or hourly wage earner must include in the Borrower Response Package the paystub that reflects the most recent 30 days of earnings as well as the amount of year-to-date earnings for the current year.

If the year-to-date earnings are not reflected in the paystub(s), then the borrower must provide alternative documentation evidencing year-to-date earnings, for example, a signed letter or printout from their employer.

New Hardship -- Increase in Housing Expenses

Fannie Mae has added a new hardship – “Increase in Housing Expenses” - to the Hardship Affidavit in the Form 710. This hardship is defined as an increase in the borrower’s housing expenses due to circumstances outside the borrower’s control. Supporting hardship documentation is not required if this hardship is selected on the form.

Underemployment and Reduction in Income Hardships

Fannie Mae is combining “Underemployment” and “Income Reduction” into one hardship selection: “Reduction in Income.” “Reduction in Income” is defined as a hardship that has caused a decrease in the borrower’s income due to circumstances outside the borrower’s control (for example, elimination of overtime, reduction in regular working hours, a reduction in base pay, etc.). Supporting hardship documentation is not required for this hardship.

Distant Employment Transfer/Relocation

Currently, borrowers are not required to provide any supporting documentation if the hardship resulted from a Distant Employment Transfer.

Fannie Mae is updating the title of this hardship to include Relocation. In addition, the servicer must obtain supporting hardship documentation for a borrower with a Distant Employment Transfer/Relocation hardship, as shown below:

Borrower	Supporting Hardship Documentation
For Active Duty Servicemembers	Notice of Permanent Change of Station (PCS) or actual PCS Orders.
For employment transfers/new employment	One of the following: <ul style="list-style-type: none">• copy of the signed offer letter or notice from employer showing transfer to a new employment location,• paystub from the new employer, or• a written explanation.
NOTE: <i>In addition to the above, borrowers must submit documentation that shows the amount of any relocation assistance provided, if applicable (not required for those with PCS Orders).</i>	

Clarification and Expansion of Borrower Acknowledgment

Form 710 includes a Borrower Acknowledgment and Agreement, which has been clarified. The borrower consent to share personal information disclosed in Form 710 has also been expanded to include authorized third parties.

Updates to the Stay of Foreclosure Provisions for Servicemembers

***Servicing Guide*, Part III, Chapter 1, Exhibit 1: Military Indulgence; Part VII, Section 403.02.02: Forbearance for Unique Hardships; and Part VIII, Section 103.01: Effect of Servicemembers Civil Relief Act**

For borrowers eligible for Fannie Mae's Military Indulgence under the Servicemembers Civil Relief Act and pursuant to the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 (the Act), Fannie Mae is extending the expiration date for the stay of foreclosure and other legal proceedings from December 31, 2012, to December 31, 2014.

Fannie Mae is also extending the stay of foreclosure and other legal proceedings on eligible mortgage loans from nine months to twelve months following the termination of a servicemember's active duty. This extension is in effect until December 31, 2014.

In addition, Fannie Mae is expanding the stay of foreclosure and other legal proceedings on eligible mortgages to include the surviving spouse of a deceased servicemember who was on active duty at the time of death. These changes are effective November 1, 2012, with the following stipulations:

- For any eligible mortgage loans where foreclosure or other legal proceedings are concluded prior to November 1, 2012, the length of stay will remain nine months and is not expanded to include surviving spouses.
- For any eligible mortgage loans where foreclosure or other legal proceedings are concluded on or after November 1, 2012, the length of stay is extended to twelve months and is expanded to include surviving spouses.

Under Fannie Mae's Unique Hardships policy, a surviving spouse who receives notice of the death of a servicemember from November 1, 2012 to December 31, 2014 will receive forbearance relief for 12 months to be consistent with the relief provided under the Military Indulgence program. Upon expiration of the Act, the length of forbearance provided to a surviving spouse will return to six months.

Updates to Fannie Mae's Home Affordable Modification Program (HAMP), Second Lien Modification Program (2MP), and Home Affordable Foreclosure Alternatives Program (HAFA)

The Department of Treasury in Supplemental Directive 2012-02 announced the extension of the Making Home Affordable Programs and all component programs, with respect to non-Government-Sponsored Enterprise mortgage loans from December 31, 2012, to December 31, 2013, with a termination of all programs on September 30, 2014.

Described below are policy changes and program expiration updates to Fannie Mae's HAMP, 2MP, and HAFA programs for all conventional mortgage loans held in Fannie Mae's portfolio and MBS pool mortgage loans guaranteed by Fannie Mae.

Fannie Mae HAFA Program Expiration

***Servicing Guide*, Part VII, Section 610: Home Affordable Foreclosure Alternatives Program**

The Fannie Mae HAFA program will expire on December 31, 2012. In order for a mortgage loan to be considered for a Fannie Mae HAFA preforeclosure sale or Fannie Mae HAFA deed-in-lieu transaction, the servicer must receive a fully executed *HAFA Short Sale Agreement* ([Form 184](#)) or *HAFA Deed-In-Lieu Agreement* ([Form 186](#)) on or before December 31, 2012.

Prior to offering the borrower a *HAFAs Short Sale Agreement* or *Deed-In-Lieu Agreement*, the servicer must ensure there is adequate time for the borrower to fully execute and return the agreement by the program expiration date.

The HAFAs transaction must be closed or settled on or before September 30, 2013.

Fannie Mae HAMP and 2MP Extension of the Program Expiration Date

Servicing Guide, Part VII, Section 609.01: HAMP Eligibility; Section 612.01: 2MP Eligibility; and Section 205.04: Borrower Response Package

The period for submission of borrower documentation for eligible mortgage loans for Fannie Mae's HAMP or 2MP program is extended from December 31, 2012, to December 31, 2013.

For a mortgage loan to be considered for a modification under Fannie Mae's HAMP or 2MP programs, a borrower must have mailed or otherwise submitted a complete or substantially complete Borrower Response Package on or before December 31, 2013. Evidence showing that the borrower mailed or otherwise submitted documents on or before December 31, 2013, may be a postmark or other independent indicator, such as a date and time stamp (electronic or otherwise). For Fannie Mae's HAMP and 2MP programs, servicers must maintain evidence of the borrower's submission of a complete or substantially complete Borrower Response Package prior to the program expiration.

Additionally, for a mortgage loan to be eligible for a Fannie Mae HAMP or 2MP modification, the modified mortgage loan must have a Modification Effective Date before September 30, 2014, and must have a first payment due date of the first of the month.

All borrower documentation submissions for Fannie Mae's HAFAs, HAMP, and 2MP programs that are received after the expiration date, as applicable to each program, or that do not meet eligibility requirements for the applicable program must be evaluated for a Fannie Mae standard loan modification, standard short sale HAFAs II, deed-in-lieu of foreclosure, or other foreclosure prevention alternative.

Fannie Mae HAMP Reminders

Servicers are reminded that a substantially complete package is a package in which the only missing documentation is the hardship documentation. For a package to be considered a substantially complete package, the following documents are required:

- Form 710;
- all required income documentation; and
- IRS Short Form Request for Individual Tax Return Transcript (IRS Form 4506-T-EZ) or, if applicable, IRS Request for Transcript of Tax Return (IRS Form 4506-T), or any signed federal income tax returns.

In the case of a substantially complete package, the servicer must send an Incomplete Information Notice to the borrower no later than five business days from receipt of documentation from the borrower.

Servicers are also reminded that a trial period plan is three months long for mortgage loans when the payment is already in default and four months long for mortgage loans when the servicer has determined that a borrower's payment default is imminent, but has not occurred (in accordance with the *Servicing Guide*, Part VII, Section 609.03.06: Executing the HAMP Documents).

Servicers must also consider the impact of having to use an interim month between trial period and permanent modification, in accordance with Part VII, Section 609.03.07: Trial Payment Period, as necessary to accommodate a borrower's final trial period payment, and to ensure compliance with the September 1, 2014 deadline for the Modification Effective Date.



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

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