

***Servicing Guide* Announcement SVC-2013-10**

May 1, 2013

Miscellaneous Servicing Policy Changes

This Announcement describes servicing policy changes and updates to the following:

- Valuation Order Requests
- Servicer Audit and Control Systems
- Clarifications of Policies in Announcement SVC-2012-18, *Updates to Delinquency Management and Default Prevention Requirements*
 - Stay of Foreclosure Provisions and other Legal Proceedings for Servicemembers
 - Unique Hardships
 - Fannie Mae's Second-Lien Modification Program
- Temporary Possession of Mortgage Note
- eMortgages
- Moody's Ratings
- Conventional Mortgage Loan Modifications and Escrows

Servicers are required to implement the policies in this Announcement immediately unless otherwise indicated.

Valuation Order Requests

Servicing Guide, Part VIII, Section 107.05: Bidding Instructions and Announcement SVC-2013-06, Miscellaneous Servicing Policy Changes

Effective immediately, Fannie Mae is requiring servicers to obtain the results of property valuation order requests for the purposes of bidding instructions through HomeSaver Solutions® Network (HSSN) within 7 to 10 calendar days from the date the servicer submits the request.

Effective June 1, 2013, Fannie Mae will no longer email the results of the property valuation orders to servicers, as indicated in Announcement SVC-2013-06.

Servicer Audit and Control Systems

Servicing Guide, Part I, Section 301.01: Servicer's Audit and Control Systems and Part VII, Section 102: Quality Assurance Program for Delinquency and Default Prevention

As part of its audit and control systems, the servicer must conduct regular testing of compliance with applicable laws in all jurisdictions in which it services mortgage loans for Fannie Mae. The servicer must provide the comprehensive results of all testing to its senior management and, upon request, to Fannie Mae. If problems with its compliance with applicable law or quality assurance programs are identified, the servicer must also maintain evidence of its corrective actions, along with the results, and provide these as well to Fannie Mae upon request.

Clarifications of Policies in Announcement SVC-2012-18, *Updates to Delinquency Management and Default Prevention Requirements*

Stay of Foreclosure and other Legal Proceedings for Servicemembers

SERVICING GUIDE, PART III, CHAPTER 1, EXHIBIT 1: MILITARY INDULGENCE AND PART VIII, SECTION 103.01: EFFECT OF SERVICEMEMBERS CIVIL RELIEF ACT

The Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012 provided for a 12-month extended stay of foreclosure and other legal proceedings from the date military service ends. This extended stay expires December 31, 2014. Effective January 1, 2015, the 12-month stay reverts back to 90 days under the Servicemembers Civil Relief Act. Therefore, beginning January 1, 2015, the extended 12-month stay on Fannie Mae mortgage loans will also revert back to 90 days.

Unique Hardships

SERVICING GUIDE, PART VII, SECTION 403.02.01: DEFINITION OF UNIQUE HARDSHIP AND SECTION 403.02.02: FORBEARANCE FOR UNIQUE HARDSHIPS

This Announcement is expanding the unique hardship definition of the death of a U.S. servicemember to include a non-borrower surviving spouse. Additionally, as stated in Announcement SVC-2012-18, Fannie Mae provided a 12-month forbearance period to borrowers suffering unique hardships to be consistent with the foreclosure stay relief under Fannie Mae's Military Indulgence. As described above, the statutory extension expires on December 31, 2014; therefore, on or after January 1, 2015, any person covered under the definition of the "death of a U.S. servicemember" hardship may only be granted the standard forbearance of up to 6 months without Fannie Mae's prior written approval.

Fannie Mae Second-Lien Modification Program (2MP)

SERVICING GUIDE, PART VII, SECTION 612.01: 2MP ELIGIBILITY

For a mortgage loan to be eligible for the 2MP program, the 2MP servicer must receive notification of a match with a permanent first-lien HAMP modification that satisfied the deadline eligibility criteria outlined in Announcement SVC-2012-18 for Fannie Mae HAMP. The permanent mortgage loan modification of the second lien under 2MP may not become effective unless and until the permanent mortgage loan modification of the first lien becomes effective under HAMP.

NOTE: *The guidance in Announcement SVC-2012-18 related to the period of submission of borrower documentation applies to Fannie Mae HAMP eligibility only and not to 2MP eligibility.*

Temporary Possession of Mortgage Note

Servicing Guide, Part I, Section 202.07.02: Temporary Possession by the Servicer

Fannie Mae is removing language from the *Servicing Guide* in Part I, Section 202.07.02: Temporary Possession by the Servicer, which refers to situations in which a mortgage note is held at Fannie Mae's designated document custodian (DDC). Part I, Section 202.07.02 now reads as follows:

In order to ensure that a servicer is able to perform the services and duties incident to the servicing of the mortgage loan, Fannie Mae temporarily gives the servicer possession of the mortgage note whenever the servicer, acting in its own name, represents the interests of Fannie Mae in foreclosure actions, bankruptcy cases, probate proceedings, or other legal proceedings.

This temporary transfer of possession occurs automatically and immediately upon the commencement of the servicer's representation, in its name, of Fannie Mae's interests in the foreclosure, bankruptcy, probate, or other legal proceeding.

When Fannie Mae transfers possession, if the note is held by a document custodian, the custodian has possession of the note on behalf of the servicer so that the servicer has constructive possession of the note and the servicer shall be the holder of the note and is authorized and entitled to enforce the note in the name of the servicer for Fannie Mae's benefit.

eMortgages

Servicing Guide, Part I, Chapter 1: Approval Qualification

Fannie Mae requires servicers to obtain special approval to service electronic mortgage loans (eMortgages). Servicers must contact their Servicing Consultant, Portfolio Manager, or Fannie Mae's National Servicing Organization's Servicing Solutions Center for special approval to service these mortgage loans. The special approvals will be documented by an addendum to the *Master Selling and Servicing Contract (MSSC)* between Fannie Mae and the servicer.

Revision to Moody's Ratings

Servicing Guide, Part I, 404:04: Eligibility Requirements for Document Custodians

To reflect recent changes in Moody's Investors Service, Inc. alphanumeric ratings, Fannie Mae will now accept a rating of "Baa2" instead of "Baa" as the minimum eligibility requirement for a servicer that also serves as a Fannie Mae document custodian or that designates an affiliated entity as a Fannie Mae document custodian.

The *Servicing Guide* provides further information on the additional document custodian eligibility requirements.

Conventional Mortgage Loan Modifications and Escrows

Servicing Guide, Part VII, Section 602.02.05: Conventional Mortgage Loan Modification Terms and Section 602.03: Escrow Accounts, and Announcement SVC-2013-05, Streamlined Modifications, Conventional Mortgage Loan Modifications, and Outbound Communications

Fannie Mae is providing new requirements for repayments of escrow deficits and shortages that apply to all conventional Fannie Mae mortgage loan modifications. Fannie Mae is clarifying that an escrow shortage is the amount by which the current escrow account balance falls short of the target balance at the time of the escrow analysis. An escrow deficiency is the amount of a negative balance in the escrow account, including advances the servicer has made on the borrower's behalf for tax and insurance payments.

REPAYMENT OF ESCROW DEFICITS

When evaluating a mortgage loan for any Fannie Mae mortgage loan modification, the servicer must calculate the modified unpaid principal balance by capitalizing accrued interest, out-of-pocket escrow advances already paid to third parties, and any required escrow advances that will be paid to third parties by the servicer during the trial period, if allowed by applicable law. Fannie Mae is now requiring that if applicable law prohibits capitalization of past-due interest or any other amount the servicer generally capitalizes, the servicer must collect such funds from the borrower over a 60-month repayment period, if allowed by applicable law, unless the borrower decides to pay the amount upfront.

ESCROW SHORTAGES

As a reminder, when the servicer identifies an escrow shortage in the escrow deposits needed to pay all future tax and insurance payments, the servicer must collect such funds from the borrower over a 60-month period unless the borrower decides to pay the escrow shortage upfront. Any escrow shortage that is identified at the time of a Fannie Mae mortgage loan modification eligibility review may not be capitalized. Servicers are not required to fund any existing escrow shortage. The servicer may encourage a borrower to contribute to the escrow shortage upfront; however, that is not an eligibility requirement of the mortgage loan modification.

Fannie Mae is now requiring that when the servicer calculates the repayment of the escrow shortage over a 60-month period, any subsequent escrow shortage identified in the next annual analysis cycle should be spread out over the remaining term of the initial 60-month period. For example, if the next analysis cycle is performed 12 months after the initial escrow shortage is identified, any additional shortage identified in that analysis cycle should be spread over the remaining 48-month period.

Effective Date

These new escrow deficit and shortage requirements are effective August 1, 2013, although servicers are encouraged to implement these requirements earlier, if possible.

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

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