

Servicing Guide Announcement SVC-2013-24

December 4, 2013

Miscellaneous Servicing Policy Changes

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

- Cap and Extend Modification for Disaster Relief terms
- *Lender Record Information* (Form 582)
- Update to *Servicing Guide* Glossary

Unless otherwise stated, all policy changes are effective immediately.

Cap and Extend Modification for Disaster Relief Terms

Servicing Guide, Part VII, Section 602.02.05: Conventional Mortgage Loan Modification Terms and Announcement SVC-2013-16: Updates to Assistance in Disasters

Fannie Mae is updating the modification terms for the Cap and Extend Modification for Disaster Relief to require servicers to set the interest rate to a fixed interest rate.

The servicer must follow the steps shown in the following table to determine the borrower's new modified payment terms, regardless of the pre-modification Mark-to-Market Loan-to-Value ratio.

Step	The servicer must...						
1	capitalize arrearages (as described in the <i>Servicing Guide, Part VII, Section 602.02.05: Conventional Mortgage Loan Modification Terms</i>).						
2	<div style="border: 1px solid black; padding: 5px;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d3d3d3;">If the mortgage loan at time of evaluation is ...</th> <th style="background-color: #d3d3d3;">Then the servicer must...</th> </tr> </thead> <tbody> <tr> <td>a fixed-rate mortgage loan,</td> <td>set the modified mortgage loan interest rate to the borrower's current mortgage loan interest rate.</td> </tr> <tr> <td>an ARM or a step-rate mortgage loan,</td> <td> set the interest rate as follows: <ul style="list-style-type: none"> If the current interest rate is less than the current Fannie Mae Modification Interest Rate, set the modified loan interest rate to the current Fannie Mae Modification Interest Rate. (The current Fannie Mae Modification Interest Rate can be found on Fannie Mae's website.) If the current interest rate is greater than or equal to the current Fannie Mae Modification Interest Rate, set the modified mortgage loan interest rate to the borrower's current mortgage loan interest rate. </td> </tr> </tbody> </table> </div>	If the mortgage loan at time of evaluation is ...	Then the servicer must...	a fixed-rate mortgage loan,	set the modified mortgage loan interest rate to the borrower's current mortgage loan interest rate.	an ARM or a step-rate mortgage loan,	set the interest rate as follows: <ul style="list-style-type: none"> If the current interest rate is less than the current Fannie Mae Modification Interest Rate, set the modified loan interest rate to the current Fannie Mae Modification Interest Rate. (The current Fannie Mae Modification Interest Rate can be found on Fannie Mae's website.) If the current interest rate is greater than or equal to the current Fannie Mae Modification Interest Rate, set the modified mortgage loan interest rate to the borrower's current mortgage loan interest rate.
If the mortgage loan at time of evaluation is ...	Then the servicer must...						
a fixed-rate mortgage loan,	set the modified mortgage loan interest rate to the borrower's current mortgage loan interest rate.						
an ARM or a step-rate mortgage loan,	set the interest rate as follows: <ul style="list-style-type: none"> If the current interest rate is less than the current Fannie Mae Modification Interest Rate, set the modified loan interest rate to the current Fannie Mae Modification Interest Rate. (The current Fannie Mae Modification Interest Rate can be found on Fannie Mae's website.) If the current interest rate is greater than or equal to the current Fannie Mae Modification Interest Rate, set the modified mortgage loan interest rate to the borrower's current mortgage loan interest rate. 						
3	extend the term in monthly increments up to a maximum of 480 months from the mortgage loan						

modification effective date and re-amortize the mortgage loan over a term needed to achieve a new modified monthly principal and interest (P&I) payment that is as close to the current pre-modification P&I payment as possible without exceeding it.
--

If the mortgage loan has deferred principal (principal forbearance amount), that amount must not be capitalized into the interest-bearing unpaid principal balance as part of the Cap and Extend Modification for Disaster Relief. Deferred principal must continue to be deferred and be payable upon maturity of the mortgage loan modification, sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing unpaid principal balance. Interest will not accrue on any deferred principal.

Effective Date

Servicers are encouraged to implement these new requirements immediately; however, servicers must do so for all borrowers who are eligible for a Cap and Extend Modification for Disaster Relief on or after February 1, 2014.

Lender Record Information (Form 582)

Servicing Guide, Part I, Section 206.01: General Requirements for Subservicing Arrangements; Section 305.01: Submitting the Lender Record Information Form; and Section 305.11: Subservicing Arrangements

Servicers are now required to update the [Form 582](#) promptly after any change in previously submitted information occurs, including but not limited to changes in

- subservicing arrangements,
- mailing addresses,
- contact information,
- affiliate information, and
- fidelity bond and errors and omissions coverage.

Update to Servicing Guide Glossary

Servicing Guide, Part XII: Glossary

Fannie Mae is adding the following definition to the *Servicing Guide*.

- “Seriously delinquent mortgage loan.” A mortgage loan with three or more full consecutive monthly mortgage loan payments past due, including mortgage loans in the foreclosure process.

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