

Servicing Guide Announcement SVC-2014-02

January 24, 2014

Miscellaneous Servicing Policy Changes

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

- Refunding (or crediting) overcharges for special adjustable-rate mortgage loans
- Bankruptcy Schedules of Assets and Liabilities
- Foreclosure prevention opportunities
- Third-party sales proceeds

Effective Date

Servicers are encouraged to implement the revised policies immediately; however, implementation of these policies must occur no later than May 1, 2014.

Refunding (or Crediting) Overcharges for Special Adjustable-Rate Mortgage Loans

Servicing Guide, Part IV, Chapter 5: Correction of Adjustment Errors, Section 505.02: Incorrect Interest Rate and Monthly Payment, Section 505.03: Incorrect Monthly Payment Only, and Servicing Announcement SVC-2012-21: Servicing Guide Updates to Conform to the FHFA Directive on Harmonized Contracts

When an adjustable-rate mortgage (ARM) loan error is identified, servicers are no longer required to contact Fannie Mae to determine if foreclosure proceedings should be discontinued or stayed, regardless of the stage of delinquency, including cases where the loan has been referred for foreclosure and the application of any payment as a result of corrections reduces the delinquency. The servicer must establish its own procedures to ensure that it follows Fannie Mae's policies and procedures regarding the correction of adjustment errors for all mortgage loans serviced for Fannie Mae, regardless of whether they were originated under standard or negotiated ARM plans.

Servicers are reminded that once an ARM adjustment error has been identified, Fannie Mae requires the servicer to take action within 60 days to correct the error and to notify the borrower about the effect of the correction. All actions taken to correct an ARM adjustment error must be made in accordance with federal laws (including the Truth in Lending Act and its implementing regulations), state laws, and the terms of the relevant mortgage loan instruments.

Servicers are also reminded that a compensatory fee may be imposed if a servicer must rescind a foreclosure sale due to its failure to follow Fannie Mae guidelines or other servicer error or alleged error. Fannie Mae may assess the servicer \$1,000 for internal administrative costs plus any third-party costs. Fannie Mae will not reimburse foreclosure fees and costs that are required to complete a new foreclosure following rescission.

Bankruptcy Schedules of Assets and Liabilities

Servicing Guide, Part VII, Section 205.04: Borrower Response Package

When a borrower is in an active Chapter 7 or Chapter 13 bankruptcy, Fannie Mae is authorizing servicers to accept copies of the bankruptcy schedules in lieu of a *Uniform Borrower Assistance Form* ([Form 710](#)). The servicer is also authorized to accept tax returns (if returns are required to be filed) in lieu of IRS Form 4506T-EZ or IRS Form 4506-T. The servicer is authorized to use this information, along with any required income and hardship documentation as specified in Form 710, to determine borrower eligibility for foreclosure prevention alternatives. Bankruptcy schedule(s) must not be more than 90 days old on the date the schedule(s) are received by the servicer

Foreclosure Prevention Opportunities

Servicing Guide, Part VII, Section 502.11: Foreclosure Prevention Opportunities

Servicers are also reminded to follow all *Servicing Guide* requirements when considering any foreclosure prevention alternative. When Fannie Mae's approval for a foreclosure prevention alternative is required, the request must be processed through the HomeSaver Solutions™ Network (HSSN). Trustee and Bankruptcy Court approval must also be obtained when required.

Third-Party Sales Proceeds

Servicing Guide, Part VIII, Section 112: Third-Party Sales

Fannie Mae is updating the servicer's requirement to remit gross proceeds to Fannie Mae after completion of a third-party sale. Servicers will continue to use the *Cash Disbursement Request* ([Form 571](#)) for any reimbursable expenses. If state law requires that the sheriff deduct fees from the sale proceeds, the servicer must remit the proceeds less such deductions to Fannie Mae along with an itemization of the deducted fees. The servicer is reminded that it must forward a copy of the closing statement showing a breakdown of principal, interest, servicing fee, outstanding advances, and any other items leading up to the date of the sale on the same day that it remits the funds to Fannie Mae.

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.

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