

Servicing Guide Announcement SVC-2014-22

December 18, 2014

Updates to the Fannie Mae MyCity Modification

Fannie Mae is amending its policies and requirements for the Fannie Mae MyCity Modification to, among other things, delegate approval of the modification terms to the servicer based on these policy changes, and expand the workout option to include eligible properties located in Cook County, Illinois. This Announcement replaces *Servicing Guide* [D2-3.2-11, Fannie Mae MyCity Modification](#) and [F-1-20, Processing a Fannie Mae MyCity Modification](#) in their entirety.

Policy Change Effective Date

The servicer is encouraged to implement the policy changes in this Announcement immediately, but must implement these policy changes no later than April 1, 2015.

Date of Servicing Guide Update

The content as shown in this Announcement will be reflected in the January 2015 update of the *Servicing Guide*.

D2-3.2-11, Fannie Mae MyCity Modification

Introduction

This topic contains the following:

- Determining Eligibility for a Fannie Mae MyCity Modification
- Performing an Escrow Analysis
- Evaluating a Borrower Whose Mortgage Loan Is Current or Less Than 90 Days Delinquent
- Evaluating a Borrower Whose Mortgage Loan Is Equal to or Greater Than 90 Days Delinquent
- Determining the Fannie Mae MyCity Modification Terms
- Soliciting a Borrower Whose Mortgage Loan is Equal to or Greater Than 90 Days Delinquent
- Offering a Trial Period Plan and Completing a Fannie Mae MyCity Modification
- Processing a Fannie Mae MyCity Modification for a Mortgage Loan with Mortgage Insurance
- Handling Fees and Late Charges in Connection with a Fannie Mae MyCity Modification
- Handling a Default on a Fannie Mae MyCity Modification

Determining Eligibility for a Fannie Mae MyCity Modification

In order to be eligible for a Fannie Mae MyCity Modification, all of the criteria in the following table must be met.

✓	Eligibility Criteria for a Fannie Mae MyCity Modification
	The property securing the mortgage loan must have an address within <ul style="list-style-type: none"> ▪ the City of Detroit, Michigan; or ▪ Cook County, Illinois.
	For properties in Cook County, Illinois, the property value must be less than or equal to \$250,000. Note: The servicer is authorized to submit a request to Fannie Mae through HSSN if the servicer determines that a Fannie Mae MyCity Modification is an appropriate solution for a property located in Cook County, Illinois with a property value greater than \$250,000.
	The property securing the mortgage loan must not be abandoned.
	The mortgage loan must be a first lien mortgage loan.
	The mortgage loan must be a conventional mortgage loan.
	The mortgage loan must not have been originated less than 12 months prior to the evaluation date. Note: The servicer is authorized to submit a request to Fannie Mae through HSSN if the servicer believes that a Fannie Mae MyCity Modification is an appropriate solution for a mortgage loan originated less than 12 months prior to the evaluation date.
	The mortgage loan must not be subject to <ul style="list-style-type: none"> ▪ a recourse or indemnification arrangement under which Fannie Mae purchased or securitized the mortgage loan or that was imposed by Fannie Mae after the mortgage loan was purchased or securitized; ▪ a current offer for another mortgage loan modification, with the exception of a Fannie Mae Streamlined Modification; ▪ a Fannie Mae approved liquidation workout option; ▪ an active and performing Trial Period Plan; or ▪ a previously failed Fannie Mae MyCity Modification Trial Period Plan or permanent Fannie Mae MyCity Modification.

Except as otherwise described, the servicer is not required to obtain a complete BRP if the mortgage loan is 90 days or more delinquent and the mortgage loan is otherwise eligible.

The servicer must obtain a complete BRP if all of the eligibility criteria in the preceding table are satisfied and the mortgage loan

- is less than 90 days delinquent as of the evaluation date,
- was originated less than 12 months prior to the evaluation date, or
- is on Fannie Mae's most recent Non-Eligible List at the time of the servicer's evaluation.

When a complete BRP is required, the servicer must first evaluate the borrower for a Fannie Mae MyCity Modification in accordance with *Evaluating a Borrower Whose Mortgage Loan Is Current or Less Than 90 Days Delinquent*. The servicer must evaluate a borrower whose mortgage loan is current or less than 60 days delinquent in accordance with Chapter D2-1, Working with a Borrower Who is Facing Default.

The servicer must follow the procedures in *Obtaining a Property Valuation* in [F-1-20, Processing a Fannie Mae MyCity Modification](#), to determine the property value for all eligible mortgage loans. If a foreclosure sale date has been scheduled, the servicer must order a property value in accordance with *Bidding Instructions for Conventional Mortgage Loans* in [E-3.3-04, Issuing Bidding Instructions](#).

For an MBS mortgage loan, the servicer must also comply with *Conditions of a First and Second Lien Mortgage Loan Modification for an MBS Mortgage Loan* in [D2-3.1-02, Working with an MBS Mortgage Loan for Certain Workout Options](#).

Performing an Escrow Analysis

The servicer must perform an escrow analysis prior to offering a Trial Period Plan. See *Administering an Escrow Account in Connection With a Mortgage Loan Modification* in [B-1-01, Administering an Escrow Account and Paying Expenses](#) for additional information.

Any escrow account shortage that is identified at the time of the mortgage loan modification must not be capitalized and the servicer is not required to fund any existing escrow account shortage.

If applicable law prohibits the establishment of the escrow account as required in *Administering an Escrow Account in Connection with a Mortgage Loan Modification* in [B-1-01, Administering an Escrow Account and Paying Expenses](#), the servicer must ensure that the T&I premiums are paid to date.

Evaluating a Borrower Whose Mortgage Loan is Current or Less Than 90 Days Delinquent

The following table provides the required servicer actions upon receipt of a BRP.

✓	The servicer must...
	Acknowledge receipt of the BRP and provide an Incomplete Information Notice, as applicable, in accordance with D2-2-05, Receiving a Borrower Response Package .
	Evaluate the borrower for a Fannie Mae MyCity Modification once the borrower submits a complete BRP. If the borrower is not eligible for a Fannie Mae MyCity Modification, the servicer must evaluate the borrower for all workout options in accordance with Chapter D2-3, Fannie Mae's Home Retention and Liquidation Workout Options.
	Send the borrower an Evaluation Notice to communicate a decision after review of a complete BRP (see <i>Sending a Notice of Decision on a Workout Option</i> in D2-2-05, Receiving a Borrower Response Package for the requirements of the Evaluation Notice).

Evaluating a Borrower Whose Mortgage Loan Is Equal to or Greater Than 90 Days Delinquent

The following table provides the required servicer actions when evaluating a borrower whose mortgage loan is equal to or greater than 90 days delinquent for a Fannie Mae MyCity Modification.

If...	Then the servicer must...
the borrower submits a complete BRP prior to the servicer's evaluation for Fannie Mae MyCity Modification	evaluate the borrower in accordance with <i>Evaluating a Borrower Whose Mortgage Loan Is Current or Less Than 90 Days Delinquent</i> .
the borrower does not submit a complete BRP and is not otherwise required to submit a complete BRP	solicit an eligible borrower for a Fannie Mae MyCity Modification in accordance with <i>Soliciting a Borrower Whose Mortgage Loan is Equal to or Greater Than 90 Days Delinquent</i> .

If the borrower does not accept the Fannie Mae MyCity Modification offer or cannot afford the Fannie Mae MyCity Modification payment, the servicer must offer the borrower a workout option in accordance with Chapter D2-3, Fannie Mae’s Home Retention and Liquidation Workout Options.

The following table reflects the servicer requirements when the servicer receives a BRP from a borrower whose mortgage loan is equal to or greater than 90 days delinquent, depending upon the time frame in which the servicer receives the BRP.

If the servicer receives...	Then the servicer must...						
an incomplete BRP before or after it mails the <i>Evaluation Notice</i> for the Fannie Mae MyCity Modification	provide an Incomplete Information Notice in accordance with D2-2-05, Receiving a Borrower Response Package .						
a complete BRP before it mails the <i>Evaluation Notice</i> for the Fannie Mae MyCity Modification	evaluate the borrower in accordance with <i>Evaluating a Borrower Whose Mortgage Loan is Current or Less Than 90 Days Delinquent</i> .						
a complete BRP after it mails the <i>Evaluation Notice</i> for the Fannie Mae MyCity Modification and prior to the date it mails the Modification Agreement for the Fannie Mae MyCity Modification to the borrower for signature	evaluate the borrower in accordance with the following table.						
	<table border="1"> <thead> <tr> <th data-bbox="571 827 938 856">If the borrower...</th> <th data-bbox="938 827 1520 856">Then the servicer must...</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 856 938 999">has not accepted the Fannie Mae MyCity Modification offer</td> <td data-bbox="938 856 1520 999">evaluate the borrower in accordance with <i>Evaluating a Borrower Whose Mortgage Loan is Current or Less Than 90 Days Delinquent</i>.</td> </tr> <tr> <td data-bbox="571 999 938 1283">has accepted the Fannie Mae MyCity Modification offer</td> <td data-bbox="938 999 1520 1283">communicate to the borrower that because the borrower accepted the Fannie Mae MyCity Modification, the servicer is not reviewing the borrower for other workout options at this time, unless the borrower indicates that he or she is not interested in a mortgage loan modification.</td> </tr> </tbody> </table>	If the borrower...	Then the servicer must...	has not accepted the Fannie Mae MyCity Modification offer	evaluate the borrower in accordance with <i>Evaluating a Borrower Whose Mortgage Loan is Current or Less Than 90 Days Delinquent</i> .	has accepted the Fannie Mae MyCity Modification offer	communicate to the borrower that because the borrower accepted the Fannie Mae MyCity Modification, the servicer is not reviewing the borrower for other workout options at this time, unless the borrower indicates that he or she is not interested in a mortgage loan modification.
	If the borrower...	Then the servicer must...					
has not accepted the Fannie Mae MyCity Modification offer	evaluate the borrower in accordance with <i>Evaluating a Borrower Whose Mortgage Loan is Current or Less Than 90 Days Delinquent</i> .						
has accepted the Fannie Mae MyCity Modification offer	communicate to the borrower that because the borrower accepted the Fannie Mae MyCity Modification, the servicer is not reviewing the borrower for other workout options at this time, unless the borrower indicates that he or she is not interested in a mortgage loan modification.						

If the borrower does not accept the Fannie Mae MyCity Modification offer, the servicer must resume follow-up solicitation for an incomplete BRP in accordance with this Guide and applicable law.

Determining the Fannie Mae MyCity Modification Terms

The servicer must determine the borrower’s new modified mortgage loan terms by taking the steps in the following table in the order provided in an effort to achieve a target reduction in the P&I payment of as close to, but not exceeding, 60%.

Step	Action
1	Capitalize arrearages.
2	Reduce the interest rate.
3	Extend the term up to 480 months from the modification effective date.
4	Forbear principal up to 30% of the post-capitalized UPB, if applicable.

The servicer must follow the procedures in *Determining the New Modified Mortgage Loan Terms* in [F-1-20, Processing a Fannie Mae MyCity Modification](#) for more detailed requirements to determine the borrower’s new modified mortgage loan terms.

The following table lists the requirements of the mortgage loan modification.

✓	The Fannie Mae MyCity Modification must result in...
	A fully amortizing fixed-rate mortgage loan.
	A monthly P&I payment that is less than or equal to the borrower's current contractual P&I payment.
	Note: For a current mortgage loan evaluated by the servicer based on a complete BRP and when the servicer has determined that the borrower's monthly payment is in imminent default, the mortgage loan modification must result in a P&I payment that is less than the borrower's current P&I payment.

Soliciting a Borrower Whose Mortgage Loan is Equal to or Greater Than 90 Days Delinquent

The servicer must mail the borrower an [Evaluation Notice](#) between the 90th and 105th day of delinquency if the mortgage loan satisfies the requirements described in *Determining Eligibility for a Fannie Mae MyCity Modification* and *Determining the Fannie Mae MyCity Modification Terms*, and at least one of the following circumstances is met:

- the borrower has not submitted a complete BRP, or
- the servicer has received a complete BRP but has not evaluated the BRP as of the date of the [Evaluation Notice](#).

If for any reason the servicer fails to send the [Evaluation Notice](#) within the prescribed time frame, it must send the solicitation to an eligible borrower as soon as possible thereafter. If the eligible borrower's mortgage loan is greater than 90 days delinquent as of the date of the servicer's evaluation, the servicer must send at least one solicitation for a Fannie Mae MyCity Modification Trial Period Plan no later than 15 days after the eligibility evaluation.

If a borrower whose mortgage loan is equal to or greater than 90 days delinquent and satisfies the requirements described in *Determining Eligibility for a Fannie Mae MyCity Modification* and *Determining the Fannie Mae MyCity Modification Terms* inquires about a mortgage loan modification or submits a BRP, the servicer must send an [Evaluation Notice](#) and evaluate the borrower in accordance with this topic.

The servicer must continue to pursue workout options in accordance with [E-3.2-06, Conducting Borrower Outreach During Foreclosure](#), but is authorized to continue proactive solicitation for a Fannie Mae MyCity Modification at its discretion.

Offering a Trial Period Plan and Completing a Fannie Mae MyCity Modification

The servicer must send an [Evaluation Notice](#) (see *Sending a Notice of Decision on a Workout Option* in [D2-2-05, Receiving a Borrower Response Package](#) for the requirements of the [Evaluation Notice](#)) to document the borrower's Trial Period Plan, which begins on the date described in the following table.

If the servicer mails the Evaluation Notice to the borrower...	Then the servicer...
on or before the 15th day of a calendar month	must use the first day of the following month as the first Trial Period Plan payment due date.
after the 15th day of a calendar month	must use the first day of the month after the next month as the first Trial Period Plan payment due date.

The following table provides the requirements for the length of the Trial Period Plan, which must not change even if the borrower makes scheduled payments earlier than required.

If the mortgage loan is...	Then the Trial Period Plan must be...
delinquent	three months long.
not delinquent, but the servicer has determined that the borrower's monthly payment is in imminent default	four months long.

The following table provides the requirements for the [Evaluation Notice](#) for a Fannie Mae MyCity Modification depending on the number of days the mortgage loan is delinquent.

If the mortgage loan is...	Then the servicer is authorized to document the Fannie Mae MyCity Modification Trial Period Plan using...
less than 90 days delinquent as of the servicer's evaluation date or a complete BRP is required	the <i>Standard Modification Trial Period Plan Notice</i> - based on MTMLTV ratio greater than or equal to 80% Evaluation Notice .
equal to or greater than 90 days delinquent as of the servicer's evaluation date	the <i>Streamlined Modification Trial Period Plan Notice</i> - based on MTMLTV ratio greater than or equal to 80% Evaluation Notice . Note: The servicer must revise the document to include the Fannie Mae MyCity Modification terms and delete provisions related to the borrower's ability to be evaluated for a HAMP modification.

For the servicer to offer a Fannie Mae MyCity Modification Trial Period Plan, the first Trial Period Plan payment due date must be on or before December 1, 2016.

The servicer must communicate with the borrower that the mortgage loan modification will not be binding, enforceable, or effective unless and until all conditions of the mortgage loan modification have been satisfied, which is when all of the following have occurred:

- the borrower has satisfied all of the requirements of the Trial Period Plan,
- the borrower has executed and returned a copy of the Loan Modification Agreement ([Form 3179](#)), and
- the servicer or Fannie Mae (depending upon the entity that is the mortgagee of record) executes and dates [Form 3179](#).

If the borrower fails to make a Trial Period Plan payment by the last day of the month in which it is due, the borrower is considered to have failed the Trial Period Plan and the servicer must not grant the borrower a permanent Fannie Mae MyCity Modification.

The servicer must see [E-3.4-01, Suspending Foreclosure Proceedings for Workout Negotiations](#) for the requirements for suspending foreclosure.

The servicer must use the [Form Modification Cover Letter](#) to communicate a borrower's eligibility for a permanent Fannie Mae MyCity Modification, which must be accompanied by a completed [Form 3179](#). [Form 3179](#) must only be revised as authorized in [Summary: Modification Agreement Form 3179](#).

The servicer must ensure that the modified mortgage loan retains its first lien position and is fully enforceable.

Electronic documents and signatures for a Fannie Mae MyCity Modification are acceptable as long as the electronic record complies with Fannie Mae's requirements. See [A2-5.2-01, Storage of Individual Mortgage Loan Files and Records](#) for Fannie Mae's requirements for electronic records.

The servicer must follow the procedures in *Preparing the Loan Modification Agreement, Executing and Recording the Loan Modification Agreement*, and *Adjusting the Mortgage Loan Account Post-Mortgage Loan Modification* in [F-1-20, Processing a Fannie Mae MyCity Modification](#) for preparing, executing, and recording [Form 3179](#) and adjusting the mortgage loan account upon completion of the mortgage loan modification.

Processing a Fannie Mae MyCity Modification for a Mortgage Loan with Mortgage Insurance

The servicer must see [F-2-07, Mortgage Insurance Delegations for Workouts Options](#) for the list of conventional mortgage insurers from which Fannie Mae has obtained blanket delegations of authority on behalf of all servicers, which allows the servicer to process a Fannie Mae MyCity Modification without obtaining separate mortgage insurer approval at the company or loan level.

If the terms of the mortgage loan modification require Fannie Mae's prior written approval, the servicer must request the mortgage insurer's approval, if required, after receiving notification of Fannie Mae's terms and conditions through HSSN.

Handling Fees and Late Charges in Connection with a Fannie Mae MyCity Modification

The servicer must not charge the borrower administrative fees.

The servicer is authorized to assess late charges during the Trial Period Plan. The servicer must waive all late charges, penalties, stop payment fees, or similar charges upon the borrower's conversion to a permanent mortgage loan modification.

The servicer must follow the procedures in *Requesting Reimbursement for Expenses Associated with Workout Options* in [F-1-06, Expense Reimbursement](#) for advancing funds and requesting reimbursement.

Handling a Default on a Fannie Mae MyCity Modification

If the mortgage loan becomes 60 or more days delinquent within the first 12 months after the effective date of the Fannie Mae MyCity Modification, the servicer must immediately work with the borrower to pursue a short sale or Mortgage Release™, or, in accordance with the mortgage loan documents and applicable law, commence foreclosure proceedings. If the servicer determines that another mortgage loan modification is appropriate for the borrower, it must obtain Fannie Mae's prior written approval.

F-1-20, Processing a Fannie Mae MyCity Modification

Introduction

This Servicing Guide Procedure contains the following:

- Obtaining a Property Valuation
- Determining the New Modified Mortgage Terms
- Preparing the Loan Modification Agreement
- Executing and Recording the Loan Modification Agreement
- Adjusting the Mortgage Loan Account Post-Mortgage Loan Modification

Obtaining a Property Valuation

The servicer must obtain a property valuation in accordance with *Determining Eligibility for a Fannie Mae MyCity Modification* in [D2-3.2-11, Fannie Mae MyCity Modification](#).

The servicer must obtain a property valuation, which must not be more than 90 days old at the time the servicer evaluates the borrower for the mortgage loan modification, using one of the following:

- an exterior BPO;
- an appraisal;
- Fannie Mae's APS;
- Freddie Mac's AVM;
- a third-party AVM; or
- the servicer's own internal AVM, provided that
 - the servicer is subject to supervision by a federal regulatory agency, and
 - the servicer's primary federal regulatory agency has reviewed the model.

If Fannie Mae's APS, Freddie Mac's AVM, the third-party AVM, or the servicer's internal AVM does not render a reliable confidence score, the servicer must obtain an assessment of the property value utilizing an exterior BPO, an appraisal, or a property valuation method documented as acceptable to the servicer's federal regulatory supervisor. The property value assessment must be rendered in accordance with the FDIC's Interagency Appraisal and Evaluation Guidelines regardless of whether such guidelines apply to mortgage loan modifications.

The servicer must attach the valuation and documentation when submitting its proposed recommendation to Fannie Mae through HSSN.

Determining the New Modified Mortgage Loan Terms

The servicer must determine the borrower's new modified mortgage loan terms in accordance with *Determining the Fannie Mae MyCity Modification Terms* in [D2-3.2-11, Fannie Mae MyCity Modification](#). The servicer must follow the steps in the order provided in the following table in an effort to achieve a target reduction in the P&I payment of as close to, but not exceeding, 60%.

Step	Action
1	<p>Capitalize arrearages.</p> <p>The following are considered as acceptable arrearages for capitalization:</p> <ul style="list-style-type: none">▪ accrued interest,▪ out-of-pocket escrow advances to third parties,▪ any required escrow advances that will be paid to third parties by the servicer during the Trial Period Plan, and▪ servicing advances paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by state laws. <p>Note: If applicable state law prohibits capitalization of past due interest or any other amount, the servicer must collect such funds from the borrower over a period not to exceed 60 months unless the borrower decides to pay the amount upfront. Late charges may not be capitalized and must be waived if the borrower satisfies all conditions of the Trial Period</p>

Step	Action
	Plan. See <i>Administering an Escrow Account in Connection With a Mortgage Loan Modification</i> in B-1-01, Administering an Escrow Account and Paying Expenses for additional information.
2	Reduce the starting interest rate in increments of 0.125% to get as close as possible to the target reduction in the P&I payment. Note: The starting interest rate is the current interest rate (the note rate) on the mortgage loan. The interest rate floor in all cases is 2%.
3	Extend the term in one month increments not to exceed 480 months from the mortgage loan Modification Effective Date. Note: When the mortgage loan is secured by a property where the title is held as a leasehold estate, the term of the leasehold estate must not expire prior to the date that is five years beyond the new maturity date of the modified mortgage loan. In the event that the current term of the leasehold estate would expire prior to such date, the term of the leasehold estate must be renegotiated to satisfy this requirement for the mortgage loan to be eligible for the mortgage loan modification.
4	Forbear principal up to 30% of the UPB of the mortgage loan (including capitalization of arrearages).

The servicer must request Fannie Mae's prior written approval through HSSN to deviate from the prescribed steps for determining the new modified mortgage payment terms, unless a certain step is prohibited or otherwise limited by applicable state law. If the servicer applies the steps as listed in the preceding table and a 60% P&I payment reduction cannot be achieved, the borrower is still eligible for a Fannie Mae MyCity Modification provided all other eligibility criteria of the Fannie Mae MyCity Modification program are met.

Preparing the Loan Modification Agreement

The servicer must complete the mortgage loan modification in accordance with *Requirements Upon Receipt of Fannie Mae's Eligibility Review* in [D2-3.2-11, Fannie Mae MyCity Modification](#).

The servicer must prepare the Loan Modification Agreement early enough in the Trial Period Plan to allow sufficient processing time so that the mortgage loan modification becomes effective on the first day of the month following the Trial Period Plan (Modification Effective Date). If the borrower does not make the final Trial Period Plan payment until the end of the month in which it is due, the servicer is authorized to complete the Loan Modification Agreement with a Modification Effective Date that is the first day of the second month following the Trial Period Plan. However, no additional Trial Period Plan payment is required during the interim month.

Note: The Loan Modification Agreement must be prepared any time prior to the completion of the Trial Period Plan but in no instance can the Loan Modification Agreement be prepared on or after the mortgage loan Modification Effective Date.

The servicer must incorporate into the *Loan Modification Agreement* ([Form 3179](#)) additional provisions required pursuant to the [Summary: Modification Agreement Form 3179](#).

Executing and Recording the Loan Modification Agreement

The servicer must complete the mortgage loan modification in accordance with *Requirements Upon Receipt of Fannie Mae's Eligibility Review* in [D2-3.2-11, Fannie Mae MyCity Modification](#).

In order to ensure that the modified mortgage loan retains its first lien position and is fully enforceable, the servicer must take the actions described in the following table.

✓	The servicer must...
	Ensure that the Loan Modification Agreement is executed by the borrower(s).
	<p>Ensure that, in the following circumstances, the Loan Modification Agreement is in recordable form:</p> <ul style="list-style-type: none"> ▪ if state or local law requires a mortgage loan modification agreement be recorded to be enforceable; ▪ if the amount capitalized is greater than \$50,000 (aggregate capitalized amount of all modifications of the mortgage loan completed under Fannie Mae's mortgage loan modification options); ▪ if the final interest rate on the modified mortgage loan is greater than the pre- modified interest rate in effect on the mortgage loan; ▪ if the remaining term on the mortgage loan is less than or equal to ten years and the servicer is extending the term of the mortgage loan more than ten years beyond the original maturity date; ▪ the Loan Modification Agreement contains assignment of leases and rents provisions; or ▪ if the servicer's practice for modifying mortgage loans in its portfolio is to create mortgage loan modification agreements in recordable form.
	Ensure all real estate taxes and assessments that could become a first lien are current, especially those for manufactured homes taxed as personal property, personal property taxes, condo/HOA fees, utility assessments (such as water bills), ground rent, and other assessments.
	<p>Obtain a title endorsement or similar title insurance product issued by a title insurance company if:</p> <ul style="list-style-type: none"> ▪ the amount capitalized is greater than \$50,000 (aggregate capitalized amount of all modifications of the mortgage loan completed under Fannie Mae's mortgage loan modification options); or ▪ the final interest rate on the modified mortgage loan is greater than the pre- modified interest rate in effect on the mortgage loan.
	<p>Record the executed Loan Modification Agreement if:</p> <ul style="list-style-type: none"> ▪ state or local law requires the mortgage loan modification agreement be recorded to be enforceable; ▪ the amount capitalized is greater than \$50,000 (aggregate capitalized amount of all modifications of the mortgage loan completed under Fannie Mae's mortgage loan modification workout options); ▪ the final interest rate on the modified mortgage loan is greater than the interest rate in effect prior to modification of the mortgage loan; or ▪ the remaining term on the mortgage loan is less than or equal to ten years and the servicer is extending the term of the mortgage loan more than ten years beyond the original maturity date.

If the mortgage loan is for a manufactured home, and the lien was created, evidenced, or perfected by collateral documents that are not recorded in the land records, the servicer must also take such action as may

be necessary, including any amendment, recording, and/or filing that may be required, to ensure that the collateral documents reflect the mortgage loan modification, if necessary, in order to preserve Fannie Mae's lien status for the entire amount owed. See *Identifying Manufactured Home Mortgage Loans* in [A2-5.1-02, Overview of Individual Mortgage Loan Files and Records](#) for additional information regarding collateral documents.

The following table provides the servicer's requirements for executing and recording the Loan Modification Agreement based upon the entity that is the mortgagee of record.

If...	Then the servicer must...
the servicer is the mortgagee of record	take all the following actions:
Mortgage Electronic Registration System, Inc. (MERS) is the mortgagee of record	<ol style="list-style-type: none"> 1. Execute the Loan Modification Agreement. 2. Have the executed Loan Modification Agreement recorded, if required by local law or Fannie Mae.
Fannie Mae is the mortgagee of record and has given the servicer a limited power of attorney that allows it to execute this type of mortgage loan modification on Fannie Mae's behalf	<ol style="list-style-type: none"> 3. Send the Loan Modification Agreement to the document custodian. <p>Note: If Fannie Mae's DDC is the custodian, the documents must be annotated with the Fannie Mae loan number and, if applicable, the MERS number, and mailed to The Bank of New York Mellon Trust Company, NA (see F-4-03, List of Contacts).</p>
Fannie Mae is the mortgagee of record, but has not given the servicer a limited power of attorney that allows it to execute this type of mortgage loan modification on Fannie Mae's behalf	<p>Mail the Loan Modification Agreement to Fannie Mae's NSO (see F-4-03, List of Contacts) for execution.</p> <p>Documents sent to Fannie Mae for execution must</p> <ul style="list-style-type: none"> ▪ be identified by the Fannie Mae loan number, ▪ be sent under cover of a letter that provides any special instructions related to execution of the documents, and ▪ indicate the name and address to which the executed documents should be returned.

Adjusting the Mortgage Loan Account Post-Mortgage Loan Modification

The servicer must complete the mortgage loan modification in accordance with *Requirements Upon Receipt of Fannie Mae's Eligibility Review* in [D2-3.2-11, Fannie Mae MyCity Modification](#).

After a mortgage loan modification is executed, the servicer must adjust the mortgage loan account as described in the following table.

✓	The servicer must...
	<p>For a portfolio mortgage loan, add any amounts to be capitalized to the UPB of the mortgage loan as of the date specified in the agreement. Usually, the capitalization date is one month before the new modified payment will be due.</p> <p>Note: The servicer may request reimbursement from Fannie Mae when any of its costs are capitalized.</p>

✓	The servicer must...
	Revise the borrower's payment records to provide for collection of the modified payment.
	<p>If the servicing fee that the servicer was receiving before the mortgage loan modification was greater than one-quarter of one percent (0.25%), then the servicer must change the servicing fee to one-quarter of one percent (0.25%).</p> <p>Note: For mortgage loans that have lender-paid mortgage insurance, see B-8.1-02, Paying Conventional Mortgage Insurance Premiums for additional information.</p>
	<p>Apply any funds that</p> <ul style="list-style-type: none"> ▪ the borrower deposited with the servicer as a condition of the mortgage loan modification, ▪ have been deposited on behalf of the borrower in connection with the mortgage loan modification, or ▪ the mortgage insurer contributed in connection with the mortgage loan modification. <p>Note: Amounts due for repayment of principal, interest, or advances must be remitted promptly to Fannie Mae. The remaining funds may be used to clear any advances made by the servicer or to credit the borrower's escrow deposit account.</p>

The servicer should contact its 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.

Malloy Evans
Vice President
National Servicing Organization