

## ***Servicing Guide* Announcement SVC-2015-11**

August 12, 2015

### ***Servicing Guide* Updates**

The *Servicing Guide* has been updated to include the following:

- Extension to Receive an Executed Form 720
- Updates to Requirements for Collecting Under an Assignment of Rents
- Updates to Requirements for Performing Property Inspections
- Changes to Issuing Bidding Instructions
- Updates to Flood Insurance Requirements
- Miscellaneous Revisions

Each of these updates is described below. The servicer must review each topic in the *Servicing Guide* in its entirety, as applicable, to gain a full understanding of the policy change(s).

#### **Extension to Receive an Executed Form 720**

Fannie Mae is extending the date by which the servicer must receive an executed *Real Estate Fraud Certification* ([Form 720](#)) or U.S. Treasury Department's "Dodd Frank Certification" in order for the borrower to receive an expanded "pay for performance" incentive. *Servicing Guide* [D2-3.2-07, Fannie Mae HAMP Modification](#) and [F-2-03, Incentive Fees for Workout Options](#) specify that an executed form must be received on or before the sixth anniversary of the Fannie Mae HAMP Trial Period Plan effective date or September 1, 2015, whichever is later. Such date has been extended from September 1, 2015 to January 1, 2016.

Notwithstanding the extension to receive the executed [Form 720](#) or Dodd Frank Certification, the following policies and requirements remain the same:

- Dates related to providing written notices regarding the potential for receipt of expanded "pay for performance" incentives, as specified in *Servicing Guide* [D2-3.2-07, Fannie Mae HAMP Modification](#).
- Date to which the expanded "pay for performance" incentives will be available for payment, as specified in *Servicing Guide* [F-1-29, Processing a Workout Incentive Fee](#).

#### ***Effective Date***

These policy changes are effective immediately. The date extension will be reflected in the September 2015 *Servicing Guide*.

## Updates to Requirements for Collecting Under an Assignment of Rents

*Servicing Guide* [E-3.2-11, Collecting Under an Assignment of Rents](#) has been updated to authorize the servicer to determine whether it is appropriate and legally permissible to pursue collections under an assignment of rents provision in the security instrument without requiring Fannie Mae's prior approval and legal instruction for collecting and processing rents.

### **Effective Date**

This policy change is effective October 1, 2015.

## Updates to Requirements for Performing Property Inspections

*Servicing Guide* [D2-2-11, Requirements for Performing Property Inspections](#) has been updated as follows:

- identifies specific circumstances in which the servicer is only authorized to consider a curbside (drive-by) inspection as an exterior inspection, and
- requires the servicer to prepare and make any checklists or other documentation relied upon to determine that a property is owner-occupied or tenant-occupied available to Fannie Mae upon request.

In addition, Fannie Mae has updated the *Property Inspection Report* ([Form 30](#)). Also, the *Servicing Guide* has been updated to remove the term "comprehensive" in reference to a type of property inspection, as the new [Form 30](#) now includes all information previously required to be deemed a "comprehensive" property inspection.

### **Effective Date**

The servicer is encouraged to implement these policy changes immediately, but must implement the changes by January 1, 2016.

## Changes to Issuing Bidding Instructions

*Servicing Guide* [E-3.3-04, Issuing Bidding Instructions](#) has been updated as follows:

- For conventional mortgage loans that have an outstanding property (hazard) or flood insurance claim, the servicer must deduct any outstanding property (hazard) or flood insurance claim and instruct the law firm to bid
  - an amount equal to the lesser of
    - 100% of the reserve price obtained from Fannie Mae; or
    - the total mortgage indebtedness minus any outstanding (hazard) or flood insurance claim; or
  - such other amount as may be required by applicable law (e.g., judgment amount).

*NOTE: If the calculated reserve price is not available prior to the foreclosure sale date or the deadline as required by the law firm, the servicer must bid the total indebtedness amount (minus any outstanding property (hazard) or flood insurance claim), or such other amount as may be required by applicable law.*

- For first lien co-op loans, the servicer must now adhere to the same bidding instructions required for conventional first lien mortgage loans. The servicer must follow policies around outstanding property (hazard) or flood insurance claims, if applicable.

### ***Effective Date***

The servicer is encouraged to implement these policy changes immediately, but must implement the changes by December 1, 2015.

## **Updates to Flood Insurance Requirements**

The *Servicing Guide* has been updated with new requirements for flood insurance coverage.

- *Servicing Guide* [B-3-01, Flood Insurance Requirements Applicable to All Property Types](#) has been updated as follows:
  - no longer requires flood insurance on a non-residential detached structure,
  - for communities that participate in the Emergency Program of the NFIP, requires the borrower to obtain private insurance or a supplemental private policy in conjunction with an NFIP Emergency Program policy that fully meets Fannie Mae's flood insurance coverage requirements in situations where the NFIP Emergency Program only provides limited coverage; and
  - when a property is remapped out of an SFHA, the servicer must not require flood insurance. If the borrower provides a letter from FEMA stating that the structure is no longer in an SFHA and requests that the flood insurance be cancelled, the servicer must
    - cancel the flood insurance, and
    - maintain a copy of the letter from FEMA in the individual mortgage loan file.
- *Servicing Guide* [B-3-02, Flood Insurance Requirements for Mortgage Loans Secured by a One- to Four-Unit Property](#) has been updated to require the servicer of a second lien mortgage loan to consider the UPB of all property liens when determining the appropriate flood insurance coverage if the holder of the first lien mortgage loan did not require flood insurance coverage.
- *Servicing Guide* [B-3-03, Flood Insurance Requirements for Mortgage Loans Secured by a Unit in a PUD, Condo, or Co-op](#) has been updated as follows:
  - For a PUD -
    - Coverage must meet the one-to four-unit coverage requirements and a stand-alone dwelling policy may be maintained to meet these requirements.
    - Removes language related to policies covering common element buildings and properties located in an SFHA.
  - For a Condo -
    - Requires the HOA to obtain a private policy for each building located in a SFHA if it cannot obtain a Residential Condominium Building Association Policy. Building coverage must equal at least 80% of the insurable value of the common elements and property, including machinery and equipment that are part of the building.
    - Requires coverage for each unit to be based on the coverage requirement for mortgage loans secured by one- to four-unit properties

- Requires a supplemental policy be maintained by the borrower for the difference if the condo project master policy meets the minimum coverage requirements but does not meet the one- to four-unit coverage requirements.

### **Effective Date**

The servicer is encouraged to implement the policy changes immediately, but must implement them no later than November 1, 2015.

### **Miscellaneous Revisions**

The [Streamlined Modification Solicitation Letter](#) has been updated to reflect the changes to *Servicing Guide* [D2-3.2-08, Fannie Mae Streamlined Modification](#) that were previously communicated in Announcement SVC-2015-04: Servicing Guide Updates.

*Servicing Guide* [F-4-03, List of Contacts](#) has been revised to change the purpose and the email address for contacting the LQC File Receipt and Assignment Team.

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The servicer should contact its Servicing Consultant, Portfolio Manager, or Fannie Mae's Credit Portfolio Management's Servicer Support Center at 1-888-FANNIE5 (1-888-326-6435) with any questions regarding this Announcement.

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