



## **Servicing Guide Announcement SVC-2017-05**

**June 21, 2017**

### **Servicing Guide Updates**

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

- Elimination of Certain Servicing Requirements for Acquired Properties
- Miscellaneous Flex Modification Updates\*
- Short Sale Delegation Changes and HomePath for Short Sales\*
- Recording Requirements for Mortgage Loan Satisfactions
- Removal of Certain Breach of Contract Metrics
- Consolidation of Document Custody Policy
- Miscellaneous Revisions

\*Policy change not applicable to reverse mortgage loans.

Several of these updates described below help to simplify servicing. The *Servicing Guide* provides full details of the policy changes.

#### **Elimination of Certain Servicing Requirements for Acquired Properties**

We continue to review our policies in order to relieve servicers of the burden of post-foreclosure sale responsibilities, where possible. To further reduce servicers' costs and operational risk, *Servicing Guide* [E-4.3-01, Managing the Property Post-Foreclosure Sale](#), has been updated to eliminate the requirement for servicers to pay property taxes for acquired properties in all states, except when directed by us.

#### **Effective Date**

This policy change is effective for all mortgage loans with a foreclosure sale date or Mortgage Release™ date occurring on or after August 1, 2017.

For details on the elimination of post-sale requirements for reverse mortgage loans, see [Announcement RVS-2017-01, Reverse Mortgage Loan Servicing Manual Updates](#).

#### **Miscellaneous Flex Modification Updates**

In Lender Letter [LL-2016-06, Fannie Mae Flex Modification](#), we introduced new recording requirements. Since then, servicers have asked to apply those Flex Mod recording requirements to all modification programs. As a result of that feedback, servicers are now authorized to use the recording requirements outlined in *Executing and Recording the Loan Modification Agreement* in that Lender Letter for all Fannie Mae mortgage loans permanently modified in accordance with the *Servicing Guide* after December 14, 2016. For mortgage loans permanently modified prior to December 14, 2016, the existing recording requirements in the *Servicing Guide* continue to apply.

In addition, we are clarifying that in connection with the incorporation of the Fannie Mae Flex Modification into the *Servicing Guide*, the Fannie Mae Streamlined Modification Post Disaster Forbearance will be removed from the *Servicing Guide*, but will be incorporated within the Flex Modification program.



## Effective Date

These policy clarifications are effective immediately.

## Short Sale Delegation Changes and HomePath for Short Sales

The *Servicing Guide* allows servicers to provide list price guidance and enter into offer negotiations with the borrower's real estate agent when processing a short sale case. However, this allowance increases servicer risk and creates unnecessary complexity by putting servicers in the middle of the short sale negotiation between the borrower's agent and Fannie Mae. In addition, the current policy allows for both delegated and non-delegated short sale cases, which creates operational complexity that is particularly problematic for servicers who see only a low volume of short sale cases.

In an effort to simplify the short sale process and reduce servicer responsibilities, we are eliminating the delegated short sale case. We will now communicate directly with the borrower's real estate agent through Fannie Mae's HomePath® for Short Sales to provide list price guidance and to negotiate the terms of the short sale. As a result, the *Servicing Guide* has been updated as follows:

- [A4-2.1-03, Managing Short Sales](#) removes the option for the servicer to approve a Fannie Mae short sale;
- [D2-3.3-01, Fannie Mae Short Sale](#) requires that once a borrower who has expressed interest in a short sale has selected a real estate agent, the servicer must contact the agent and refer them to HomePath for Short Sales for list price guidance or, if applicable, to register the short sale offer;
- [D2-3.3-01, Fannie Mae Short Sale](#) and [F-1-19, Processing a Fannie Mae Short Sale](#) requires that once the servicer has evaluated a borrower for a short sale and confirmed eligibility, the servicer must request our prior written approval for the short sale by submitting as a non-delegated case in Fannie Mae's servicing solutions system;
- [E-3.4-01, Suspending Foreclosure Proceedings for Workout Negotiations](#) removes all references to the servicer's authorization to decision a Fannie Mae short sale without our prior written approval; and
- [F-1-31, Reporting a Short Sale to Fannie Mae](#) removes the requirement for the servicer to report a Fannie Mae short sale as a delegated case.

## Effective Date

These policy changes must be implemented by August 1, 2017; however, servicers are encouraged to implement them as early as July 1, 2017.

## Recording Requirements for Mortgage Loan Satisfactions

The *Servicing Guide* has been updated to clarify our policy and procedures for recording mortgage loan satisfactions and requesting reimbursement:

- [C-1.2.04, Satisfying the Mortgage Loan and Releasing the Lien](#), currently instruct servicers to satisfy a mortgage loan and release the lien in a timely manner, but it does not expressly require servicers to record a release of lien after a payoff; unreleased prior liens can result in title defects. We have clarified that the servicer must record the release of lien in the real property records for all mortgage loans.
- The state list was removed from [F-1-06, Expense Reimbursement](#), and [C-1.2-05, Charging for a Release of Lien](#), was updated to reflect that applicable state or local law and/or mortgage loan documents are considerations in whether a release of lien fee may be charged to the borrower; and
- The procedures to request reimbursement of these expenses was updated in [F-4-03, List of Contacts](#).



## Effective Date

These policy changes must be implemented by September 1, 2017; however, servicers are encouraged to implement them immediately.

## Removal of Certain Breach of Contract Metrics

*Servicing Guide*, [A1-4.1-01, Defining a Breach of Contract](#), has been updated to remove the 30-, 60-, 90+- day delinquency and REO metric. We no longer use the delinquency or REO rate metric as a measure of servicer performance. Instead, servicer performance is measured by how well servicers are able to prevent credit losses for us. These new measures are included in the [STAR Reference Guide](#), which is incorporated by reference into the *Servicing Guide*.

## Effective Date

This policy clarification is effective immediately.

## Consolidation of Document Custody Policy

Previously, the *Servicing* and *Selling Guides* contained a number of topics with duplicate content describing the custody of mortgage documents, requirements for document custodians, and related seller/servicer requirements. The requirements that apply to document custodians are more fully described in *Fannie Mae's Requirements for Document Custodians* (RDC) published on our website, or in the Master Custodial Agreements ([Forms 2003](#) or [2010](#)).

In an effort to simplify our *Guides*, we have removed the duplicate content from the *Servicing Guide*, [Chapter A2-6, Requirements Related to Custodial Documents](#), and have replaced it with references to the applicable content in the *Selling Guide*. The *Selling Guide* will be updated on June 27, 2017 to include the following changes:

- removal of the content that applies specifically to document custodians that is already in the RDC;
- the remaining document custody content will be rewritten, reorganized, and streamlined; and
- clarification of certain related policies, including:
  - for portfolio mortgage loans and MBS mortgage loans delivered as eNotes, Fannie Mae is the document custodian (third parties, including Fannie Mae's designated document custodian, certify eNotes); and
  - changed references to "recertifying the pool" to "recertifying the custodial documents" to clarify that recertification is required for portfolio mortgage loans and MBS mortgage loans.

Links to the deleted topics in the *Servicing Guide* have been updated to reference the *Selling Guide* or the RDC, as applicable.

## Updated *Servicing Guide* Topics

- [A2-6-01, Custodial Documents](#)
- A2-6-02, Document Custodians (Deleted)
- A2-6-03, Fannie Mae's Designated Document Custodian (Deleted)
- A2-6-04, Operational Requirements Applicable to All Document Custodians (Deleted)
- A2-6-05, Transfer of Custodial Documents to a Different Document Custodian (Deleted)
- A2-6-06, Document Custodian Reporting Requirements: Active and Inactive Status (Deleted)
- F-1-35, Reconciling Custodial Documents (Deleted)

The following table provides more detailed information on placement of the content in the updated *Servicing Guide*.

Updated <i>Servicing Guide</i> Topic	New Content Location
A2-6-01, Custodial Documents	<ul style="list-style-type: none"> <li>• <i>Selling Guide</i> A3-3-04, Document Custodians</li> </ul>



Note: This Topic remains in the <i>Servicing Guide</i> to provide references to the applicable content in the <i>Selling Guide</i> .	<ul style="list-style-type: none"> <li>• <i>Selling Guide</i> A3-3-05, Custody of Mortgage Documents</li> <li>• <i>Requirements for Document Custodians</i></li> </ul>
A2-6-02, Document Custodians	<ul style="list-style-type: none"> <li>• <i>Selling Guide</i> A3-3-04, Document Custodians</li> <li>• <i>Requirements for Document Custodians</i></li> </ul>
A2-6-03, Fannie Mae’s Designated Document Custodian	<ul style="list-style-type: none"> <li>• <i>Selling Guide</i> A3-3-04, Document Custodians</li> </ul>
A2-6-04, Operational Requirements Applicable to All Document Custodians	<ul style="list-style-type: none"> <li>• <i>Requirements for Document Custodians</i></li> </ul>
A2-6-05, Transfer of Custodial Documents to a Different Document Custodian	<ul style="list-style-type: none"> <li>• <i>Selling Guide</i> A3-3-05, Custody of Mortgage Documents</li> <li>• <i>Requirements for Document Custodians</i></li> </ul>
A2-6-06, Document Custodian Reporting Requirements: Active and Inactive Status	<ul style="list-style-type: none"> <li>▪ <i>Requirements for Document Custodians</i></li> </ul>
F-1-35, Reconciling Custodial Documents	<ul style="list-style-type: none"> <li>▪ <i>Requirements for Document Custodians</i></li> </ul>

**Effective Date**

These updates are effective immediately.

**Miscellaneous Revisions**

- We have corrected typographical errors related to the requirement to evaluate a borrower’s payment history in relation to an escrow waiver request. A servicer is required to deny an escrow waiver to a borrower with any delinquency in the 12 months immediately preceding the request and to deny a waiver to a borrower with a 60+-day delinquency in the 24 months immediately preceding the request, as was accurately updated in the *Servicing Guide*. Refer to *Servicing Guide* [B-1-01, Administering an Escrow Account and Paying Expenses for details](#). Additionally, the mandatory effective date of the policy has been changed to August 1, 2017.
- The *Servicing Guide* has been updated to reflect policies announced with Announcement SEL-2017-05 on May 30, 2017, to
  - permit servicing of mortgage loans with electronic documents, including mortgage loan modification agreements, that have been electronically notarized, either in person or remotely using real-time, two-way audio/video communication, provided certain requirements are met; and
  - clarify that maintaining copies of certain recorded documents in the individual mortgage loan file is permissible, while originals of certain unrecorded mortgage documents must be maintained. *Servicing Guide* [A2-5.1-02, Overview of Individual Mortgage Loan Files and Records](#), has been updated to reflect these requirements.

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Contact your Customer Delivery Team, Portfolio Manager, or Fannie Mae’s Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643) with any questions regarding this Announcement.

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