

# Servicing Guide Announcement (SVC-2020-02)

Jun. 10, 2020

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

- **[Pre-modification housing expense-to-income ratio calculation for imminent default and cash contribution\\*](#)**: updated instructions to servicers regarding escrow shortages that are part of the full monthly contractual payment.
- **[Miscellaneous revisions\\*](#)**: clarified delinquency status reporting requirements and updated Form 710.

View the list of [impacted topics](#).

\*Policy change not applicable to reverse mortgage loans.

## Pre-modification housing expense-to-income ratio calculation for imminent default and cash contribution

We have updated the *Guide* to instruct servicers that any escrow shortage currently included as part of the full monthly contractual payment should also be included as part of a borrower's pre-modification monthly housing expense when calculating the housing expense-to-income ratio. This calculation must be used when:

- Evaluating the borrower for imminent default for a conventional mortgage loan modification, Fannie Mae short sale, or Fannie Mae Mortgage Release; or
- Determining a borrower's ability to make a cash contribution towards a Fannie Mae short sale or Fannie Mae Mortgage Release.

**Effective:** Servicers are encouraged to implement this change immediately, but must do so by Sept. 1, 2020.

## Miscellaneous revisions

**Clarifications of delinquency status reporting requirements.** We are clarifying that, in addition to mortgage loans that are delinquent, it is the servicer's responsibility to report status information for mortgage loans that are current or less than 30 days delinquent when an action was taken on that loan in the preceding month, such as granting forbearance, initiating a workout for a loan in imminent default, or reporting a bankruptcy.

**Effective:** Servicers that are not reporting as indicated are encouraged to do so immediately, but must do so by Sept. 1, 2020.

**Updates to Form 710.** The Borrower Certification and Agreement section of the *Mortgage Assistance Application* ([Form 710](#)) has been updated to accommodate the sharing of information covered by the Taxpayer First Act. The revisions expand the borrower's consent to use their collected personal information for additional purposes permitted by applicable law. This includes the Taxpayer First Act, and covers providing mortgage assistance, verifying any data or information contained in the application, and performing audit and quality control reviews. Also, the definition of personal information expressly includes the borrower's tax return and the information it contains.

**Effective:** Servicers must begin using the updated [Form 710](#) immediately.



See the *Servicing Guide* for details about these updates.

Servicers who have questions about this Announcement should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae's Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643).

Have Guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).

## Impacted Topics

Section of the Announcement	Updated <i>Servicing Guide</i> Topics (Dated Jun. 10, 2020)
Clarifying the Pre-Modification Housing Expense-to-Income Ratio Calculation for Imminent Default and Cash Contribution	<ul style="list-style-type: none"><li>▪ <a href="#">F-1-12, Preparing to Implement a Workout Option</a></li><li>▪ <a href="#">F-1-14, Processing a Fannie Mae Mortgage Release (Deed-In-Lieu of Foreclosure)</a></li><li>▪ <a href="#">F-1-15, Processing a Fannie Mae Short Sale</a></li></ul>
Miscellaneous Revisions	<ul style="list-style-type: none"><li>▪ <a href="#">D2-4-01, Reporting a Delinquent Mortgage Loan to Fannie Mae</a></li><li>▪ <a href="#">E-2.1-01, General Servicing Requirements for Mortgage Loans Under Bankruptcy Protection</a></li><li>▪ <a href="#">F-1-22, Reporting a Delinquent Mortgage Loan via Fannie Mae's Servicing Solutions System</a></li></ul>