

Servicing Guide Announcement SVC-2012-17R

October 1, 2012

Updates to Hazard Insurance Coverage Policy (Reissued)

Reissuance of the Updates to Hazard Insurance Coverage Policy Announcement

Introduction

This Announcement, a reissuance of Announcement SVC-2012-17 which was originally issued on August 22, 2012, provides additional policy clarification and supersedes Announcement SVC-2012-17 in its entirety. Policy clarifications and new instructions that are incorporated into this Announcement are identified by bold type. (Other minor editorial changes are included in this document but not identified in bold.)

In *Servicing Guide* Announcement SVC-2012-04, Updates to Lender-Placed Property Insurance and Hazard Insurance Claims Processing, Fannie Mae amended and clarified its policies regarding lender-placed property insurance and hazard insurance claims processing. Fannie Mae is providing additional guidance to servicers regarding the continuation or cancellation of hazard insurance coverage.

Hazard Insurance Coverage

***Servicing Guide*, Part VIII, Section 113: Hazard Insurance Coverage and Section 302: Property Management**

The changes in this Announcement apply both to borrower-paid and lender-placed property insurance for the following types of mortgage loans:

- conventional first-lien mortgage loans,
- conventional second-lien mortgage loans for which Fannie Mae either had an ownership interest in the first-lien mortgage loan or paid off the first-lien mortgage loan in connection with the foreclosure of the second-lien mortgage loan,
- FHA or VA mortgage loans that cannot be conveyed to the insurer or guarantor, and
- RD-guaranteed mortgage loans serviced under the special servicing option.

Currently, Fannie Mae instructs servicers to generally cancel hazard insurance coverage within 14 days after the foreclosure sale. Effective **for all mortgage loans where the foreclosure sale is held on or after** October 1, 2012, servicers must cancel hazard insurance coverage within 14 days after the post-foreclosure property inspection has been completed and the property has been confirmed vacant by the broker, agent, or property management company Fannie Mae may designate to perform post-foreclosure property inspections.

Fannie Mae will provide the vacant property report through HomeTracker®. If the servicer has not acquired access to HomeTracker, instructions ([How to Obtain Access to HomeTracker](#)) are available on Fannie Mae's website.



If the subject property is located in a redemption state, the servicer must cancel hazard insurance coverage once the redemption period has expired and the property is reported vacant.

If the servicer cancels the insurance policy prematurely and damages are found, the servicer will be required to make Fannie Mae whole for any losses or fees relating to the property damages.

Servicers should contact their Servicing Consultant, Portfolio Manager, or Fannie Mae's National Servicing Organization's Servicing Solutions Center at 1-888-FANNIE5 (1-888-326-6435) with any questions regarding this Announcement.

Gwen Muse-Evans
Senior Vice President
Chief Risk Officer for Credit Portfolio Management