

***Servicing Guide* Announcement SVC-2012-27**

December 20, 2012

Miscellaneous Servicing Policy Announcement

This Announcement describes servicing policy changes and reminders on the following topics:

- Late notices,
- Filing of Cancellation of Debt (IRS Form 1099-C), and
- Lien releases.

Late Notices

***Servicing Guide*, Part VII, Section 206: Late Notices and Section 308: Offering Early Delinquency Counseling**

Pursuant to Part VII, Section 308, for community lending mortgage loans for which Fannie Mae requires the servicer to offer early delinquency counseling, the servicer must send a payment reminder notice and a *Borrower Solicitation Letter – 31 Days Delinquent* ([Form 731](#)) or its equivalent to the borrower. The current requirement states that the servicer must send the payment reminder notice no later than the 10th day of delinquency and the Form 731 or its equivalent no later than the 17th day of delinquency.

Effective immediately, servicers must revise the first sentence of Form 731 to reflect the number of days that the borrower is delinquent when the form is sent. The first sentence currently states, “Your mortgage payment is now 30 days or more past due...,” so it must be revised to accurately reflect the number of days that the mortgage loan is delinquent.


Filing of IRS Form 1099-C for Certain Mortgage Loans

***Servicing Guide*, Part VIII, Section 118: Notifying IRS about Cancellations of Indebtedness and Section 118.01: Determining When a Debt is Canceled**

Part VIII, Section 118 of the *Servicing Guide* requires servicers to file a Cancellation of Debt (IRS Form 1099-C) when \$600 or more of a borrower’s mortgage debt is canceled. Effective immediately, servicers must cease filing an IRS Form 1099-C for mortgage loans that Fannie Mae has assigned or will assign to vendors for collection. Fannie Mae will provide a list of accounts to servicers by email for which they must not send the IRS Form 1099-C. Notice will take place no later than January 5th of the year following the calendar year in which the foreclosure sale occurs.

In cases where Fannie Mae has assigned accounts to vendors for collection, there is the potential for a delay between the assignment and exhaustion of collection efforts, or cancellation of the debt. Therefore, servicers must not file IRS Form 1099-Cs for these mortgage loans. (For additional detail regarding when a debt has been canceled, see Part VIII, Section 118.01 of the *Servicing Guide*.)

Servicers are reminded that they are responsible for filing the IRS Form 1099-C with the IRS on or before February 28 (or March 31, if filing electronically) of the year following the calendar year in which the discharge of indebtedness occurs. If the IRS penalizes Fannie Mae because the servicer failed to file a return—or filed an



incorrect or late return—Fannie Mae will require the servicer to reimburse Fannie Mae for any penalty fees the IRS assesses (unless the servicer can document that it met the filing requirements).

Lien Release

Servicing Guide, Part VI, Section 103: Satisfying the Mortgage Loan

Servicers are reminded of their obligations to take all actions necessary to satisfy a mortgage loan and to release the lien in a timely manner. Part VI, Section 103 of the *Servicing Guide* states, “Once the required release or satisfaction documents are executed and the mortgage note is canceled, the servicer must immediately send the canceled documents to the borrower if state law requires such action, or the borrower specifically requests the return of the documents. In other instances, the servicer may either return the documents to the borrower or retain them...” until the retention period required by applicable law expires. Though procedures may differ for satisfying the mortgage loan, the servicer has the ultimate responsibility for having the lien released in a timely manner.

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.

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