

## **Servicing Guide Announcement SVC-2013-03**

February 27, 2013

### **Miscellaneous Servicing Policy Updates**

This Announcement describes servicing policy changes and updates to the following:

- Private Flood Insurance
- Termination of Applicable Force-Placed Insurance, and
- Special Remittance Type Codes.

### **Effective Date**

Servicers are required to implement the insurance-related policies in this Announcement immediately. Servicers must report using the new codes for all applicable special remittances on or after April 1, 2013.

### **Private Flood Insurance**

#### ***Servicing Guide, Part II, Section 303: Acceptable Flood Insurance Policies***

As described in Announcement SEL-2013-02, *Lender Incentives for Borrowers and Private Flood Insurance Policies*, the Biggert-Waters Flood Insurance Reform Act of 2012 requires that Fannie Mae accept flood insurance from private providers as an alternative to NFIP policies. The terms and amount of coverage provided under a private policy must be at least equal to that provided under an NFIP policy and the private insurer must meet Fannie Mae's rating requirements for insurance underwriters (described in Part II, Section 202.01: Rated Insurance Underwriters of the *Servicing Guide*).

### **Termination of Applicable Force-Placed Insurance**

#### ***Servicing Guide, Part II, Chapter 6: Lender-Placed Property Insurance***

Within 30 days of receiving confirmation of a borrower's insurance coverage, the servicer must terminate any force-placed insurance and refund all force-placed insurance premiums and fees charged to the borrower during any period of coverage overlap.

### **Updated Special Remittance Type Codes**

#### ***Servicing Guide, Part IX, Chapter 2, Exhibit 2: Special Remittance Type Codes for the CRS***

Servicers must report special remittances to Fannie Mae through the Cash Remittance System™ (CRS). Fannie Mae is revising three Special Remittance Type Codes:

- 313          Sale of Servicing Proceeds
- 320          Fire Loss Proceeds
- 333          Participation Receipts

Additionally, the description of Special Remittance Type Code 332: Hazard Insurance Recovery, has been revised to include funds received from the hazard insurance carrier to settle a claim related to a fire loss.

The revised Special Remittance Type Codes and their descriptions are as follows:

Code	Code Name and Description
313	<p>REOgram<sup>®</sup> Compensatory Fees:  Identifies funds that represent and are associated with lost marketing time, inherent risk (associated with Fannie Mae owning a property that Fannie Mae is not aware of), and the late reporting of a foreclosure within the REOgram process.</p>
320	<p>Non-Remitted Advanced Proceeds:  Identifies funds the servicer remits to pay Fannie Mae as a result of a loss incurred by Fannie Mae due to 'repayment of advance' proceeds not having been remitted to Fannie Mae by the servicer.</p>
332	<p>Hazard Insurance Recovery:  Identifies funds received from the hazard insurance carrier to settle a claim related to a loss that was submitted in connection with a foreclosed or Mortgage Release<sup>™</sup> property.</p> <p><i>NOTE: If the loan is current on Fannie Mae systems, any hazard loss proceeds applied to the active loan must be reported and remitted according to established Investor Reporting guidelines.</i></p>
333	<p>Indemnification Funds:  Identifies funds the servicer remits to pay Fannie Mae for various servicing violations that have caused harm or loss to Fannie Mae.</p>

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

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