

***Servicing Guide* Announcement SVC-2013-13**

June 19, 2013

Updates to Standard Short Sale/HAFA II and Mortgage Release™ (Standard Deed-in-Lieu of Foreclosure) Requirements

This Announcement describes policy changes and clarifications to the following:

- Multiple listing service requirements for standard short sale/HAFA II
- Credit report seasoning for standard short sale/HAFA II
- Streamlined documentation requirements for transition from standard short sale/HAFA II to Mortgage Release
- Property inspection requirements for Mortgage Release
- Submitting the REOgram® and subordinate lien releases
- Title insurance requirements for Mortgage Release

Servicers are encouraged to implement the new policies in this Announcement immediately; however, servicers are required to implement these policies no later than August 1, 2013.

Multiple Listing Service Requirements for Standard Short Sale/HAFA II

Servicing Guide, Part VII, Section 604.05: Requesting Fannie Mae's Approval; Announcement SVC-2012-19, Standard Short Sale/HAFA II and Deed-in-Lieu of Foreclosure Requirements

On or after August 1, 2013, all properties being considered for a standard short sale/HAFA II must be listed with an active status on a multiple listing service (MLS) for a minimum of five consecutive calendar days, including one weekend (i.e., Saturday and Sunday), prior to the servicer

- submitting the standard short sale/HAFA II recommendation to Fannie Mae for review, or
- approving the standard short sale/HAFA II.

The property must be listed on the applicable MLS which covers the geographic area in which the property is located and a printed copy of the property's MLS listing must be kept on file. If a property is located in an area that is not covered by an MLS, the property must be advertised in a manner customary for that real estate market for at least five consecutive calendar days, including one weekend.

Credit Report Seasoning for Standard Short Sale/HAFA II

Servicing Guide, Part VII, Section 604.01: Identifying Potential Candidates; Announcement SVC-2012-19, Standard Short Sale/HAFA II and Deed-in-Lieu of Foreclosure Requirements

As stated in Announcement SVC-2012-19, the servicer is required to obtain a new credit report if the borrower's credit report is more than 90 days old when the servicer conducts an evaluation of the purchase offer and the borrower's contribution. Effective with this Announcement, if the borrower qualifies for a standard

short sale/Hafa II under the streamlined documentation requirements, a new credit report is not required. In addition, the servicer must not request a contribution from the borrower, under the streamlined documentation process.

Streamlined Documentation Requirements for Transition from Standard Short Sale/Hafa II to Mortgage Release

Servicing Guide, Part VII, Section 604: Preforeclosure Sales and Section 606: Deeds-in-Lieu of Foreclosure; Announcement SVC-2012-19, Standard Short Sale/Hafa II and Deed-in-Lieu of Foreclosure Requirements and Announcement SVC-2012-25, Mortgage Release Requirements and Updates to Standard Short Sale/Hafa II Requirements

In Announcement SVC-2012-19, Fannie Mae provided new streamlined documentation requirements for use in evaluating a borrower for a standard short sale/Hafa II or Mortgage Release. Effective with this Announcement, if a borrower originally qualified for a standard short sale/Hafa II under the streamlined documentation requirements, and subsequently works with the servicer to transition to a Mortgage Release, the servicer must use the borrower's initial streamlined documentation qualification for the Mortgage Release.

Streamlined Documentation Requirements for Standard Short Sale/Hafa II and Mortgage Release™

Servicing Guide, Part VII, Section 604: Preforeclosure Sales and Section 606: Deeds-in-Lieu of Foreclosure; Announcement SVC-2012-19, Standard Short Sale/Hafa II and Deed-in-Lieu of Foreclosure Requirements and Announcement SVC-2012-25, Mortgage Release Requirements and Updates to Standard Short Sale/Hafa II Requirements

Fannie Mae is clarifying that if a borrower fully reinstates the mortgage loan, bringing the loan current after the initial standard short sale/Hafa II or Mortgage Release evaluation, the borrower is no longer eligible for streamlined documentation. For any subsequent borrower evaluation for foreclosure prevention alternatives, the servicer must comply with the eligibility requirements in the *Servicing Guide*.

Property Inspection Requirements for Mortgage Release

Servicing Guide, Part III, Section 304: Preforeclosure Inspections and Announcement SVC-2012-25, Mortgage Release Requirements and Updates to Standard Short Sale/Hafa II Requirements

In Announcement SVC-2012-25, Fannie Mae changed the timing of the required property inspection when the borrower elects to complete an immediate move Mortgage Release. This Announcement is providing the following additional guidance to servicers:

- **Pre-execution of the Mortgage Release:** The servicer must ensure that the property condition is acceptable prior to execution of the Mortgage Release by the borrower. As indicated in Announcement SVC-2012-25, the property must be undamaged, properly maintained, and free from structural problems, environmental contamination, or existing or potential legal concerns. The servicer's actions will depend upon whether the servicer previously ordered an interior broker price opinion (BPO):
 - If the servicer had previously ordered an interior BPO, the servicer will have the option of using the information from the interior BPO to determine whether the property condition is acceptable prior to final execution of the Mortgage Release. If the servicer chooses to rely on an interior BPO to evidence acceptable condition of the property prior to a final execution of the Mortgage Release, the BPO must be dated within 90 days of the borrower's approval for a Mortgage Release.

- If the servicer had not previously ordered an interior BPO, the servicer must order an interior inspection of the property and verify the property is in acceptable condition within 60 days of the borrower's acceptance of the Mortgage Release.
- Post-execution of the Mortgage Release: After the borrower executes and the servicer accepts the Mortgage Release, the servicer must order a final interior inspection to ensure that the subject property is vacant, secure, and in broom-swept condition. Although the servicer may order the final interior inspection as soon as the Mortgage Release is executed, the servicer must ensure that the final inspection is complete two business days after execution of the Mortgage Release or when the servicer submits the REOgram to Fannie Mae, whichever occurs first.

Submitting the REOgram and Subordinate Lien Releases

Servicing Guide, Part VIII, Section 116.01: Submitting the REOgram; Announcement SVC-2012-25, Mortgage Release (Standard Deed-in-Lieu of Foreclosure and Deed for Lease) Requirements and Updates to Standard Short Sale/Hafa II Requirements; and Announcement SVC-2013-06, Miscellaneous Servicing Policy Updates

In Announcement SVC-2013-06, Fannie Mae changed the REOgram submission requirement from within 24 hours to within 5 business days of the date on which the Mortgage Release is recorded. That Announcement also stated that servicers must submit evidence of recordation of the subordinate lien release with submission of the REOgram. Fannie Mae is revising these requirements as follows:

- The servicer must submit the REOgram within 24 hours of the date the servicer accepts the executed Mortgage Release.
- The servicer must obtain the subordinate lienholder's agreement to release the subordinate lien within 60 days of the borrower's acceptance of the offer for a Mortgage Release.


Servicers are reminded that as outlined in Part VIII, Chapter 3: Acquired Properties, Fannie Mae may require the servicer to purchase an acquired property from Fannie Mae if the property is not marketable because the servicer failed to detect and correct a title deficiency, particularly when Fannie Mae

- has lost a sale,
- is experiencing significant delays in marketing the property, or
- has identified that the servicer's performance shows a pattern of deficiencies.

Additionally, as outlined in Part I, Section 201.11.03: Late Submission of REOgram, if Fannie Mae does not receive the REOgram when it is due, Fannie Mae may charge the servicer \$100 a day until the REOgram is received. Fannie Mae will not enforce this fee if the servicer provides a reasonable explanation for the delay; however, the servicer must indemnify Fannie Mae for all losses, expenses, judgments, costs, and attorney fees that Fannie Mae sustains as a result of its failure to submit the information to Fannie Mae in a timely manner.

Title Insurance Requirements for Mortgage Release

In Announcement SVC-2012-25, Fannie Mae removed the requirement from the *Servicing Guide* (in Part VII, Section 604: Preforeclosure Sales) that servicers order a title insurance policy in conjunction with a Mortgage Release. As further clarification, while not required to order a title insurance policy, the servicer may do so if the servicer deems it necessary to complete the Mortgage Release. Fannie Mae will reimburse the servicer for title insurance costs as stated in Part VIII, Section 110.03: Other Reimbursable Expenses.



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.

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