

Servicing Guide Announcement SVC-2013-19

September 18, 2013
 (*With Corrections on Page 2)

Eliminations and Foreclosure Rescissions

Servicing Guide, Part VIII, Section 116: Notice of Property Acquisition

Effective immediately, Fannie Mae is establishing requirements for eliminations and rescissions of foreclosure sales, as defined below:

- **Elimination:** The process of removing a property from Fannie Mae’s real estate owned (REO) inventory system of record.
- **Foreclosure Sale Rescission:** The legal process of reversing a foreclosure sale and removing Fannie Mae as titleholder to the property.

There are circumstances in which a foreclosure sale rescission may not involve elimination. However, if an REOgram® has been submitted with an associated foreclosure sale, an elimination will also be necessary.

Examples of requests that would trigger one or the other action are shown below:

Examples of elimination only requests	Examples of elimination and rescission requests
Errors in REOgram submission	Missing or defective assignment or endorsement
Third party sale – need to eliminate REOgram	Foreclosure sale is legally invalid (other than a title or document issue)
REOgram sent in error (e.g., foreclosure sale did not occur)	Court ordered rescission (other than a title or document issue)
	Bankruptcy filed before foreclosure sale
	Fannie Mae-approved sale rescission

When the servicer identifies an issue that requires an elimination and/or rescission, the servicer must submit a request for elimination and/or rescission within five days of that identification. To submit a request for elimination and/or rescission, the servicer must complete and submit the *Elimination/Rescission Request Template*. The template will be posted on Fannie Mae’s website in the near future. The template can also be obtained by emailing elimination_requests@fanniemae.com and should be submitted to that same email address when completed.

When Fannie Mae identifies an issue that requires a property to be eliminated from its REO inventory or a foreclosure sale to be rescinded, Fannie Mae will initiate the elimination and/or rescission process. Fannie Mae will send the Elimination/Rescissions Daily Report to the servicer. The report will list Fannie Mae’s decision for each servicer-requested elimination or rescission, as well as those eliminations and/or rescissions that Fannie Mae has processed. The servicer must:

- review the Elimination/Rescissions Daily Report for notification of servicer-requested elimination/rescission approvals and Fannie Mae-processed eliminations/rescissions;
- add each eliminated file back into its servicer system within 24 hours of notification of approval or notification that the file has been eliminated by Fannie Mae; and

- resume managing the eliminated/rescinded file pursuant to the *Servicing Guide*.

On Fannie Mae-initiated eliminations and/or rescissions, the servicer must work with the attorney to ensure that any necessary activities to complete the elimination and/or rescission are coordinated in a timely fashion.

If a new foreclosure sale takes place or other actions are taken to validate the foreclosure sale, a new REOgram must be submitted within 24 hours of the action.

Upon **elimination and/or** rescission of the foreclosure sale, servicers are responsible for transferring title into the appropriate party's name and removing Fannie Mae from title. *Servicing Guide* Announcement SVC-2013-09, *Execution of Legal Documents*, provides detailed guidance regarding the procedure for execution of deeds for properties erroneously conveyed to Fannie Mae. The servicer must initiate any required steps to restore title to the appropriate party within two days of the **elimination and/or** rescission notification. The servicer, however, must adhere to specific local and state law recordation requirements, as applicable. **(*Added the words "elimination and/or.")**

Servicers are reminded that, as outlined in *Servicing Guide* Announcement SVC-2012-21, *Updates to Conform to the FHFA Directive on Harmonized Contracts*:

- Servicers have obligations related to managing, resolving, and notifying Fannie Mae of title defects; and
- Fannie Mae may assess the servicer compensatory fees:
 - For late or inaccurate reporting; or
 - If a servicer must rescind a foreclosure sale due to the servicer's failure to follow Fannie Mae guidelines or other servicer error or alleged error.

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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