

## ***Servicing Guide* Announcement SVC-2013-23**

November 25, 2013

### **Delinquency Management and Other Servicing Responsibilities**

Fannie Mae is updating policies as a result of certain Consumer Financial Protection Bureau (CFPB) rules and regulations that implement the mortgage servicing provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and other eligibility requirements for liquidation workout options. The policies updated in this Announcement relate to:

- General requirements for standard short sale/HAFA II and Mortgage Release™
- Eligibility requirements for standard short sale/HAFA II, Mortgage Release, and streamlined documentation
- Property valuation for mortgage loan modifications
- Servicer requirements relating to an appeal
- Borrower inquiries

### **Effective Date**

Unless stated otherwise, the effective date for the changes in this Announcement is January 10, 2014.

### **General Requirements for Standard Short Sale/HAFA II and Mortgage Release**

***Servicing Guide*, Part VII, Section 604.02: Contacting Selected Borrowers; Part VIII, Section 103.04: Conventional and RD First-Lien Mortgage Loans; Part VIII, Section 107.01: Servicer-Initiated Temporary Suspension of Proceedings; Part VIII, Section 107.01.01: Borrower Response Package Received Within 30 Days of Post Referral to Foreclosure Solicitation Letter; Part VIII, Section 107.01.02: Borrower Response Package Received After 30-Day Response Period But Before 37 Days Prior to the Foreclosure Sale Date; Part VIII, Section 107.03.02: Cancellation of Foreclosure Sale; Announcement SVC-2012-07: *Changes to Servicer Response Times and the Preforeclosure Sales Process*; Announcement SVC-2012-19: *Standard Short Sale/HAFA II and Deed-in-Lieu of Foreclosure Requirements*; 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-2013-20: *Delinquency Management and Default Prevention Updates Related to the Consumer Financial Protection Bureau Mortgage Servicing Rules and Other Servicing Responsibilities***

Fannie Mae is changing the name of the standard short sale/HAFA II program to short sale.

Fannie Mae is eliminating some existing requirements and introducing new servicer requirements related to the short sale and Mortgage Release processes. For a complete Borrower Response Package (BRP) received on or after January 10, 2014, the following servicer requirements related to the short sale process are eliminated:

- The 30-day extension when a decision on a short sale offer is “still under review”--The servicer is no longer authorized to delay a decision to the borrower.

- The requirements related to suspending foreclosure and reviewing a complete BRP with a short sale offer received 37 days or more prior to the foreclosure sale date (as stated in Announcement SVC-2012-19) are also eliminated.

***Borrower Response Package Submitted Without a Short Sale Offer***

The servicer must now meet the following requirements when the first complete BRP on a principal residence **without a short sale offer** is received on or after January 10, 2014, more than 37 days prior to the foreclosure sale date and either

- the borrower indicates in the BRP that he or she desires a liquidation workout option, or
- the servicer will not be offering a mortgage loan modification to the borrower.

✓	The servicer must...
	send the borrower an <i>Evaluation Notice</i> within 5 days of an evaluation decision but no more than 30 days from the receipt of a complete BRP.
	require the borrower to <ul style="list-style-type: none"> <li>▪ respond to the servicer decision within 14 days of the date of the <i>Evaluation Notice</i> by either               <ul style="list-style-type: none"> <li>• appealing the denial of any mortgage loan modification Trial Period Plan, if applicable, or</li> <li>• indicating the intent to accept the offer to pursue a short sale, if the <i>Evaluation Notice</i> includes the servicer's approval to pursue a short sale.</li> </ul> </li> <li>▪ submit a short sale offer within 45 days of the date of the <i>Evaluation Notice</i> or within 45 days of the servicer's appeal decision, if applicable.</li> </ul>
	review a short sale offer within 15 days from the date the offer is received if the borrower submits the offer within 45 days of the <i>Evaluation Notice</i> .
	delay referral to foreclosure or the next legal action in the foreclosure process during the <ul style="list-style-type: none"> <li>▪ servicer evaluation of the BRP;</li> <li>▪ 14-day borrower response period;</li> <li>▪ appeals process, if applicable;</li> <li>▪ 45-day period the borrower is required to submit a short sale offer to the servicer;</li> <li>▪ 15-day period the servicer is reviewing a short sale offer submitted within 45 days of the date of the <i>Evaluation Notice</i>; and</li> <li>▪ 60-day period following servicer approval of the short sale offer to facilitate the closing of an approved short sale offer as required in Announcement SVC-2012-19.</li> </ul>
	proceed with the next legal action in the foreclosure process if the servicer rejects the short sale offer or the borrower does not respond or comply with all requirements of the short sale.

### **Borrower Response Package Submitted With a Short Sale Offer**

The table below reflects requirements the servicer must now meet if the first complete BRP on a principal residence is received on or after January 10, 2014 **with a short sale offer** more than 37 days prior to the foreclosure sale date.

✓	<b>The servicer must...</b>
	send the borrower an <i>Evaluation Notice</i> within 5 days of an evaluation decision but no more than 30 days from the receipt of a complete BRP submitted with a short sale offer.
	require the borrower to respond to the servicer decision within 14 days of the date of the <i>Evaluation Notice</i> or, if applicable, appeal the denial of any mortgage loan modification Trial Period Plan.
	delay referral to foreclosure or the next legal action in the foreclosure process during the <ul style="list-style-type: none"> <li>▪ servicer evaluation of the BRP and short sale offer;</li> <li>▪ 14-day borrower response period;</li> <li>▪ appeals process, if applicable; and</li> <li>▪ 60-day period following servicer approval of the short sale offer to facilitate the closing of an approved short sale offer as required in Announcement SVC-2012-19.</li> </ul>
	proceed with the next legal action in the foreclosure process if the servicer rejects the short sale offer or the borrower does not respond or comply with all requirements of the short sale.

Servicers must now conduct an expedited review for all complete BRPs and short sale offers submitted within 37 to 15 days of the foreclosure sale date--not within 36 to 15 days, as previously required.

The *Evaluation Notice Model Clauses* for short sale and Mortgage Release have been updated to reflect the new requirements and are posted on [Fannie Mae's website](#).

### **Mortgage Release**

Fannie Mae is introducing new requirements to delay referral to foreclosure or the next legal action when the servicer is reviewing the borrower for a Mortgage Release. These requirements apply when the servicer receives the first complete BRP on a principal residence on or after January 10, 2014, more than 37 days prior to the foreclosure sale date and either

- the borrower indicates in the BRP that he or she desires a liquidation workout option, or
- the servicer will not be offering a mortgage loan modification to the borrower.

<b>If...</b>	<b>Then the servicer...</b>
The borrower was not previously approved to pursue a short sale,	<ul style="list-style-type: none"> <li>▪ must send the borrower an <i>Evaluation Notice</i> within 5 days of an evaluation decision but no more than 30 days from the receipt of a complete BRP.</li> <li>▪ must require the borrower to respond to the servicer decision within 14 days of the</li> </ul>

If...	Then the servicer...
	<p>date of the Mortgage Release offer in the <i>Evaluation Notice</i> by either accepting to pursue a Mortgage Release offer or appealing the denial of any mortgage loan modification Trial Period Plan, if applicable.</p> <ul style="list-style-type: none"> <li>▪ must delay the next legal action or referral to foreclosure during the <ul style="list-style-type: none"> <li>• servicer evaluation of the BRP;</li> <li>• 14-day borrower response period;</li> <li>• appeals process, if applicable; and</li> <li>• for 60 days from the date of the borrower's acceptance in order to complete the Mortgage Release transaction.</li> </ul> </li> <li>▪ must proceed with the next legal action in the foreclosure process at the end of the 60-day period.</li> <li>▪ is permitted to use an additional 30 days to complete the Mortgage Release transaction in accordance with Announcement SVC-2012-25 if the Mortgage Release transaction cannot be completed within 60 days.</li> </ul>
The borrower was previously approved to pursue a short sale and accepts a Mortgage Release offer,	Must not delay the next legal action in the foreclosure process and follow the foreclosure postponement requirements in Announcement SVC-2012-25.

## Eligibility Requirements for Standard Short Sale/HAGA II, Mortgage Release, and Streamlined Documentation

***Servicing Guide Part VII, Section 604: Preforeclosure Sales; Section 604.01: Identifying Potential Candidates; Section 606: Deeds-in-Lieu of Foreclosure; Announcement SVC-2012-19: Standard Short Sale/HAGA II and Deed-in-Lieu of Foreclosure Requirements; Announcement SVC-2012-25: Mortgage Release™ (Standard Deed-in-Lieu of Foreclosure and Deed for Lease) Requirements and Updates to Standard Short Sale/HAGA II Requirements***

Servicers must implement the updated requirements below for all short sale, Mortgage Release, and streamlined documentation decisions made on or after February 1, 2014.

### ***Standard Short Sale and Mortgage Release***

The servicer is no longer authorized to approve a standard short sale or Mortgage Release for a borrower with non-retirement liquid assets greater than \$50,000. The servicer must submit a recommendation to Fannie Mae for review of any borrower who meets this criterion.

## Streamlined Documentation

Fannie Mae is adding the following the eligibility requirements for streamlined documentation:

- All mortgage loans secured by an investment property type at origination are no longer eligible for streamlined documentation.
- The servicer is not required to obtain or review a BRP or verify an eligibility hardship when the borrower's debt has been discharged pursuant to Chapter 7 of the U.S. Bankruptcy Code.

## Property Valuation for Mortgage Loan Modifications

**Servicing Guide, Part VII, Section 602.02.03 Property Valuation; Section 609.02.04: NPV Test, and Section 609.02.10: Compliance with Applicable Laws**

The table below reflects the new servicer requirements when the servicer submits the borrower's request for a mortgage loan modification through HSSN for approval by Fannie Mae. The effective date for these new requirements is January 18, 2014.

✓	The servicer must...
	immediately provide the borrower with notice of the right to receive a copy of all appraisals and other valuations developed in connection with the mortgage loan modification.
	provide the borrower a copy of all appraisals and valuations developed in connection with a mortgage loan modification.
	comply with all applicable requirements (including the requirements and guidance for providing notices and copies of appraisals to the borrower) of the Equal Credit Opportunity Act (ECOA) and guidance issued by the CFPB related to property valuations.

## Servicer Requirements Relating to an Appeal

**Servicing Guide, Part VII, Chapter 1: Servicing Standards; Announcement SVC 2013-20: Delinquency Management and Default Prevention Updates Related to the Consumer Financial Protection Bureau Mortgage Servicing Rules and Other Servicing Responsibilities**

If the borrower elects to appeal, the borrower does not have to accept the initial offer for a workout option until resolution of the appeal. If the borrower waits to accept the initial offer until after receiving the appeal decision, the servicer must inform the borrower that any unpaid interest or other unpaid amounts will continue to accrue during the appeal. In these instances, the servicer must not consider any such accrued amounts in determining whether the borrower continues to be eligible for the initial offer.

## Borrower Inquiries

**Servicing Guide, Part I, Section 202: Servicer's Basic Duties and Responsibilities; Section 312: Borrower Inquiries; and Announcement SVC-2013-20: Delinquency Management and Default Prevention Updates Related to the Consumer Financial Protection Bureau Mortgage Servicing Rules and Other Servicing Responsibilities**

The following table describes the updated information that the servicer must provide the borrower when the borrower makes an inquiry to determine the owner or assignee of his or her mortgage loan and the mortgage loan is securitized in a Fannie Mae MBS pool.

If the mortgage loan is...	Then, the servicer must ...
<p>A mortgage loan securitized into a Fannie Mae MBS pool,</p>	<ul style="list-style-type: none"> <li>▪ indicate the owner of the mortgage loan as “Fannie Mae in its capacity as Trustee”;</li> <li>▪ provide the owner contact address of 3900 Wisconsin Ave, NW, Washington, DC, 20016-2892;</li> <li>▪ provide the contact number of the owner as 1-800-7FANNIE (1-800-732-6643);</li> <li>▪ provide the six-digit pool number as the Trust identifier for MBS swaps (i.e., mortgage loans sold to Fannie Mae in exchange for MBS Pools). The six-digit MBS pool number appears in the Servicer’s Reconciliation Facility (SURF™) application under the “VIEW LOAN” screen Note. The Fannie Mae Trust identifier for structured deals is the designated trust name (e.g., Fannie Mae REMIC Trust 2005-W2).</li> <li>▪ refer the borrower to the Fannie Mae contact number above for the related Trust identifier for mortgage loans in Pooled From Portfolio (PFP) pools.</li> </ul>

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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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