

Servicing Guide Announcement SVC-2013-27

December 18, 2013

(*With Corrections on Page 1)

Lender-Placed Insurance Requirements

Fannie Mae is updating its requirements for lender-placed insurance (also known as “force-placed” insurance) as defined by the Consumer Financial Protection Bureau in 12 C.F.R. Section 1024.37 for all Fannie Mae mortgage loans including reverse mortgage loans for the following:

- Acceptable lender-placed insurance costs
- Acceptable lender-placed insurance carriers, and
- Lender-placed insurance compliance certification

Effective Date

Servicers are encouraged to implement the requirements in this Announcement immediately; however, these changes are effective for new or renewed lender-placed insurance policies issued on a property secured by a Fannie Mae mortgage loan on or after June 1, 2014. Servicers must ensure that their master agreements and/or master policies with their lender-placed insurance provider comply with the requirements in this Announcement by June 1, 2014.

Acceptable Lender-Placed Insurance Costs

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

Fannie Mae is now requiring that the lender-placed insurance premiums charged to the borrower or reimbursed by Fannie Mae must exclude any lender-placed insurance commission or payments earned or received by the servicer, or other entities or individuals affiliated with the servicer (employees, agents, brokers, etc.). (***Updated paragraph**).

The prohibited lender-placed insurance commissions or payments include any incentive-based compensation regardless of its designation as commission, bonus, fees, or other types of payments from the servicer's lender-placed insurance carrier, for example, underwriting bonuses or other payments based on insurance loss ratios.

An affiliated entity is defined as

- an entity owned or controlled, in whole or in part, by the servicer including, but not limited to, a subsidiary or joint venture of the servicer;
- an entity that owns or controls, in whole or in part, the servicer (for example, the parent company of the servicer); or
- an entity that is under common ownership or control with the servicer (for example, two subsidiaries of the same parent company).

An affiliated entity does not include a publicly traded company where the servicer owns less than 5% of its stock.

Acceptable Lender-Placed Insurance Carriers

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

Fannie Mae now requires that the servicer's lender-placed insurance carrier for a lender-placed insurance policy for a Fannie Mae mortgage loan must not be an affiliated entity of the servicer. This requirement includes any captive insurance or reinsurance arrangements with an affiliated entity.

Lender-Placed Insurance Compliance Certification

Servicing Guide, Part I, Section 305: Lender Record Information

Fannie Mae will add a new lender-placed insurance servicer certification to the *Lender Record Information* (Form 582). In the certification, the servicer must certify that it complies with Fannie Mae's requirements for acceptable lender-placed insurance costs and carriers. A servicer's failure to complete the certification may result in Fannie Mae taking appropriate action as permitted under the servicer's *Mortgage Selling and Servicing Contract* and the *Fannie Mae Servicing Guide* including, but not limited to:

- exercising its right to offset, or
- not reimbursing a servicer's advances for lender-placed insurance premiums submitted through Fannie Mae's *Cash Disbursement Request* ([Form 571](#)).

Fannie Mae is in the process of updating Form 582 and will notify servicers once the updated Form 582 is available. In the interim, servicers must certify by submitting the *Lender-Placed Insurance Compliance Certification* ([Form 202](#)) to Fannie Mae via email to Lender-placed_insurance@fanniemae.com.

Upon Fannie Mae's request, the servicer must provide copies of its lender-placed insurance policy, including any other contractual arrangements between the servicer and a lender-placed insurance carrier. The servicer will also be required to respond to requests for data for its lender placed insurance activities from time to time. Requested documentation and/or data relating to lender-placed insurance coverage must be provided to Fannie Mae within 30 days of Fannie Mae's request.

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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