

# Servicing Guide Announcement SVC-2014-05

March 28, 2014

## Fannie Mae Standard Modification and Streamlined Modification Updates

In Announcement SVC-2013-28, *Fannie Mae Standard Modification and Streamlined Modification Updates*, Fannie Mae expanded the Fannie Mae Standard Modification and Streamlined Modification programs (including Fannie Mae Streamlined Modifications after disaster forbearance) to include mortgage loans with a pre-modified mark-to-market loan-to-value (MTMLTV) ratio less than 80%. This Announcement supersedes and replaces Announcement SVC-2013-28 in its entirety.

Except as stated in this Announcement for mortgage loans with a pre-modified MTMLTV ratio less than 80%, servicers must comply with the applicable requirements for a Fannie Mae Standard Modification or Streamlined Modification as described in the *Servicing Guide*, including Announcement SVC-2013-05: *Streamlined Modifications, Conventional Mortgage Loan Modifications, and Outbound Communications*, and Announcement SVC-2013-16: *Updates to Assistance in Disasters*.

### Effective Date

Servicers are encouraged to implement this policy immediately; however, servicers are required to implement this policy no later than July 1, 2014.

## Modification Terms for a Mortgage Loan with Pre-Modified MTMLTV Ratio Less Than 80%

***Servicing Guide, Part VII, Section 602.02.05: Conventional Mortgage Loan Modification Terms; Announcement SVC-2013-05: Streamlined Modifications, Conventional Mortgage Loan Modifications, and Outbound Communications; and Announcement SVC-2013-16: Updates to Assistance in Disasters***

For a mortgage loan with a pre-modified MTMLTV ratio less than 80%, the servicer must ensure that the borrower satisfies all eligibility requirements for a Fannie Mae Standard Modification or Streamlined Modification and must take the following steps in the order provided below to calculate the terms of the Trial Period Plan.

Step	Servicer Action	
1	Capitalize arrearages (as described in the <i>Servicing Guide</i> , Part VII, Section 602.02.05: <i>Conventional Mortgage Loan Modification Terms</i> ).	
2	Set the modification interest rate to a fixed rate based on the requirements in the table below.	
	<b>If, at the time of evaluation, the mortgage loan is...</b>	<b>Then the servicer must...</b>
	a fixed-rate mortgage loan,	set the modified mortgage loan interest rate to the borrower's current mortgage loan interest rate.

Step	Servicer Action									
	an ARM or a step-rate mortgage loan,	set the interest rate as follows: <ul style="list-style-type: none"> <li>▪ If the current interest rate is <b>less than</b> the current Fannie Mae Standard Modification Interest Rate, set the modified loan interest rate to the current Fannie Mae Standard Modification Interest Rate. (The current Fannie Mae Standard Modification Interest Rate can be found on <a href="#">Fannie Mae's website</a>.)</li> <li>▪ If the current interest rate is <b>greater than or equal to</b> the current Fannie Mae Standard Modification Interest Rate, set the modified mortgage loan interest rate to the borrower's current mortgage loan interest rate.</li> </ul>								
3	Calculate the monthly principal and interest (P&I) payment using a 480-month, a 360-month, and a 240-month amortization term. <table border="1" data-bbox="225 737 1443 1125" style="margin: 10px 0;"> <thead> <tr> <th data-bbox="225 737 917 814">If the calculated monthly P&amp;I payment...</th> <th data-bbox="917 737 1443 814">Then the borrower is eligible for a...</th> </tr> </thead> <tbody> <tr> <td data-bbox="225 814 917 892">using the 480-month amortization term is <b>less than or equal</b> to the current monthly P&amp;I payment,</td> <td data-bbox="917 814 1443 892">480-month amortization term.</td> </tr> <tr> <td data-bbox="225 892 917 1010">using the 360-month amortization term provides a current monthly P&amp;I payment <b>reduction of at least 20%</b>,</td> <td data-bbox="917 892 1443 1010">360-month amortization term.</td> </tr> <tr> <td data-bbox="225 1010 917 1125">using the 240-month amortization term provides a current monthly P&amp;I payment <b>reduction of at least 20%</b>,</td> <td data-bbox="917 1010 1443 1125">240-month amortization term.</td> </tr> </tbody> </table> <p data-bbox="225 1205 1459 1272">(See Evaluation Notice, Solicitation Letter, and Trial Period Plan section below for requirements relating to offering a 480-month, a 360-month, and a 240-month amortization term.)</p>		If the calculated monthly P&I payment...	Then the borrower is eligible for a...	using the 480-month amortization term is <b>less than or equal</b> to the current monthly P&I payment,	480-month amortization term.	using the 360-month amortization term provides a current monthly P&I payment <b>reduction of at least 20%</b> ,	360-month amortization term.	using the 240-month amortization term provides a current monthly P&I payment <b>reduction of at least 20%</b> ,	240-month amortization term.
If the calculated monthly P&I payment...	Then the borrower is eligible for a...									
using the 480-month amortization term is <b>less than or equal</b> to the current monthly P&I payment,	480-month amortization term.									
using the 360-month amortization term provides a current monthly P&I payment <b>reduction of at least 20%</b> ,	360-month amortization term.									
using the 240-month amortization term provides a current monthly P&I payment <b>reduction of at least 20%</b> ,	240-month amortization term.									

To determine the final terms of the modified mortgage loan, the servicer is to use the first two steps above and the amortization term selected by the borrower during the Trial Period Plan. As required by the *Servicing Guide*, all mortgage loan modifications must comply with all applicable laws.

For a mortgage loan that meets the pre-modified MTMLTV ratio less than 80% requirements indicated in this Announcement, the servicer is no longer required to submit the case to Fannie Mae for review and approval through HomeSaver Solutions™ Network (HSSN). For a mortgage loan modification meeting the requirements in this Announcement, the servicer must enter the mortgage loan modification in HSSN through the "Create/Submit Closed Loan Modification Case" link.

Only a mortgage loan not meeting the Fannie Mae Standard Modification eligibility and term requirements described in the *Servicing Guide* (including this Announcement) must be submitted to Fannie Mae using HSSN for review and approval.

## Evaluation Notice, Solicitation Letter, and Trial Period Plan

**Servicing Guide, Part VII, Section 205.08: Evaluation Notices and Section 602.02.06: Trial Period Plan; Announcement SVC-2013-05: Streamlined Modifications, Conventional Mortgage Loan Modifications, and Outbound Communications; and Announcement SVC-2013-16: Updates to Assistance in Disasters**

The servicer must follow the guidance provided in the following table for an eligible mortgage loan to determine the appropriate information to include in the Evaluation Notice and solicitation letter, as applicable.

If mortgage loan is eligible for ...	Then the servicer must send to the borrower an offer based on...
the 480-month amortization term,	the 480-month amortization term only.
the 480-month and 360-month amortization terms,	a 480-month and 360-month amortization term.
the 480-month, 360-month and 240-month amortization terms,	a 480-month, 360-month, and 240-month amortization term.

If the borrower is eligible for a Trial Period Plan with more than one amortization term, the borrower may choose an amortization term, as provided in the above table. The Trial Period Plan notice must inform the borrower that he or she will not be able to change the amortization term after the first Trial Period Plan payment is received by the servicer, regardless of which amortization term the borrower has selected.

If the mortgage loan becomes 60 or more days delinquent within 12 months of the modification effective date, the servicer must not approve another Fannie Mae Streamlined Modification or Fannie Mae Standard Modification, as required by the *Servicing Guide*.

The servicer must revise the Evaluation Notice for a mortgage loan modification that is eligible pursuant to this Announcement, to include the information outlined in the following table below.

√	Additional Trial Period Plan Information
	<p>For Trial Period Plans that include multiple amortization terms, a statement informing the borrower that:</p> <ul style="list-style-type: none"> <li>▪ he or she must make the first Trial Period Plan payment that corresponds to the amortization term the borrower has selected by the first payment due date.</li> <li>▪ once he or she selects an amortization term and corresponding monthly P&amp;I payment by making the first Trial Period Plan payment, that amortization term will be fixed for both the Trial Period Plan and the permanent loan modification; and</li> <li>▪ there is no ability to change the amortization term once the borrower has submitted the first Trial Period Plan payment.</li> </ul>
	A statement that informs the borrower that he or she must remain in compliance with the requirements of the Trial Period Plan in order to receive a permanent mortgage loan modification, regardless of which amortization term the borrower has selected, and that failure to comply with the Trial Period Plan may also impact his or her ability to obtain another modification.
	A statement that informs the borrower that upon successful completion of the Trial Period Plan and conversion to permanent mortgage loan modification, the borrower has the ability to prepay the mortgage loan without restrictions or penalties.
	A statement that informs the borrower that if the mortgage loan becomes delinquent after the mortgage loan is permanently modified, the borrower may not be eligible for another mortgage loan modification.

## Trial Period Plan Payments

### ***Servicing Guide*, Part VII, Sections 602.02.06: Trial Period Plan**

If the first Trial Period Plan payment submitted by the borrower does not correspond to an amortization term payment offered in the Trial Period Plan, the servicer must use the shortest amortization term provided in the Trial Period Plan that is covered by the borrower's actual payment to determine the amortization term and monthly payment obligation during the Trial Period Plan and the permanent mortgage loan modification.

As a reminder, the borrower must remain in compliance with the requirements of the Trial Period Plan in order to receive a permanent mortgage loan modification. If a borrower fails to make the required Trial Period Plan payments in accordance with the *Servicing Guide*, he or she is considered to have failed the Trial Period Plan and is not eligible for a permanent mortgage loan modification.

\*\*\*\*\*

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