

***Servicing Guide* Announcement SVC-2014-12**

June 20, 2014

Neighborhood Stabilization Initiative – MyCity Modification for Detroit, Michigan

Fannie Mae is introducing a new mortgage loan modification program for Detroit, Michigan, MyCity Modification, as part of the Neighborhood Stabilization Initiative recently announced by the Federal Housing Finance Agency and jointly developed by Fannie Mae and Freddie Mac in order to help neighborhoods recover from the housing crisis and to assist struggling homeowners. The MyCity Modification targets borrowers whose mortgage loans are secured by properties within the City of Detroit and who meet the eligibility requirements below.

Introduction to MyCity Modification

This Announcement covers the following parameters of the MyCity Modification:

- Effective Date
- Eligibility Requirements
- Complete Borrower Response Package
- Servicer Evaluation for Borrowers Who are Current or Less than 90 Days Delinquent
- Servicer Evaluation for Borrowers Who are 90 Days or More Delinquent
- Requirements after Receipt of Fannie Mae's Eligibility Review
- Additional Requirements for Borrowers Who are 90 Days or More Delinquent
- Property Valuation and Bidding Instructions
- Mortgage Insurer Approval

Effective Date

Servicers are encouraged to implement the policies in this Announcement immediately; however, servicers are required to implement these policies no later than September 1, 2014. The MyCity Modification Trial Period Plan Effective Date must be no later than December 1, 2015.

Eligibility Requirements

The table below shows the initial eligibility requirements that the mortgage loan must satisfy to be considered for the MyCity Modification. Quality Right Party Contact (QRPC), as described in *Servicing Guide*, is required prior to offering a borrower a MyCity Modification. If QRPC is not established, the servicer must continue to follow all other applicable requirements to achieve QRPC, in accordance with the *Servicing Guide*.

✓	The mortgage loan must...
	<p>be secured by property located within the following Detroit, Michigan zip codes: 48201, 48202, 48203*, 48204, 48205, 48206, 48207, 48208, 48209, 48210, 48211, 48212*, 48213, 48214, 48215, 48216, 48217, 48219, 48221, 48223, 48224, 48226, 48227, 48228, 48234, 48235, 48236*, 48238, 48239* and 48243.</p> <p>* Exception: Mortgage loans secured by properties located within these zip codes that have an address with a City other than the City of Detroit, Michigan, are not eligible.</p>
	<p>be secured by property that is</p> <ul style="list-style-type: none"> ▪ a principal residence, second home, or investment property; and ▪ occupied or vacant (but not abandoned).
	<p>be a first-lien mortgage loan.</p>
	<p>be a conventional mortgage loan that is</p> <ul style="list-style-type: none"> ▪ held in Fannie Mae's portfolio, ▪ part of an MBS pool that has the special servicing option, or ▪ part of a shared-risk MBS pool for which Fannie Mae markets the acquired property.
	<p>not be subject to:</p> <ul style="list-style-type: none"> ▪ a recourse or indemnification arrangement under which Fannie Mae purchased or securitized the mortgage loan or that was imposed by Fannie Mae after the loan had been purchased or securitized; ▪ active nonroutine litigation as described in the <i>Servicing Guide</i>, Part VIII, Section 101: Routine vs. Nonroutine Litigation; ▪ a current offer for another Fannie Mae modification (except Streamlined Modification); ▪ an active and performing Fannie Mae modification Trial Period Plan; or ▪ a Fannie Mae approved liquidation workout option. <p><i>NOTE: The servicer is authorized to submit a request for MyCity Modification to Fannie Mae through HomeSaver Solutions™ Network (HSSN) for any case in which the mortgage loan is subject to a current offer for another Fannie Mae modification, in an active and performing Fannie Mae modification Trial Period Plan, or a Fannie Mae approved liquidation workout option, if the servicer believes that a MyCity Modification is appropriate based on the borrower's circumstance.</i></p>

The servicer is reminded that modification of any MBS mortgage loan can only be effectuated after it has been removed from the MBS pool according to *Servicing Guide*, Part VII, Section 602.02.08: Reclassification or Removal of MBS Mortgage Loans Prior to Effective Date of the Mortgage Loan Modification.

Complete Borrower Response Package

A complete Borrower Response Package (BRP) is required for an eligible borrower if:

- the mortgage loan is less than 90 days delinquent as of the evaluation date, or
- the mortgage loan was originated less than 12 months prior to the evaluation date, or
- the mortgage loan is on the most recent Fannie Mae Non-Eligible List (located on [Fannie Mae's website](#)) at the time of the servicer's evaluation.

A complete BRP is not required for borrowers 90 days or more delinquent if QRPC is achieved and the borrower is otherwise eligible.

When a complete BRP is required, the servicer must evaluate the borrower in accordance with the servicer evaluation requirements for borrowers who are current or less than 90 days delinquent, as described below.

Servicer Evaluation for Borrowers Who are Current or Less Than 90 Days Delinquent

The following table provides the required servicer actions upon receipt of a BRP:

✓	The servicer must...
	acknowledge receipt of the BRP and provide an incomplete information notice, as applicable, in accordance with the <i>Servicing Guide</i> .
	evaluate the borrower for all eligible workout options (including HAMP) in accordance with the <i>Servicing Guide</i> , Part VII, Chapter 6: Foreclosure Prevention Alternatives, if the borrower submits a complete BRP. <i>NOTE: The servicer is reminded that a borrower who is current or less than 60 days delinquent must be evaluated for imminent default according to Servicing Guide, Part VII, Section 602.02.01: Mortgage Loans in Imminent Default.</i>
	submit the case to Fannie Mae for a final eligibility review of MyCity Modification through HSSN within 15 days after receipt of a complete BRP from a borrower who meets the eligibility criteria described above.

Fannie Mae will evaluate the borrower for MyCity Modification and provide a final eligibility determination to the servicer which will include the terms of MyCity Modification if eligible.

Servicer Evaluation for Borrowers Who are 90 Days or More Delinquent

The following table provides the required servicer actions in evaluating a borrower who is 90 days or more delinquent for MyCity Modification:

If...	Then the servicer must...
the borrower submits a BRP, <i>NOTE: A complete BRP is not required for borrowers 90 days or more delinquent if QRPC is achieved and the borrower is otherwise eligible.</i>	follow the servicer evaluation requirements above for a borrower who is current or less than 90 days delinquent.
QRPC is achieved and the borrower has not submitted a complete BRP (and a BRP is not otherwise required),	within 15 days of achieving QRPC: <ul style="list-style-type: none"> ▪ evaluate the borrower for MyCity Modification based on the Eligibility Requirements section above; and ▪ if eligible, submit the case to Fannie Mae through HSSN for a final eligibility review and calculation of MyCity Modification mortgage loan terms.

If...	Then the servicer must...
QRPC is achieved prior to the 90 th day of delinquency but a complete BRP is not obtained by the 90 th day of delinquency (and a BRP is not otherwise required),	<ul style="list-style-type: none"> ▪ evaluate the borrower for MyCity Modification based on the eligibility requirements described above; and ▪ if eligible, submit the case to Fannie Mae through HSSN for a final eligibility review and calculation of MyCity Modification mortgage loan terms by the 105th day of delinquency, instead of sending the borrower a Streamlined Modification offer.

Fannie Mae will evaluate the borrower for MyCity Modification and provide a final eligibility review to the servicer which will include the terms of MyCity Modification if eligible.

Requirements after Receipt of Fannie Mae’s Eligibility Review

The following table describes the servicer requirements upon receipt of Fannie Mae’s final eligibility review and, if applicable, notification of the terms of the MyCity Modification:

If the borrower...	Then the servicer must...	And...
is current or less than 90 days delinquent,	review the terms of the Fannie Mae MyCity Modification eligibility review within 7 business days of receipt, <i>NOTE: As a reminder, the servicer must review and evaluate a complete BRP and communicate a decision no later than 30 days following the receipt of the complete BRP.</i>	<ul style="list-style-type: none"> ▪ compare the MyCity Modification principal and interest payment to the principal and interest payment for any other modification programs for which the borrower may be eligible. ▪ If there is no other Fannie Mae modification program for which the borrower is eligible, then the servicer must send the borrower an <i>Evaluation Notice Trial Period Plan</i> that reflects the MyCity Modification option; or ▪ if there is another modification program for which the borrower is eligible, then the servicer must send the borrower an <i>Evaluation Notice Trial Period Plan</i> that reflects the modification option with the lowest principal and interest payment; and ▪ notify the borrower in accordance with the <i>Servicing Guide</i> of <ul style="list-style-type: none"> • ineligibility for a MyCity Modification and any other Fannie Mae modification for which the borrower was evaluated
is 90 days or more delinquent,	review the terms of the Fannie Mae MyCity Modification eligibility review within 7 business days of receipt,	

If the borrower...	Then the servicer must...	And...
		according to Fannie Mae's workout hierarchy, and <ul style="list-style-type: none"> • the right of appeal, if applicable.

If the borrower does not accept the MyCity Modification or cannot afford the MyCity Modification payment, the servicer must offer the borrower a workout option in accordance with the *Servicing Guide* that best meets the borrower's needs and for which they are eligible.

Fannie Mae recommends that the servicer send the *Evaluation Notice* for MyCity Modification using overnight or express mail. For borrowers who are less than 90 days delinquent as of the servicer's evaluation date, the servicer may document the MyCity Modification Trial Period Plan using the Fannie Mae Standard Modification *Evaluation Notice* and substitute the MyCity Modification terms. For borrowers who are 90 days or more delinquent as of the servicer's evaluation date, the servicer may use the Fannie Mae Streamlined Modification *Evaluation Notice* to document the Trial Period Plan and substitute the MyCity Modification terms.

Additional Requirements for Borrowers Who Are 90 Days or More Delinquent

While a complete BRP is not required for borrowers 90 days or more delinquent if QRPC is achieved and the borrower is otherwise eligible, the following table reflects the servicer requirements when the servicer receives a BRP from a borrower who is 90 or more days delinquent, and the BRP is received by the servicer prior to or after the *Evaluation Notice* for the MyCity Modification has been mailed:

If the borrower submits a...	Then the servicer must...
BRP prior to or after the MyCity Modification <i>Evaluation Notice</i> is mailed,	acknowledge receipt of the BRP and provide any incomplete information notice, if applicable, in accordance with the <i>Servicing Guide</i> .
complete BRP before the servicer mails the MyCity Modification <i>Evaluation Notice</i> ,	review the BRP in accordance with the <i>Servicing Guide</i> .
complete BRP after the servicer mailed the <i>Evaluation Notice</i> for the MyCity Modification and prior to the date the servicer mails the Modification Agreement for the MyCity Modification to the borrower for signature,	<ul style="list-style-type: none"> ▪ evaluate the borrower for all workout options according to <i>Servicing Guide</i>, if the borrower has not accepted the My City Modification offer, or ▪ evaluate the borrower for a Fannie Mae HAMP or Standard Modification, as applicable, according to <i>Servicing Guide</i>, if the borrower has accepted the My City Modification offer; and offer the borrower the modification with the lowest monthly principal and interest payment amount. The borrower must not be required to re-start a Trial Period Plan upon completion of the MyCity Modification Trial Period Plan.

Once the borrower accepts the MyCity Modification offer, follow-up solicitations for an incomplete BRP related to MyCity Modification are not required by the *Servicing Guide*. If the borrower does not accept the offer, then the servicer must resume follow-up solicitation for the incomplete documentation as required by the *Servicing Guide*.

Property Valuation and Bidding Instructions

The servicer must order a property value for all cases that meet the above eligibility criteria where QRPC has been established with an eligible borrower prior to submitting the case to Fannie Mae for further evaluation, using the process described in *Servicing Guide*.

In addition, for all properties eligible for MyCity Modification, the servicer must

- order an external Broker Price Opinion (BPO) within 30 to 45 days prior to the scheduled foreclosure sale date using the process described in *Servicing Guide*, Part VII, Section 604.03: Determining the Market Value of the Property, and
- use the reserve price obtained through the Loss Mitigation Valuation (LMV) system as the maximum bid amount at the foreclosure sale.

NOTE: *The following reason code, Reserve Price Bid Instructions, will be effective July 8, 2014, in the Valuation Management System (VMS). The servicer must use the reason code when submitting a request for an external BPO for properties eligible for MyCity Modification.*

Mortgage Insurer Approval

The servicer must obtain approval from the mortgage insurer, if applicable, prior to bidding the reserve price. If the mortgage insurer does not approve bidding the reserve price, the servicer must follow the mortgage insurer's bidding instructions.

As a reminder, Fannie Mae has obtained delegations of authority with mortgage insurance companies so that servicers can more efficiently process modification requests without the need to obtain mortgage insurer approval on individual mortgage loans. A list of these mortgage insurers is posted on [Fannie Mae's website](#). For mortgage insurers not on this list, servicers must continue to obtain their approval on a case-by-case basis.

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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