



## ***Servicing Guide Announcement SVC-2017-03***

**April 12, 2017**

### ***Servicing Guide Updates***

The *Servicing Guide* has been updated to include changes related to the following:

- Form 176
- Bankruptcy Outsourcing Requirements
- Foreclosure Fee Limits\*\*
- Defined Expense Reimbursement Limits\*\*
- Miscellaneous Revisions\*

\*Policy change not applicable to reverse mortgage loans.

\*\*Policy change not applicable to HECM mortgage loans.

Several of these updates described below help to simplify servicing. Servicers must review each topic in the *Servicing Guide* in its entirety to gain a full understanding of the policy change(s).

#### **Form 176**

To provide a consistent timeframe in which a *Report of Property Insurance Loss* ([Form 176](#)) must be submitted, *Servicing Guide* [B-5-01, Insured Loss Events](#), was revised to require the servicer to submit [Form 176](#) to us

- within five business days of notification of damages if the borrower wants to repair or restore the property, but the foreclosure sale date has been scheduled and/or the property has been abandoned; or
- within five business days of learning of the borrower's intent not to repair or restore the property.

Further, to avoid duplication of requirements, we retired the procedure for submitting [Form 176](#) from [F-1-02, Escrow, Taxes, Assessments, and Insurance](#), and incorporated all requirements from the procedure into [Form 176](#). We are also including a checkbox on [Form 176](#) for the servicer to report an active workout option on the mortgage loan to enable us to make a fully informed decision on the servicer's recommendation for the insurance loss proceeds.

Additionally, to provide additional clarity around payment of fees for insured loss events and to reinforce the requirements of the uniform security instrument, *Servicing Guide* [B-5-01, Insured Loss Events](#), has been updated to instruct that the servicer must not allow payment of fees to any public adjusters or third parties retained by the borrower out of the insurance loss proceeds, unless otherwise agreed to by Fannie Mae in writing.

Finally, for purposes of simplicity and certainty, the requirements in *Servicing Guide* [B-5-01, Insured Loss Events](#), have been reorganized to better reflect the events of property insurance loss.

#### **Updated Servicing Guide Topics**

- [B-5-01, Insured Loss Events](#)
- [F-1-02, Escrow, Taxes, Assessments, and Insurance](#)

#### **Effective Date**

Servicers are encouraged to implement these policy changes immediately, but must implement them by June 1, 2017.



## Bankruptcy Outsourcing Requirements

The *Servicing Guide* enumerates servicer requirements for managing bankruptcy proceedings; however, the *Guide* does not specify how a servicer notifies and obtains approval of arrangements to outsource all or substantially all of its responsibilities to a third-party vendor which is not a Fannie Mae-approved servicer. Due to the issues that arise in bankruptcy matters, we need to review the bankruptcy outsourcing arrangements to manage legal, reputational, and third-party risk to Fannie Mae. The *Servicing Guide* has been updated to reflect that our prior written approval is required for any arrangement between a servicer and an outsourcing company or third-party vendor that is not an approved Fannie Mae servicer involving such arrangements for all or substantially all of the servicer's responsibilities with respect to servicing mortgage loans in bankruptcy.

Additionally, you must disclose any existing outsourcing arrangements of this nature to us as soon as possible but no later than 30 days of this Announcement. Servicers must submit requests for approval to Fannie Mae's Legal Department via email as outlined in [F-4-03, List of Contacts](#). This will ensure we can appropriately manage the associated risks while allowing the servicer to utilize outsource arrangements.

### Updated Servicing Guide Topics

- [A4-2.2-03, Prohibition Against Servicer-Specified Vendors for Fannie Mae Referrals, Use of Vendors, and Outsourcing Companies](#)
- [F-4-03, List of Contacts](#)

### Effective Date

The policy change is effective immediately for any new outsourcing or third-party arrangements to service mortgage loans in bankruptcy. The servicer must report any existing arrangements of this type to us no later than May 15, 2017.

## Foreclosure Fee Limits

To increase certainty, we are providing clearer guidance on how to apply the maximum allowable foreclosure fee. The *Servicing Guide* has been updated to clarify that the maximum allowable foreclosure attorney fee applies for the life of a default. When the servicer must initiate new foreclosure action after a default is cured and the mortgage loan later becomes delinquent again, a new maximum allowable fee will apply for the subsequent default. We will continue to reimburse the servicer for any additional foreclosure attorney fees incurred during a default period that are in excess of the maximum allowable fee with appropriate excess fee approval.

Additionally, in order to align with other recent allowable foreclosure attorney fee limits in judicial foreclosures, we are extending the current allowable foreclosure fee in Hawaii to apply to all currently active Hawaii foreclosure matters. The fee was previously established in Announcement SVC-2015-14 and was originally effective for foreclosure referrals on or after June 1, 2012.

### Updated Servicing Guide Topics

- [E-5-04, Allowable Foreclosure Fees](#)
- [Allowable Foreclosure Attorney Fees Exhibit](#)

### Effective Date

The life of default foreclosure fee limit clarification is effective immediately.

The Hawaii foreclosure allowable fee update applies to all matters referred to counsel for initiation of foreclosure proceedings, regardless of referral date, as long as the matter is still active as of April 12, 2017. The servicer is encouraged to implement the fee update for the impacted files as soon as possible, but must do so no later than July 1, 2017. The servicer may exercise reasonable discretion in determining how to implement the fees, including working as needed with the law firm or an applicable invoicing technology provider.



## Defined Expense Reimbursement Limits

*Servicing Guide* [F-1-06, Expense Reimbursement](#), was updated on November 9, 2016 with new property preservation repair descriptions and expense limits which included clearboarding. The *Servicing Guide* does not currently include an expense limit for repairing/replacing a window.

In response to industry feedback and in an effort to better serve our customers, this topic has been updated to increase the property preservation expense limits for clearboarding and to include a new repair description and expense limits for window repair/replacement.

### Effective Date

Servicers are encouraged to implement these new expense limits immediately, but must implement them by July 1, 2017.

## Miscellaneous Revisions

**Removal of HSSN™.** We updated the *Servicing Guide* to remove all references to HSSN™ in anticipation of the phased transition of all functionality to the Servicing Management Default Underwriting (SMDU™) system. Rather than referencing a specific default management application, we now refer to technology used for the purposes of delinquent mortgage loan status reporting and workout case submissions as “Fannie Mae’s servicing solutions system” throughout the *Servicing Guide*.

Note that this term is defined as either HSSN™ or SMDU depending on when SMDU functionality will be made available to your organization. Visit [FannieMae.com](http://FannieMae.com) and search for SMDU for more information.

Also, [subscribe](#) to Fannie Mae’s *Servicing News* for information related to instructor-led training sessions and eLearning courses related to SMDU.

**[E-4.3-01, Managing the Property Post-Foreclosure Sale.](#)** This topic was updated in February 2017 to state that Fannie Mae has eliminated servicers’ post-foreclosure responsibilities to pay fees and assessments for homeowners associations, condominium associations, and cooperative corporations effective April 1, 2017, for properties acquired on or after that date in all states. The original Announcement (SVC-2017-02) and *Servicing Guide* included cooperative corporation fees and assessments in error. The policy is now updated to reflect that we have eliminated servicers’ post-foreclosure responsibilities to pay fees and assessments for homeowners associations and condominium associations only.

### Effective Date

This policy clarification is effective immediately.

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Contact your Servicing Consultant, Portfolio Manager, or Fannie Mae’s Single-Family Servicing, Servicer Support Center at 1-800-2FANNIE (1-800-232-6643) with any questions regarding this Announcement.

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