



## Servicing Guide Announcement SVC-2018-09

December 12, 2018

### Servicing Guide Updates

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

- Insurer Rating Requirements
- Flood Insurance Updates and Guide Alignment\*
- Loss Draft Proceeds and Other Unapplied Funds in Taxes and Insurance Custodial Accounts
- Incorporation of Borrower-Initiated Conventional Mortgage Insurance Termination Policies\*
- Effective Date Change for Certain Borrower-Initiated Conventional Mortgage Insurance Termination Policies\*
- Miscellaneous Revisions\*

\*Policy change not applicable to reverse mortgage loans.

#### Insurer Rating Requirements

Policies related to property insurance carrier requirements have been consolidated from *Servicing Guide* [B-2-01, Property Insurance Requirements Applicable to All Property Types](#) into *Selling Guide*, B7-3-01, Property Insurance Requirements for Insurers.

Also, our property insurance carrier ratings requirements have been updated to

- add Kroll Bond Rating Agency as an acceptable ratings agency, and
- remove our more restrictive rating requirement for co-op projects. Our general carrier rating requirements now apply.

#### Effective Date

Sellers/servicers are encouraged to implement these policy changes immediately; but must implement these changes by March 1, 2019.

#### Flood Insurance Updates and Guide Alignment

In our continued efforts to simplify and consolidate policies shared by the *Selling* and *Servicing Guides*, duplicative policies related to flood insurance coverage requirements have been consolidated from *Servicing Guide* [Chapter B-3, Flood Insurance Requirements](#) into the *Selling Guide*. Servicers are directed to *Selling Guide* B7-3-07, Flood Insurance Coverage Requirements for all coverage requirements. Policies related to servicing mortgage loans with flood insurance have been retained in *Servicing Guide* [B-3-01, Flood Insurance Servicing Requirements Applicable to All Property Types](#).

As a result of the consolidation, we are providing notice and clarification of the following changes in the *Selling Guide*:

- Although a flood insurance policy declarations page is acceptable evidence of insurance, verification that private flood insurance coverage is equivalent to the National Flood Insurance Program (NFIP) coverage based on a review of the full flood insurance policy is required.



- All planned-unit development (PUD) unit owners (both detached and attached) may maintain an individual flood dwelling policy in lieu of a master flood insurance policy.
- For flood insurance for mortgage loans in a project, contents coverage for the building must be the lesser of 100% of the insurable value, or the NFIP maximum available.
- For mortgage loans in condo projects with over 25% commercial space, a master flood insurance policy with limited coverage through the General Property Form, or an equivalent policy, is not acceptable coverage. To meet our coverage requirements, these projects must obtain coverage, either through a single private policy or a private supplemental policy in conjunction with a General Property Form flood master policy through the NFIP.
- Flood insurance master policies, both NFIP policies and policies through a private insurer, without a mortgagee clause are acceptable.

In addition, two new policies were added providing flexibility for servicers:

- The following types of mortgage loans requiring flood insurance will no longer require the homeowner's association (HOA) to maintain a master flood insurance policy:
  - condo units originated under DU Refi Plus™, Refi Plus™, or the High LTV refinance transaction;
  - detached condos; and
  - 2-4 unit attached condo projects.

Rather, the borrower may maintain an individual flood insurance dwelling policy that meets our coverage requirements.

- Mortgage loans secured by properties in a community in the Emergency Program of the NFIP will no longer be required to maintain coverage in excess of the coverage available through the NFIP Emergency Program. A private policy with coverage equivalent to the coverage available through the NFIP Emergency Program will also be acceptable until the community is approved to participate in the NFIP Regular Program.

### **Effective Date**

Servicers are encouraged to implement these policy changes immediately, but must implement these changes by March 1, 2019.

## **Loss Draft Proceeds and Other Unapplied Funds in Taxes and Insurance Custodial Accounts**

In response to servicer feedback and to provide greater clarity, we updated our requirements for managing loss draft proceeds and other unapplied funds being held in the taxes and insurance (T&I) custodial account by

- removing ambiguous language regarding monthly monitoring activities, and
- requiring the servicer to have written policies and procedures in place to actively identify and monitor unapplied funds until resolution.

### **Updated Servicing Guide Topics**

- [A4-1-01, Staffing, Training, Procedures, and Quality Control Requirements](#)
- [F-1-03, Establishing and Implementing Custodial Accounts](#)

### **Effective Date**

Servicers must implement this policy change by April 1, 2019.



## Incorporation of Borrower–Initiated Conventional Mortgage Insurance Termination Policies

We have incorporated the borrower-initiated conventional mortgage insurance (MI) termination requirements introduced with [Lender Letter LL-2018-03](#) on July 18, 2018 into the *Guide*. In addition, questions or escalations related to borrower-initiated MI termination should be directed to Fannie Mae’s Single Family CPM division at [mi\\_terminations\\_escalations@fanniemae.com](mailto:mi_terminations_escalations@fanniemae.com).

### Updated *Servicing Guide* Topics

- [B-8.1-04, Termination of Conventional Mortgage Insurance](#)
- [F-1-02, Escrow, Taxes, Assessments, and Insurance](#)
- [F-3-06, Glossary of Fannie Mae Terms: F](#)
- [F-4-03, List of Contacts](#)

## Effective Date Change for Certain Borrower-Initiated Conventional Mortgage Insurance Termination Policies

With [Lender Letter LL-2018-03](#), we announced changes to our requirements related to borrower-initiated conventional MI termination including, but not limited to, the following:

- For borrower-initiated MI termination requests based on original value, allowing the use of Fannie Mae’s servicing solution system to verify the current value of the property, resulting in servicers no longer being required to warrant the property value; and
- For borrower-initiated MI termination requests based on current value, allowing the use of broker price opinions (BPOs) through Fannie Mae’s servicing solution system to verify the current value of the property.

Servicers were encouraged to implement these policy changes as early as January 1, 2019, but required to implement these changes by March 1, 2019.

We are extending the mandatory effective date from March 1, 2019 to **September 1, 2019** to allow servicers additional time to make the operational changes necessary for a better customer experience. Also, we’re changing the *available* date for borrower-initiated requests for termination of conventional MI based on current value of the property from January 1, 2019 to **March 1, 2019**.

The policy will be operationalized using Fannie Mae’s servicing solutions system and we will be able to support borrower-initiated MI termination requests based on original value starting January 1, 2019, using our AVM to verify that the current property value is at least equal to the original value of the property. However, Fannie Mae’s servicing solutions system will be updated with additional functionality to support MI termination requests based on current value and current value with improvements, including the ability to order BPOs and appraisals, on March 1, 2019.

### Effective Date

Servicers will be required to begin evaluating borrower-initiated requests for MI termination for mortgage loans using Fannie Mae’s servicing solutions system as follows:

- **Borrower-Initiated Termination Based on Original Value** – servicers are encouraged to implement these policy changes as early as January 1, 2019; however, servicers are required to implement these changes by September 1, 2019.



- Borrower-Initiated Termination Based on Current Value – servicers are encouraged to implement these policy changes as early as March 1, 2019; however, servicers are required to implement these changes by September 1, 2019.

## Miscellaneous Revisions

**Allowable Bankruptcy Attorney Fee Clarification.** The [Allowable Bankruptcy Attorney Fees Exhibit](#) has been amended to clarify that the maximum allowable fee for the Proof of Claim Form 410A Loan Payment History includes both the preparation of the form by the law firm and the review of the form prepared by the servicer.

### Effective Date

This policy change is effective immediately.

**Fannie Mae Change of Address.** We have moved our corporate headquarters and updated the *Guide* and related forms to reflect our new address:

Fannie Mae  
Midtown Center  
1100 15th Street, NW  
Washington, DC 20005

### Updated *Servicing Guide* Topics and Forms

- [A4-1-03, Addressing Borrower Inquiries and Disputes](#)
- [D2-1-01, Determining if the Borrower's Mortgage Payment is in Imminent Default](#)
- [F-4-03, List of Contacts](#)
- Adverse Action Notice ([Form 182](#))

### Effective Date

Servicers are encouraged to begin using the new address immediately, but must do so by February 1, 2019.

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

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