

Lender Letter LL-2015-01

January 29, 2015

To: All Fannie Mae Single-Family Servicers

Notification of Future Updates to Borrower “Pay for Performance” Incentives for a Fannie Mae HAMP Modification

Expanded Borrower “Pay for Performance” Incentive for a Fannie Mae HAMP Modification Servicing Guide F-1-29, Processing a Workout Incentive Fee and F-2-03, Incentive Fees for Workout Options

Fannie Mae is extending the borrower “pay for performance” incentive for one year and adding an incentive of \$5,000 in connection with the sixth anniversary of the Trial Period Plan effective date. This expanded borrower “pay for performance” incentive will be payable prior to the first payment due date after the sixth anniversary of the Fannie Mae HAMP Trial Period Plan effective date for eligible borrowers.

NOTE: No expanded borrower “pay for performance” incentive will be available for payment prior to September 1, 2015. Fannie Mae will provide additional guidance on the application of expanded incentives that are payable prior to September 1, 2015 at a later date.

In order to be eligible for the expanded borrower “pay for performance” incentive, the criteria in the following table must be met.

✓	Eligibility Criteria for Expanded Borrower “Pay for Performance” Incentive
	<p>The mortgage loan must</p> <ul style="list-style-type: none"> • be a first lien conventional mortgage loan that was previously modified under Fannie Mae HAMP Modification; • be in good standing as defined in <i>Identifying Loss of Good Standing</i> in D2-3.2-07, Fannie Mae HAMP Modification on the sixth anniversary of the Trial Period Plan effective date; and • not be paid in full.
	<p>The servicer must have received an executed <i>Real Estate Fraud Certification</i> (Form 720) or U.S. Treasury Department’s (Treasury) “Dodd Frank Certification” from the borrower on or before the sixth anniversary of the Fannie Mae HAMP Trial Period Plan effective date or September 1, 2015, whichever is later.</p>

Communicating with a Borrower Regarding Eligibility for the Expanded Borrower “Pay for Performance” Incentive for a Fannie Mae HAMP Modification Servicing Guide D2-3.2-07, Fannie Mae HAMP Modification

The following table outlines the servicer requirements related to the expanded borrower “pay for performance” incentive.

✓	<p>The servicer must ...</p> <p>provide written notice of the potential for receipt of the expanded borrower “pay for performance” incentive to a borrower in good standing prior to the fifth anniversary of the Fannie Mae HAMP modification effective date as described in the following table.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">If the fifth anniversary of the Fannie Mae HAMP modification effective date occurs...</th> <th style="text-align: center;">Then the servicer must...</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">prior to April 1, 2015 and before September 1, 2015</td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> • provide at least one written notice on or before June 1, 2015; and • perform at least one follow up communication to the written notice using any acceptable communication methods as described in D2-2-01, Achieving Quality Right Party Contact with a Borrower. </td> </tr> <tr> <td style="vertical-align: top;">on or after September 1, 2015</td> <td style="vertical-align: top;"> <p>provide at least two written notices that are</p> <ul style="list-style-type: none"> • at least 60 days, but no more than 150 days, prior to the fifth anniversary of the Fannie Mae HAMP modification effective date; and • at least 30 days apart. </td> </tr> </tbody> </table> <p>NOTE: <i>The servicer is authorized to</i></p> <ul style="list-style-type: none"> • <i>include any notice for the expanded borrower “pay for performance” incentive in other notices sent to the borrower, provided the timing requirements are met;</i> • <i>provide other communications in addition to the required written notices to the borrower of the potential for receipt of the expanded borrower “pay for performance” incentive; and</i> • <i>include information in the notice indicating that the mortgage loan could be re-amortized if eligible on or after the sixth anniversary of the Fannie Mae HAMP modification effective date, provided the borrower receives the expanded borrower “pay for performance” incentive.</i> 	If the fifth anniversary of the Fannie Mae HAMP modification effective date occurs...	Then the servicer must...	prior to April 1, 2015 and before September 1, 2015	<ul style="list-style-type: none"> • provide at least one written notice on or before June 1, 2015; and • perform at least one follow up communication to the written notice using any acceptable communication methods as described in D2-2-01, Achieving Quality Right Party Contact with a Borrower. 	on or after September 1, 2015	<p>provide at least two written notices that are</p> <ul style="list-style-type: none"> • at least 60 days, but no more than 150 days, prior to the fifth anniversary of the Fannie Mae HAMP modification effective date; and • at least 30 days apart.
If the fifth anniversary of the Fannie Mae HAMP modification effective date occurs...	Then the servicer must...						
prior to April 1, 2015 and before September 1, 2015	<ul style="list-style-type: none"> • provide at least one written notice on or before June 1, 2015; and • perform at least one follow up communication to the written notice using any acceptable communication methods as described in D2-2-01, Achieving Quality Right Party Contact with a Borrower. 						
on or after September 1, 2015	<p>provide at least two written notices that are</p> <ul style="list-style-type: none"> • at least 60 days, but no more than 150 days, prior to the fifth anniversary of the Fannie Mae HAMP modification effective date; and • at least 30 days apart. 						
	<p>include a copy of Form 720 or Treasury’s “Dodd Frank Certification” in the written notice to eligible borrowers, if not already collected.</p> <p>NOTE: <i>The servicer must notify the borrower that the servicer must have received an executed Form 720 or Treasury’s “Dodd Frank Certification” from the borrower on or before the sixth anniversary of the Fannie Mae HAMP Trial Period Plan effective date or September 1, 2015, whichever is later, in order to be eligible for the expanded borrower “pay for performance” incentive. For a Fannie Mae HAMP modification completed on or after April 1, 2015, the servicer is authorized to collect Form 720 before the mortgage loan modification is complete. If the servicer elects to collect Form 720 before the mortgage loan modification is complete, it must be clearly communicated to the borrower that eligibility for and settlement of the mortgage loan modification is not contingent on the submission of an executed Form 720.</i></p>						

The following table outlines the servicer requirements related to the re-amortization option for Fannie Mae mortgage loans with a Fannie Mae HAMP Modification.

✓	The servicer must...
	<p>provide written notice of an option to re-amortize the UPB, excluding deferred principal, over the remaining term of the mortgage loan if at the time of the notice the mortgage loan is in good standing. The written notice must</p> <ul style="list-style-type: none"> • be provided at least 60 days, but no more than 120 days, prior to the sixth anniversary of the Fannie Mae HAMP modification effective date; • give the borrower at least 30 days, but no more than 180 days, from the date of the notice to respond to the re-amortization offer; • notify the borrower of any changes to principal and interest payments as required by applicable law; • specify changes to the payment schedule as a result of the re-amortization and total interest to be paid during the remaining term of the mortgage loan after the sixth anniversary of the Fannie Mae HAMP modification effective date, both with and without the effect of the re-amortization; and • include the contact information of the servicer and instruct the borrower to contact the servicer if the borrower has questions or concerns about the re-amortize offer. <p>NOTE: <i>The servicer is authorized to include the notice of a re-amortization offer in other notices sent to the borrower, provided the timing requirements are met.</i></p>
	<p>apply the same re-amortization conditions to all mortgage loans serviced for Fannie Mae, however, the servicer is authorized to</p> <ul style="list-style-type: none"> • require that the mortgage loan is current at the time of the re-amortization; • require that the borrower receives the expanded borrower “pay for performance” incentive prior to completing the re-amortization; and • not send a notification to an eligible borrower of the option to re-amortize the UPB if the mortgage loan was re-amortized within the previous twelve months.
	<p>provide the re-amortization at no expense to the borrower once the borrower accepts the re-amortization offer.</p>
	<p>perform a follow up communication to the initial written notice using any acceptable communication methods as described in D2-2-01, Achieving Quality Right Party Contact with a Borrower.</p>
	<p>provide estimated amortization schedules upon the borrower’s request.</p>
	<p>determine, in compliance with applicable law, if a written modification agreement is required to re-amortize the mortgage loan.</p>
	<p>ensure that the mortgage loan maintains its first lien position and is fully enforceable.</p>

Application of Borrower “Pay for Performance” Incentives for a Fannie Mae HAMP Modification

Servicing Guide F-1-29, Processing a Workout Incentive Fee

The servicer must first apply any borrower “pay for performance” incentives in accordance with the application of scheduled payments as specified in the security instrument. The following table outlines how the servicer must apply any portion of the borrower “pay for performance” incentives being applied as a principal curtailment.

If the borrower “pay for performance” incentive being applied as a principal curtailment...	Then the servicer must apply such “pay for performance” incentive...
is less than the interest-bearing UPB	to the interest-bearing UPB.
is greater than or equal to the interest-bearing UPB	in the following order to the <ol style="list-style-type: none"> 1. deferred UPB, if any; and 2. interest-bearing UPB. <p>NOTE: <i>After applying the incentive in the above order, the servicer must remit any remaining incentive payment directly to the borrower.</i></p>

Authorization to Sign Amendment to Servicer Participation Agreement Servicing Guide D2-3.2-07, Fannie Mae HAMP Modification

Servicers that previously signed a Commitment to Purchase Financial Instrument and Servicer Participation Agreement (SPA) with Treasury are authorized to sign an amendment to the SPA (Amendment) described in Supplemental Directive 2015-01 issued by Treasury.

Once the servicer has executed the Amendment, it is authorized to perform the following services under the SPA for Fannie Mae mortgage loans:

1. Determine which borrowers are in good standing under Fannie Mae HAMP as of the sixth anniversary of their Fannie Mae HAMP Trial Period Plan effective date;
2. Receive [Form 720](#) or Treasury’s “Dodd-Frank Certification” from potentially eligible borrowers in accordance with documentation requirements established by Treasury in order to determine which of those borrowers are eligible to receive the expanded borrower “pay for performance” incentive funded through Treasury’s Troubled Asset Relief Program (TARP);
3. Apply the expanded borrower “pay for performance” incentive funded through TARP to the borrower’s mortgage account and, to the extent such incentive exceeds the outstanding mortgage loan debt, remit any excess to the borrower in accordance with the requirements of this Lender Letter;
4. Comply with reporting requirements and other requests for information issued by Treasury or its program administrator that are related to the services described in 1-3, in accordance with applicable law; and
5. Comply with any compliance or audit review related requests from Treasury, or any third party that Treasury has designated to perform such reviews, that relate to the services described in 1-3, in accordance with applicable law.

The servicer is not authorized to perform any other services under the SPA with respect to Fannie Mae mortgage loans.

Updated Evaluation Notices Exhibit

The [Evaluation Notices Exhibit](#) has been revised as a result of these updated policies.

Policy Change Effective Date

The policy changes in this Lender Letter are effective April 1, 2015.



Date of Servicing Guide Update

The policy changes in this Lender Letter will be reflected in the April 2015 update of the *Servicing Guide*.

The servicer should contact its 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 Lender Letter.

Malloy Evans
Vice President
National Servicing Organization