



## Lender Letter LL-2017-07

September 21, 2017

### To: All Fannie Mae Single-Family Sellers and Servicers Reimbursement for Property Inspections and Additional Servicing-Related Reminders

We continue to respond and work with our lenders and servicers to assist homeowners impacted by the recent hurricanes. In doing so, we are providing this Lender Letter with additional guidance and relief. Refer to the disaster resources on our [Single-Family](#) and [corporate](#) disaster relief pages.

As stated in recent Lender Letters related to Hurricanes Harvey and Irma, we will provide reimbursement for property inspection costs incurred by lenders and servicers. We don't want cost to be an inhibitor to obtaining inspections generally and we want to ensure that inspection costs are not passed on to impacted borrowers. The purpose of this Lender Letter is to describe our reimbursement policies and the process for obtaining them. We also remind servicers of a number of important policies related to inspections, property repair, and reporting of damage.

#### PLEASE NOTE

*We are extending the disaster policies recently communicated in this and recent lender letters to all hurricanes occurring in the U.S. and its territories on or after August 25, 2017 and through the 2017 hurricane season. Where policy termination dates have been identified, we will issue updates as necessary.*

### Reimbursement Process

We will be utilizing the existing process that is currently in place for expense reimbursement to servicers. All claims must be submitted by the servicer of the loan in the LoanSphere Invoicing™ system. This reimbursement process applies for property inspection costs incurred prior to purchase or securitization of the loan by Fannie Mae, and also for loans currently being serviced.

### Property Inspections and Reimbursement for Newly Originated Loans

#### Property Inspections

Before delivery of a mortgage loan to Fannie Mae where the property may have been damaged by a disaster, we expect the lender to take prudent and reasonable actions to determine whether the condition of the property may have materially changed. We are not prescriptive in how lenders make their representations and warranties around potential impact to property condition as a result of the disaster. "Prudent and reasonable actions" are not restricted to on-site inspection by a licensed or certified appraiser. Lenders may also obtain inspections from appraiser trainees, home inspectors, real estate agents, insurance adjustors, contractors, or any other qualified representatives of their choosing. Technology such as real-time aerial or satellite imagery might also enable lenders to meet this requirement.



## Reimbursement

The following reimbursement policies will apply to property inspections obtained prior to loan purchase or securitization by Fannie Mae for properties in the disaster area:

- **Loans with appraisals:** Reimbursement will occur for loans in process that were in the disaster area and have an Appraisal Effective Date prior to the disaster occurring.
- **PIW loans:** Reimbursement will occur for loans that were closed before the disaster occurred, where the lender intended to sell the loan to us with a property inspection waiver (PIW).
- Lenders, including direct sellers and correspondents who have incurred property inspection costs, will work with the servicer of record to seek reimbursement. (The servicer must submit all requests.)
- We will reimburse for the actual cost of property inspections incurred as a result of the disasters that occurred on or after August 25, 2017, up to a reasonable amount. Note that the reimbursement limits noted below pertaining to existing loans does not apply to newly originated loans, and we are not reimbursing the cost of appraisals.
- Servicers may begin submitting requests for reimbursement on or after October 1, 2017. Reimbursement requests must be made within one year of the invoice date.
- The servicer must maintain copies of the property inspection invoice and results in the loan file and must provide to us upon request.

## Property Inspection, Reimbursement, Repair, and Reporting Policies for Existing Loans

### Property Inspections

Servicers must determine the extent and nature of the damage pursuant to *Servicing Guide*, [D1-3-01: Evaluating the Damage Caused by a Disaster](#). If the servicer is unable to contact the borrower to make that determination, the servicer must inspect the property. The following table further outlines the servicer's responsibilities for inspecting impacted properties based on the mortgage loan status prior to the disaster and the occupancy status of a delinquent mortgage loan (according to the last inspection prior to the disaster). For additional information about inspecting properties impacted by disaster, see *Servicing Guide*, [D2-2-10: Requirements for Performing Property Inspections](#), and the [Property Preservation Matrix and Reference Guide](#).

If the property is in an area impacted by disaster and the mortgage loan is...	Then the servicer must...
current	attempt to achieve Quality Right Party Contact (QRPC) to verify damage and determine the borrower's intent on filing an insurance claim and completing necessary repairs.  If the servicer is not able to achieve QRPC, then the servicer must inspect the property. If the initial inspection report shows damage, the servicer must continue monthly property inspections until the damage is remediated.
delinquent and the property is occupied or the occupancy status is unknown	attempt to achieve QRPC to verify damage and determine the borrower's intent on filing an insurance claim and completing necessary repairs.  If the servicer is not able to achieve QRPC, then the servicer must inspect the property. If the initial inspection report shows damage, the servicer must continue weekly property inspections



	until the damage is remediated. After the damage is remediated, the servicer must continue monthly inspections.  If the initial inspection shows no damage, the servicer must continue monthly inspections.
delinquent and the property is vacant	immediately inspect the property. If the initial inspection report shows damage, the servicer must continue bi-weekly inspections until the damage is remediated. Once the damage is remediated, the servicer must continue monthly inspections.  If the initial inspection shows no damage, the servicer must continue monthly inspections.

The servicer must perform the required inspections using the *Property Inspection Report* ([Form 30](#)) or equivalent, and maintain a copy in the loan file (provided to Fannie Mae upon request). The servicer may exercise discretion in determining whether an interior or exterior property inspection is appropriate depending on the individual circumstances.

## Reimbursement

We are updating our expense reimbursement process to accept requests for required inspection costs on current mortgage loans. Servicers should request reimbursement for these inspection costs under the normal process they follow today using our expense reimbursement system. The servicer should utilize the interior property inspection and/or exterior property inspection line items in its request to expedite processing.

The following reimbursement policies will apply to property inspections obtained on existing loans with properties in the disaster area:

- We will reimburse the servicer \$15 for exterior inspections and \$20 when an interior inspection is necessary, in accordance with the amounts in the Defined Expense Reimbursement Limits in *Servicing Guide*, [F-1-06: Expense Reimbursement](#). However, if the servicer already ordered a more expensive FEMA disaster inspection prior to the date of this Lender Letter, we will reimburse the servicer for those costs.
- We will reimburse for all mortgage loans in which Fannie Mae holds the risk of loss and the properties are impacted by disaster on or after August 25, 2017.
- Servicers may begin submitting applicable requests for reimbursement on or after October 1, 2017.
- Servicers must submit reimbursement requests for inspection costs on current mortgage loans within one year of the invoice date.
- For inspections costs on delinquent mortgage loans, refer to the expense reimbursement deadlines in *Servicing Guide*, [E-5-01: Requesting Reimbursement for Expenses](#).

## Performing Repairs and Addressing Urgent Conditions

Servicers must immediately commence repair work for a delinquent mortgage loan if

- the last inspection prior to the disaster showed the property as vacant, and
- the servicer determines (through the post-disaster inspection or QRPC) that the property is still vacant and there is damage to the property.

Refer to the *Servicing Guide*, [D2-2-10: Requirements for Performing Property Inspections](#) and the [Property Preservation Matrix and Reference Guide](#) for additional property preservation requirements and guidance. In addition, servicers are encouraged to address urgent conditions immediately and prior to our approval for matters outside the allowable threshold, in accordance with Fannie Mae's Bid After The Fact (BATF) process in the *Property Preservation Matrix and*



*Reference Guide.* We will give deference to servicer decisions on such repairs and will approve BATF requests as long as the repairs and associated costs keep with the intended spirit of our disaster assistance policies and are not materially unreasonable or unnecessary.

## **Reporting Uninsured Loss Events**

*Servicing Guide*, [B-5-02: Uninsured Loss Events](#), currently requires the servicer to send a complete report of the damage to its Fannie Mae Servicing Representative. Due to the extensive nature of the hurricane disasters, we are removing this reporting requirement for all loans going forward. Servicers are reminded that they must

- determine the extent of the damage;
- secure the property in accordance with the requirements in the *Servicing Guide* and the *Property Preservation Matrix and Reference Guide*, if applicable;
- develop plans with the borrower to repair the property; and
- assist the borrower in filing for any disaster relief that may be available.

\*\*\*\*\*

If you have questions about this Lender Letter, please reach out to your Fannie Mae customer delivery team, Portfolio Manager, or our Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643).

Carlos T. Perez  
Senior Vice President and  
Chief Credit Officer for Single-Family