Hurricane Relief FAQs for Single-Family Mortgage-Backed Securities (MBS) and Credit Risk Transfer (CRT) Investors

Fannie Mae stands with the many millions affected by recent Hurricane events as they rebuild their communities. We are working with our customers, partners, and federal and local authorities to bring relief to homeowners now, and are committed to helping the region’s families, neighborhoods, and communities recover in the months and years ahead.

We are also committed to providing transparency to our investor partners. Below are frequently asked questions and corresponding answers for investors regarding recent hurricanes. As new information becomes available, we will update this FAQs document. For additional information and resources, please visit the Hurricane Relief section or contact Fixed Income Marketing at 1.800.2FANNIE.

To sign up for news and commentary to be delivered to your inbox related to our Single-Family MBS and CRT programs, register here.

Seller/Servicer processes related to disasters

Q1. How does Fannie Mae work with sellers/servicers to respond to disaster events?

We have standing policies in place to help lenders and servicers assist their customers who have been impacted by a disaster. For all Fannie Mae disaster assistance policies, please refer to the Disaster Relief section of our Single-Family website. For our Hurricane relief specific updates, please refer to the Hurricane Relief section of our website. Some notable points include:

- **Sellers:**
  - Before delivery of a mortgage loan to Fannie Mae where the property may have been damaged by a disaster, the lender must take prudent and reasonable actions to determine whether the condition of the property may have materially changed. The lender must determine if an inspection of the property and/or new appraisal is necessary.
  - The property eligibility requirements are necessary to support the lender’s property representations and warranties. When a lender sells a loan to Fannie Mae, the lender must warrant that the property is not damaged by fire, wind or other cause of loss, and that there are no proceedings pending for the partial or total condemnation of the property.
  - Lenders will be reimbursed for the costs associated with inspecting properties potentially impacted by Hurricanes Harvey or Irma or other hurricanes in the 2017 season for loans delivered to us that were in process when the disaster occurred.
  - DU will not offer a property inspection waiver (PIW) for any properties located in FEMA-declared disaster areas that are eligible for individual assistance from consideration for a PIW.
  - For loans in process that were impacted by Hurricane Harvey or Irma, or other hurricanes during the 2017 season, we have extended the maximum age of credit and appraisal documents to 180 days.

- **Servicers:**
  - Fannie Mae’s Servicing Guide outlines servicer requirements in the event of disaster, including providing assistance in the form of temporary forbearance, repayment plans, and/or modifications.
  - Servicers are required to determine the extent and nature of any damage to the property. If the servicer is unable to contact the borrower to make that determination, the servicer must inspect...
the property. We describe property inspection requirements and reimbursement policies in our recent [lender letter](#).

- Servicers will be reimbursed for the costs associated with inspecting impacted properties securing existing mortgage loans.
- Servicers must suspend any foreclosure sale for a mortgage loan in which the property or employment is impacted by either Hurricanes Harvey or Irma or other hurricanes in the 2017 season as of the date the disaster occurred and until December 31, 2017. This foreclosure suspension does not apply to mortgage loans on properties that were previously identified as vacant or abandoned.
- For properties impacted by Hurricanes Harvey or Irma or other hurricanes in the 2017 season, we are suspending eviction lock-outs on REO properties until January 2, 2018

### Q2. How does temporary forbearance work?

Under Fannie Mae’s disaster relief guidelines, a servicer may temporarily suspend or reduce a homeowner’s mortgage payments for up to ninety days if the servicer believes a disaster has adversely affected the value or habitability of the property or if the disaster has temporarily impacted the homeowner’s ability to make payments on their mortgage.

When a servicer establishes contact with a homeowner and assesses that the borrower’s employment or income has been seriously affected by a disaster event, the servicer may offer payment forbearance for up to six months, which may be extended for an additional six months for those homeowners that were current or ninety days or less delinquent when the disaster occurred. Any forbearance plan that exceeds these respective time periods must be approved by Fannie Mae. After a forbearance plan is granted, the servicer must continue to work with the borrower to determine what additional steps can be taken (for example, application of insurance claim settlements to repair the property).

During the disaster relief and/or forbearance plan periods, the servicer must suspend the reporting of delinquencies to the credit bureaus. In addition the servicer must waive any late charges.

If the loan has not been brought current by the expiration of the forbearance plan, the servicer must evaluate the mortgage loan for a workout option by either extending the forbearance period, entering the borrower into a repayment plan, or assessing the borrower for one of our standard loss mitigation options, e.g., a modification.

For more information regarding Fannie Mae’s forbearance process, please refer to our [investor announcement](#).

### Q3. What are the requirements for flood insurance?

Our Guide provides strict guidance about flood insurance requirements in a Special Flood Hazard Area (SFHA) and/or Costal Barrier Resource System area. Servicers must:

- ensure the property securing the mortgage loan is adequately protected by flood insurance when required, with no lapses in coverage;
- ensure the flood insurance premiums are paid;
- actively monitor all flood maps and community status changes and take appropriate actions as changes occur; and
- provide evidence of flood insurance coverage to Fannie Mae within 10 business days of the date of our request.

In addition, if the servicer cannot obtain evidence of acceptable flood insurance, the servicer must obtain lender-placed insurance to comply with our insurance requirements.
Q4. What are the requirements for property insurance?

Based on our Selling Guide, property insurance for properties securing loans delivered to Fannie Mae must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement, which must include, at minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion. The coverage must provide for claims to be settled on a replacement cost basis. Fannie Mae does NOT accept property insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement.

Based on our Servicing Guide, in terms of property insurance, servicers must verify annually that the selected insurance carrier, policy amount, and type of coverage meet Fannie Mae’s requirements. In addition, the servicer must: (1) ensure requirements contained in any negotiated contract are met, (2) ensure property insurance premiums are paid, (3) immediately obtain new coverage to meet Fannie Mae’s requirements if the borrower allows the insurance coverage to lapse, (4) contact its Fannie Mae Servicing Representatives to determine if additional coverage is needed if the insurable improvements of the property securing a mortgage loan are exposed to hazards that a fire and extended coverage policy does not protect against, and (5) change insurance coverage for a mortgage loan when it is inadequate to protect Fannie Mae’s interest or, in the instance of lender-placed insurance, causes Fannie Mae to be over-insured.

Q5. Who is responsible if a loan doesn’t have required insurance or if the policy(ies) have lapsed?

Our servicers are required to ensure that any required property and/or flood insurance policies are maintained. If a seller/servicer fails to ensure a loan has adequate insurance or allows the policy to lapse, Fannie Mae has remedies (including make-whole payments, indemnification for losses and repurchase) for a seller/servicer’s nonperformance as noted in our Servicing Guide.

Mortgage Insurance

Q6. What is Mortgage Insurance (MI)?

Mortgage Insurance (MI) is an insurance policy which compensates the policy holder or policy beneficiary for certain losses due to a default on a mortgage loan. MI coverage is designed to protect against a wide variety of default situations, however MI does not cover flood or other property and casualty losses.

Q7. In the event of a default, how does the MI claim process work?

We describe how mortgage insurance works in this presentation.

Q8. Can a Mortgage Insurance claim be denied in full due to physical damage?

Yes, Mortgage Insurance policies all include an exclusion for physical damage (i.e., any impairment to a property, whether caused by accident or otherwise, such as flood, earthquake, and any event declared a disaster by the Federal Emergency Management Agency (FEMA) or other governmental agency). If physical damage was the principal cause of the borrower’s default, then the claim can be denied by the mortgage insurer in full. Physical damage is generally considered the principal cause of default if all of the following criteria are met:

1. As of the claim submission date, the property has not been restored to its condition on the commitment date, reasonable wear and tear excepted, and
2. The mortgage insurance company reasonably determines that the estimated cost to restore the property would equal or exceed 25% of the unpaid principal balance of the loan as of the date they elect to exercise a remedy, and
3. The property was either uninsured for loss arising from the physical damage or was insured for an amount which, disregarding normal and customary deductibles not to exceed $5000, was insufficient to restore the property to its condition as of the commitment date, reasonable wear and tear excepted, and
4. The default occurred on or after the date that the physical damage occurred or manifested itself, and
5. The property is uninhabitable (which means generally recognized standards for residential occupancy are violated or, in the absence of such standards, a fully informed and reasonable person would conclude that a property was unsafe or unsuitable for habitation as a residential dwelling).

Q9. In what circumstance can a Mortgage Insurance company rescind coverage?

The mortgage insurance company’s quality control review may uncover one or more breaches of insurance representations and warranties breach that would cause the coverage to be rescinded. In this case, Fannie Mae will seek make-whole recoveries from the seller/servicer for an amount equivalent to the MI proceeds that are otherwise contractually due. Fannie Mae will pass through make-whole recoveries to the CAS investor. Such amounts will appear in the remittance file as “repurchase / make whole proceeds” rather than “credit enhancement proceeds”. The timing of such seller/servicer proceeds is likely to lag credit enhancement proceed collections.

Credit Risk Transfer

Q10. What loans may have been impacted by the damage that occurred due to Hurricane Harvey and Irma that are referenced in Fannie Mae’s Connecticut Avenue Securities™ (CAS) and Credit Insurance Risk Transfer™ (CIRT™) deals?

We have added information to Data Dynamics®, our credit risk-sharing data analytics web tool, to show deal-level estimates of the percentage of unpaid principal balance (UPB) in CAS or CIRT reference pools where the underlying properties are in areas that may have been impacted by the recent hurricanes. We added new column fields called “Potential Harvey UPB (%)” and “Potential Irma UPB (%)” to the deal profile information tab on the “Deal issuance and Performance Data” report and a new filter called “Filter to Region of Interest”, which enables users to isolate at the deal-level loans potentially impacted. Users are also able to toggle to a “Neither” option, which allows users to view the performance absent these recent hurricane events. These enhancement options will become even more beneficial to investors in the future as time progresses, the final impacted populations become better known and performance information becomes available for these populations.

The figures for Potential Harvey UPB (%) and Potential Irma UPB (%) were derived principally from information about geographic areas potentially affected by the storm, including data regarding wind speeds, storm surge areas, rainfall levels, and other information, which may vary from FEMA’s estimates. It is likely that only a subset of properties in the identified areas suffered damage due to the storm. It is highly preliminary and subject to substantial revision as additional information becomes available. This data does not include estimates on loss or severity.

As Fannie Mae receives updated information from a variety of sources about the impact of the storm on geographic areas and individual properties, we will periodically update this information and reflect this on Data Dynamics.

Q11. What type of loans impacted by Hurricanes Harvey and Irma are required to have flood insurance?

Fannie Mae’s Selling Guide requires that the lender must ensure that any flood insurance required for the mortgaged property is in place. Fannie Mae requires flood insurance for any property that has a
residential building, dwelling, structure, or improvement situated in a Special Flood Hazard Area (SFHA) that has federally mandated flood insurance purchase requirements, or is located in the Coastal Barrier Resources System or Otherwise Protected Area.

We have added a new feature in Data Dynamics®, our credit risk-sharing data analytics web tool. A new column field labeled “SFHA UPB (%)” has been added to the deal profile information tab. This column shows deal-level percentages of unpaid principal balance in the indicated Connecticut Avenue Securities (CAS) or Credit Risk Transfer (CIRT) reference pools where the related properties, as reported to us by lenders based on their data at the time of origination, are located in the Special Flood Hazard Area (SFHA) designated by the US Federal Emergency Management Agency (FEMA).

Q12. What updates have been made to CAS Fixed Severity deals to reflect the impact of disaster-related forbearance granted in connection with Hurricanes Harvey and Irma?

As we announced on August 31st, 2017 for Hurricane Harvey and September 22nd, 2017 for Hurricane Irma, the ‘fixed severity’ deals (from CAS 2013-C01 through and including CAS 2015-C03) were updated as follows:

**CAS Securities issued under the ‘fixed severity’ framework**

<table>
<thead>
<tr>
<th>Deal</th>
<th>Issuance Date</th>
<th>Prior Treatment of Delinquent Loans in Forbearance for Natural Disasters</th>
<th>Updated Treatment of Delinquent Loans in Forbearance for Hurricanes Harvey and Irma</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAS 2013-C01</td>
<td>October 2013</td>
<td>Reference Obligations become Credit Events at 180 days or more delinquent (regardless of any grant of forbearance)</td>
<td>Loans that are granted temporary forbearance as a result of Hurricane Harvey will not be deemed to have experienced a credit event at 180 days delinquency. Rather, Fannie Mae will wait to evaluate the related loan for a delinquency related Credit Event until the later of: (i) 20 months from the point at which a servicer grants initial disaster recovery relief to a borrower, or (ii) 3 months from the conclusion of its forbearance period.</td>
</tr>
<tr>
<td>CAS 2014-C01</td>
<td>January 2014</td>
<td>Reference Obligations become Credit Events at 180 days or more delinquent. However, they become reversed Credit Events if the loan had a payment status reported as current at the conclusion of its forbearance period (or up to three months thereafter if necessary).</td>
<td></td>
</tr>
<tr>
<td>CAS 2014-C02</td>
<td>May 2014</td>
<td>Reference Obligations become Credit Events at 180 days or more delinquent. However, they become reversed Credit Events if the loan had a payment status reported as current at the conclusion of its forbearance period (or up to three months thereafter if necessary).</td>
<td></td>
</tr>
<tr>
<td>CAS 2014-C03</td>
<td>July 2014</td>
<td>Reference Obligations become Credit Events at 180 days or more delinquent. However, they become reversed Credit Events if the loan had a payment status reported as current at the conclusion of its forbearance period (or up to three months thereafter if necessary).</td>
<td></td>
</tr>
<tr>
<td>CAS 2014-C04</td>
<td>November 2014</td>
<td>Reference Obligations become Credit Events at 180 days or more delinquent. However, they become reversed Credit Events if the loan had a payment status reported as current at the conclusion of its forbearance period (or up to three months thereafter if necessary).</td>
<td></td>
</tr>
<tr>
<td>CAS 2015-C01</td>
<td>February 2015</td>
<td>Reference Obligations become Credit Events at 180 days or more delinquent. However, they become reversed Credit Events if the loan had a payment status reported as current at the conclusion of its forbearance period (or up to three months thereafter if necessary).</td>
<td></td>
</tr>
</tbody>
</table>
The treatment of all other events defined as credit events under the CAS fixed severity framework will remain unchanged:

- a short sale is settled,
- the related Mortgage Note is sold to a third party during the foreclosure process,
- a deed in lieu of foreclosure is executed, or
- an REO acquisition occurs.

Q13. How does disaster-related forbearance impact CAS Actual Loss deals?

CAS offerings beginning with CAS 2015-C04, issued under the ‘actual loss’ framework, are not impacted by the update described above and will remain subject to the timing and loss calculations as described in such offerings.

- Disaster-related forbearance will not cause a credit event. Loans in forbearance will reduce the amount of scheduled principal received on the reference obligations, which may extend the lives of the CAS bonds. Under the actual loss CAS framework, losses are not allocated to noteholders until 90 days after the property disposition date.

- Disaster-related forbearance will not cause a modification loss. A modification loss is not passed through to noteholders until a loan is granted a permanent modification. If a loan has not been brought current by the expiration of the forbearance plan, the servicer must evaluate the mortgage loan for a workout option by either extending the forbearance period, entering the borrower into a repayment plan, or assessing the borrower for one of our standard loss mitigation options, e.g., a modification. The percentage of loans in a given reference pool that ultimately are modified pursuant to one of our loss mitigation options may be higher than would be the case in the absence of these natural disasters.

- The loans in forbearance that are 90 days or more delinquent will count toward the Delinquency Test because the delinquency status on the loan will continue to advance. However, temporary forbearance will not affect the Minimum Credit Enhancement test. Hitting either trigger will cause the lockout of unscheduled principal from the subordinate bonds. This is unchanged as a result of recent disaster events.

Q14. Is Fannie Mae’s interest payment obligation to noteholders reduced when a loan is in forbearance?

No, Fannie Mae continues to be obligated to pay the full amount of interest due to noteholders, regardless of how many loans may be in a state of temporary forbearance.

Q15. Do the updates to the Fixed Severity CAS deals require an investor vote? Will Fannie Mae update the deal documents to account for this update?
Under the terms of the debt agreements pursuant to which the notes were issued, Fannie Mae can modify the terms of the notes provided that any changes do not adversely affect the interests of certificate holders. We believe that the change that Fannie Mae announced provides a benefit to holders. This is not a permanent amendment of the respective agreements. Although this is not a permanent amendment of the respective agreements, we have nonetheless confirmed via opinion of tax counsel that there will be no tax impact to noteholders. We have provided a formal notice regarding the update to CAS noteholders through our Global Agent, Wells Fargo. This notice will be posted on the CTS Link, consistent with the way that information about the deals is formally provided to noteholders.

Q16. **Will loans that are backed by properties in Hurricanes Harvey and Irma impacted areas be in future CAS and CIRT deals or will the property conditions be assessed prior to inclusion?**

For loans that we have already acquired that have not been included in a reference pool for a CAS and CIRT transaction, we will assess available information regarding the geographic areas and properties potentially impacted by hurricanes Harvey and Irma to determine whether such loans will be included in a future reference pool.

Q17. **What is Fannie Mae’s role if a mortgage insurer were to fail to pay a claim?**

Fannie Mae retains the MI counterparty risk under its CAS transactions. If a mortgage insurer fails to pay the full amount of contractual proceeds that are due under an MI claim, Fannie Mae will pass through the difference to noteholders as additional credit enhancement proceeds, backstopping the mortgage insurer counterparty risk. For example, in a circumstance where a mortgage insurer was ordered by its regulator to pay partial claims due to its financial circumstances, Fannie Mae would make up the difference between the reduced amount paid by the mortgage insurer and the amount contractually due under the claim. MI policies include an exclusion for physical damage. In physical damage situations, the mortgage insurer does not contractually owe on such a claim, and as such Fannie Mae would not pass through amounts that are not contractually due.

Q18. **Who is responsible for losses if the servicer breaches representations & warranties related to ensuring required flood or property insurance?**

If a seller/servicer fails to ensure a loan has adequate insurance or allows the policy to lapse, Fannie Mae has remedies (including make-whole payments, indemnification for losses and repurchase) for a seller/servicer’s nonperformance as noted in our Servicing Guide. As it relates to Fannie Mae’s Connecticut Avenue Securities™ (CAS), if a servicer is required to repurchase a loan this loan will be treated as a reference pool removal and no loss will result. If the servicer is required to provide us with a full or partial indemnity or make-whole payment, these amounts will be passed through to noteholders as “repurchase make whole” proceeds.

Q19. **Where can I find more information on Fannie Mae’s Hurricane response for investors?**

Fannie Mae publishes relevant announcements and commentary on its webpages for MBS investors and CRT investors. Sign-up to receive commentary delivered to your email <here>.

For CRT investors, we provide data to help investors evaluate Hurricane impact in our analytical tool, Data Dynamics®.