

Lender Letter LL-2013-08

October 1, 2013

To: All Fannie Mae Single-Family Sellers and Servicers

Impact of Federal Government Shutdown

Federal employees across the country may be affected by the federal government shutdown, including employees who work for government contractors, vendors, and other businesses that rely on work from government agencies or that offer goods and services to members of the government work force in their localities.

Fannie Mae is providing temporary guidance on selling and servicing policies that may be impacted by the federal government shutdown that occurred on September 30, 2013. This guidance assumes that the shutdown will be temporary in nature. These temporary policies are effective October 1, 2013, and will automatically expire when the federal government resumes full operations. If the government shutdown lasts for a prolonged period, Fannie Mae will provide additional guidance.

Selling Policies

Employment Directly Affected by the Shutdown

For borrowers employed by the federal government or other individuals whose employment is directly impacted by the shutdown, a loan is not rendered ineligible for sale to Fannie Mae solely based upon the shutdown. The following guidance relates to Fannie Mae's standard employment policies:

- If the lender is unable to obtain a verbal verification of employment during the shutdown, the *Selling Guide* already permits the lender to obtain the verbal verification of employment (VOE) after loan closing, up to the time of loan delivery. If the verbal VOE cannot be obtained prior to delivery, the loan is ineligible for sale to Fannie Mae.
- For borrowers in the military, the *Selling Guide* currently allows for a Leave and Earnings Statement dated within 30 calendar days (or 31 days for longer months) prior to the note date in lieu of a verbal VOE.
- If a borrower is furloughed on or after closing of the mortgage loan due to the shutdown, the loan remains eligible for delivery to Fannie Mae, provided the lender has been able to obtain all required documentation (for example, paystubs, IRS W-2s, verbal VOEs) prior to delivery of the loan.

Government Verifications

In some instances, Fannie Mae requires validation through a government agency, such as the Internal Revenue Service (IRS) and the Social Security Administration (SSA), for certain documentation or information provided by the borrower. During the government shutdown, these requests may not be processed. Fannie Mae is implementing the following temporary policies with regard to those two agencies.

IRS Transcripts: Fannie Mae requires lenders to have each borrower (regardless of income source) complete and sign a separate IRS Request for Transcript of Tax Return (Form 4506-T) at or before closing. Lenders are only required to execute the Form 4506-T *prior to closing* for loans originated and underwritten in accordance with the policies pertaining to borrowers with five to ten financed properties. This policy requires the lender to obtain the IRS copies of the tax returns or transcripts to validate the accuracy of the tax returns provided by the borrower prior to the loan closing.

Because these requests may not be processed during the shutdown, Fannie Mae is temporarily revising this policy to enable lenders to obtain the transcripts and complete the validation after closing but prior to delivery of the loan. Loans originated and underwritten in accordance with the five to ten financed properties policy with tax returns that cannot be validated prior to delivery are not eligible for sale to Fannie Mae.

Social Security Number Validation: When data integrity issues pertaining to the borrower's Social Security number are identified, a lender may be required to validate the Social Security number with the SSA using SSA Form 89. Because these requests may not be processed during the shutdown, Fannie Mae is temporarily revising this policy to enable lenders to obtain the verification prior to delivery of the loan. If the Social Security number cannot be validated with the SSA prior to delivery, the loan is not eligible for sale to Fannie Mae.

Servicing Policies

The government shutdown may impact a borrower's ability to make scheduled mortgage payments or payments on a repayment plan or Trial Period Plan. To assist borrowers who are unable to make their monthly mortgage loan payment as a result of the federal government shutdown, the servicer can offer Unemployment Forbearance. The servicer must follow Servicing Announcement, SVC-2012-01: *Introduction to Unemployment Forbearance*, including the following requirements:

The borrower must have a financial hardship as a result of the government shutdown.

- A complete Borrower Response Package is NOT required.
- The Unemployment Forbearance plan must be communicated in writing.
- The Unemployment Forbearance term shall be for a period not to exceed six months or until the government shutdown period expires, whichever comes first.
- Fannie Mae's approval is not required for the six months of the Unemployment Forbearance.

A borrower who is currently performing on a repayment plan or Trial Period Plan and is impacted by the government shutdown may seek consideration for an Unemployment Forbearance. If the borrower does convert from a repayment plan or a Trial Period Plan to an Unemployment Forbearance, the borrower may subsequently be eligible for a repayment plan or modification upon successful completion of the Unemployment Forbearance and if eligible, must be placed on a new repayment plan or Trial Period Plan.

Credit Bureau Reporting

Servicers must also suspend credit bureau reporting for borrowers granted Unemployment Forbearance related to the federal government shutdown.

Late Charges

Servicers must waive late payment charges if the borrower's payment is late because he or she has been furloughed or received reduced pay as the result of the government shutdown and accepts a relief or workout option offered by the servicer

Lenders who have questions about this Lender Letter should contact their Account Team. Servicers should contact their Servicing Consultant, Portfolio Manager, Investor Reporting Business Analyst, or Fannie Mae's National Servicing Organization's Servicing Solutions Center at 1-888-FANNIE5 (1-888-326-6435).

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