

Servicing Notice

October 31, 2012

Assistance in Disasters: Hurricane Sandy

Servicers may temporarily suspend or reduce mortgage payments for up to 90 days for Fannie Mae borrowers whose income is affected by the disaster or for borrowers within federally declared disaster areas under Fannie Mae's Special Relief Measures policy. In accordance with Fannie Mae policy, a servicer may grant relief for a borrower impacted by the disaster while it attempts to establish Quality Right Party Contact (QRPC) and determine an appropriate course of action. Servicers must consult with Fannie Mae before granting disaster-related relief that exceeds 90 days.

A relief measure that is very appropriate in disasters is forbearance. Under forbearance, the servicer can agree to reduce or suspend the borrower's monthly payments for a specified period. After that, the borrower must agree to resume his or her regular monthly payments and to pay additional money at scheduled intervals toward repayment of the amount reduced or suspended. Generally, after establishing QRPC, the term of forbearance may be granted up to six months from the date of the first reduced or suspended payment. Fannie Mae's written approval is required for longer periods.

Once the servicer becomes aware that a property has incurred damage as the result of a disaster, the servicer must:

- assess the extent of the damage and its effect on the borrower's ability to sustain their mortgage loan payment;
- confirm the property is adequately insured against damage;
- counsel the borrower on the availability of relief provisions and/or loss mitigation alternatives;
- waive any late payment fees associated with the disaster or pending insurance settlement; and
- ensure that hazard (and flood or earthquake, as applicable) insurance claims are filed and settled promptly, and that the properties are repaired fully in accordance with Fannie Mae policy.

If a servicer has any doubt about the effect of the disaster on the condition of a property or the borrower's employment or income status, it should discontinue any legal action in process until it can determine the true status, and then make its final decision on the appropriate course of action based on its findings. Fannie Mae expects that servicers will be able to determine the true status within 90 days following the date of the disaster declaration. In reaching its final decision about a specific delinquency, the servicer should **not**:

- take any action (including the initiation or completion of foreclosure proceedings) if it will jeopardize the full recovery of a hazard, flood, or earthquake insurance settlement; or
- initiate (or complete) foreclosure proceedings related to a property that has been destroyed until it evaluates the economic feasibility of pursuing the foreclosure. If the insurance loss settlement will exceed the outstanding indebtedness for the mortgage loan, it may be more practical to use the proceeds to satisfy the debt and let the borrower retain title to the lot.

Further guidance is available in the *Servicing Guide*, Part III, Chapter 11: Assistance in Disasters and Part VII, Section 406: Disaster Relief.