

Announcement SVC-2010-16**October 29, 2010****Miscellaneous Servicing Policy Changes****Introduction**

This Announcement describes policy changes or clarifications and reminders to several servicing policies, including:

- Retirement of the Payment Reduction Plan™
- Clarification of the mandatory pre-filing mediation policy for mortgage loans in Florida
- Waiver of escrow deposit accounts
- Flood insurance requirements
- Submissions of underwriting and servicing review files

Retirement of the Payment Reduction Plan

***Servicing Guide*, Part VII, Section 403.01: Payment Reduction Plan, Section 403.02: PRP Eligibility, Section 403.03: PRP Process, Section 403.04: PRP Workflow, and Section 403.05: PRP Incentive Fee**

The Payment Reduction Plan (PRP) program, introduced in 2009, was designed to provide a borrower with temporary payment relief while the servicer and borrower worked together to find an appropriate permanent foreclosure prevention solution.

Effective December 31, 2010, the PRP program will be retired. All PRPs must be initiated on or before that date and must end by July 1, 2011, or within 6 months of commencement, if earlier. Servicers will continue to report PRP data on a monthly basis in the HomeSavers Solution® Network. Servicer incentives will continue to be paid on eligible PRPs upon the successful completion of a permanent foreclosure prevention alternative.

Servicers should continue to use other foreclosure prevention options available, as indicated in the *Servicing Guide*, Part VII, Chapter 6: Foreclosure Prevention Alternatives, and as updated by subsequent announcements.

Clarification of the Mandatory Pre-filing Mediation Policy for Mortgage Loans in Florida

Announcement SVC-2010-13, *Mandatory Pre-filing Mediation Policy for Mortgage Loans in Florida*, states that following a successful mediation session in which the borrower accepts an offer and executes the applicable documents (i.e., the retention or liquidation documents), the attorney shall send, via a reliable overnight delivery service, the executed documents to the

servicer. The servicer must execute the workout on its servicing system within one business day of receiving the executed documents from the attorney.

Fannie Mae is clarifying that the servicer must complete all activities necessary to enter the workout into its servicing system promptly upon receipt of the executed agreement and no later than 30 calendar days from the mediation session date. For modifications that require a trial payment period, the completion of those activities must not exceed 30 calendar days from the end of the trial period.

Waiver of Escrow Deposit Accounts

Servicing Guide, Part III, Section 103.01: Waiver of Escrow Deposits

The *Servicing Guide* allows the servicer to waive the escrow deposit account requirement - with the exception of mortgage insurance premiums - for a conventional mortgage loan.

Effective with the date of this Announcement, a servicer must not grant a request to discontinue escrow requirements for a borrower who has previously defaulted on the related mortgage loan, has a blemished credit history on other credit obligations, or few cash reserves, since the borrower may have difficulty in making the required tax and insurance payments in a lump sum.

Additionally, the servicer must establish and assume full responsibility for administering an escrow deposit account in connection with all mortgage modifications in accordance with the mortgage documents and all applicable laws and regulations. The new escrow payment effective date must be the same date as the effective date of the modification, and for loan modifications involving trial payment periods, the effective date shall be the effective date of the trial period.

Flood Insurance Requirements

Servicing Guide, Part II, Chapter 3: Flood Insurance

Servicers are reminded that if a mortgage loan was delivered to Fannie Mae that required flood insurance during the period when the Federal Emergency Management Agency's statutory authority to issue flood insurance policies under the National Flood Insurance Program (NFIP) lapsed, the lender was required to obtain proper evidence of active flood insurance coverage once the NFIP authority was renewed.

As stated in Lender Letters LL-2010-05 and LL-2010-08, *Selling Loans during Lapse of National Flood Insurance Program Authority*, the lender must have tracked properties securing mortgage loans sold to Fannie Mae that originated during the lapse of the NFIP authority and must retrospectively perform all steps (insofar as permitted by applicable law) necessary to facilitate the issuance of flood insurance coverage. The servicer must retain documentation to support acceptable evidence of flood insurance.

Submission of Underwriting and Servicing Review Files

Servicing Guide, Part VIII, Section 301: Underwriting/Servicing Review Files

When Fannie Mae requests both an underwriting review file and a servicing review file, the servicer must package the material as a single file (with the underwriting and servicing documentation separated and clearly labeled within the file) or as two separate files that are packaged and sent together (with one file identified as the “underwriting” file and the other identified as the “servicing” file).

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 (888-326-6435) with any questions regarding this Announcement.

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