

Servicing Guide Announcement SVC-2012-07

April 25, 2012

Changes to Servicer Response Times and the Preforeclosure Sale Process

With this Announcement, Fannie Mae is introducing policies to expedite the preforeclosure sale process. Servicers must follow the policies outlined herein for all conventional mortgage loans held in Fannie Mae's portfolio, those purchased for Fannie Mae's portfolio but subsequently securitized into Fannie Mae MBS pools, and those originally delivered as part of an MBS pool. Servicers are encouraged to follow these requirements with respect to mortgage loans sold to Fannie Mae that are guaranteed or insured by a government agency (i.e., FHA, HUD, VA, and RD) or which are sold to Fannie Mae under a recourse arrangement, provided that any action that the servicer takes does not prevent Fannie Mae from recovering the full amount due under the guaranty or the full claim under the insurance contract or recourse arrangement, as applicable.

Through these policies Fannie Mae is:

- establishing maximum required response times for preforeclosure sale offers submitted for consideration,
- requiring servicers to provide borrowers with status updates during the evaluation process, and
- allowing servicers to respond to unsolicited preforeclosure sale offers without first requiring an evaluation for a HAMP modification.

To assist servicers with incorporating these new response timelines into their processes and expediting the processing of preforeclosure sales, the document, *Servicer Response Timelines on Preforeclosure Sales*, has been posted to eFannieMae.com.

Effective Date

Servicers are encouraged to implement these new policies immediately. Unless otherwise indicated, all policy changes specified in this Announcement pertain to Fannie Mae's HAFA program and the non-HAFA program for preforeclosure sales and are effective with complete Borrower Response Packages or preforeclosure sale offers received on or after June 25, 2012.

Evaluation Notice Deadline

Servicing Guide, Part VII, Section 205.08: Evaluation Notices

When the servicer receives a Borrower Response Package and is evaluating a request for a Fannie Mae HAFA preforeclosure sale, it must now adhere to the following response timelines.

If the servicer is unable to fully evaluate the borrower for a Fannie Mae HAFA preforeclosure sale within 30 calendar days of receipt of a complete Borrower Response Package, including preparation of the *HAFA Short Sale Agreement* (SSA or [Form 184](#)) and *HAFA Request for Approval of Short Sale without Short Sale Agreement* (RSSA or [Form 185](#)), the servicer must notify the borrower that the request is under review. Each week thereafter, the servicer must provide the borrower a status update indicating the reason(s) why the Evaluation Notice is pending. Status updates may be communicated verbally or in writing and must be documented in the servicing file.

The servicer must send the Evaluation Notice, including Form 184 and Form 185 when appropriate, no later than 60 days after receipt of the complete Borrower Response Package.

Response to a HAFA Offer to Purchase Deadlines

Servicing Guide, Part VII, Section 610.07.05: Offer Receipt and Response

If a revised offer to purchase is received in response to a counteroffer, the servicer must provide a response within 10 business days.

If the offer submitted does not meet or exceed the Minimum Acceptable Net Proceeds (MANP), the servicer must provide a counteroffer with the denial. The counteroffer must account for net proceeds that should reasonably be expected to exceed the MANP. The MANP must not be disclosed to interested parties to the transaction.

The servicer must request a response to the counteroffer within five business days.

If the revised offer does not meet the MANP but in the servicer's prudent judgment merits further consideration, the servicer must submit a request through Fannie Mae's HomeSaver Solutions® Network for Fannie Mae's review and decision within 10 business days after receipt.

Non-HAFA Preforeclosure Sale Deadlines

Servicing Guide, Part VII, Section 604.02: Contacting Selected Borrowers

The servicer must acknowledge receipt of a preforeclosure sale offer within three business days.

If the offer is submitted with incomplete information on the offer or the borrower, the servicer must provide the borrower with a checklist of required additional documentation within five business days. The checklist should incorporate the required contents for a complete Borrower Response Package, if necessary.

Within 30 calendar days after receipt of a complete Borrower Response Package and a preforeclosure sale offer, the servicer must respond with:

- approve,
- approve with conditions,
- deny with counteroffer, or
- "still under review."

The servicer must request a response from the borrower within five business days on any counteroffer.

Servicers must ensure that revised offers are evaluated within time frames that enable a decision to be communicated to the borrower within 10 business days after receipt of the revised offer.

Status Updates

Servicing Guide, Part VII, Section 604: Preforeclosure Sales and Section 610.07.05: Offer Receipt and Response

As noted above, Fannie Mae is now requiring servicers to provide status updates to borrowers when a decision on a HAFA or non-HAFA preforeclosure sale is delayed.

- If the servicer responds with "still under review" at 30 calendar days after receipt of a completed Borrower Response Package, an extension of 30 calendar days is permitted as long as the servicer provides weekly verbal or written status updates to the borrower. All communication must be documented in the mortgage servicing loan file.
- The servicer must respond with a decision within 60 calendar days of receipt of the Borrower Response Package and preforeclosure sale offer.

- Servicers must adhere to the existing policy regarding postponement of scheduled foreclosure sales described in the *Servicing Guide*, Part VIII, Section 107.01: Servicer-Initiated Temporary Suspension of Proceedings.

Change to HAMP and HAFA Evaluation Process

***Servicing Guide*, Part VII, Section 401: Fannie Mae's Workout Hierarchy**

Currently, when a borrower submits a request for a preforeclosure sale, Fannie Mae requires the servicer to first evaluate the borrower for a HAMP or a HAFA, causing additional processing for the servicer and delays for the borrower. To streamline the process, Fannie Mae is revising this requirement. When responding to an unsolicited preforeclosure sale request, servicers may proceed directly to a non-HAFA review without first conducting a HAMP evaluation.

Documentation of Compliance with Servicer Response Timelines

***Servicing Guide*, Part VII, Section 604: Preforeclosure Sales and 610.07.01: Servicer Duties and Responsibilities**

In this Announcement, Fannie Mae is implementing new response timelines to expedite the processing of all preforeclosure sales. Servicers must appropriately document the mortgage servicing loan file to demonstrate compliance with these response timelines.

Noncompliance

***Servicing Guide*, Part I, Section 201.10.02: Alternatives to Contract Termination**

Servicers are reminded that Fannie Mae may pursue any of its available remedies which include, but are not limited to, repurchase, "make whole," or indemnification, for failure to comply with Fannie Mae's policies regarding servicer response timelines and preforeclosure sale processing requirements.

Servicers should contact their Servicing Consultant, Portfolio Manager, or Fannie Mae's National Servicing Organization's Servicing Solutions Center at 1-888-FANNIE5 (1-888-326-6435) with any questions regarding this Announcement.

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