

***Servicing Guide* Announcement SVC-2013-05**

March 27, 2013

Streamlined Modifications, Conventional Mortgage Loan Modifications, and Outbound Communications

This Announcement describes the following updates and clarifications:

- Introduction to Streamlined Modifications
- Updates to the Conventional Mortgage Loan Modifications
- Clarification of Outbound Communications

Introduction to Streamlined Modifications

Fannie Mae is introducing a new mortgage loan modification, Streamlined Modification, which targets borrowers whose mortgage loans are at least 90 days delinquent and who meet the eligibility requirements provided below. Prior to and after offering a Streamlined Modification, a servicer must continue to comply with the delinquency management and default prevention requirements in the *Servicing Guide*, as updated through this Announcement.

The policies in this Announcement apply to all conventional mortgage loans held in Fannie Mae's portfolio and to mortgage loans that are part of an MBS pool that have the special servicing option or a shared-risk MBS pool for which Fannie Mae markets the acquired property. Servicers are reminded, as required by the *Servicing Guide*, Part VII, Section 602.02.08: Reclassification or Removal of MBS Mortgage Loans Prior to Effective Date of the Mortgage Loan Modification, that a modification of any MBS mortgage loan can only be executed after it has been removed from the MBS pool.

This Announcement covers the following parameters for the Streamlined Modification:

- Effective Dates
- Eligibility Requirements
- Eligibility Exclusions
- Solicitation Letter and Trial Period Plan Notice
- Borrower Response Package
- Streamlined Modification Terms
- Completing the Modification
- Postponing Referral to Foreclosure or Foreclosure Proceedings
- Streamlined Modification Incentives
- Reporting a Conversion of a Streamlined Modification to a HAMP Modification
- Mortgage Insurer Approval

Except as otherwise provided in this Announcement, servicers must process a Streamlined Modification consistent with the requirements for processing a standard modification as set forth in the *Servicing Guide*, Part VII, Section 602: Mortgage Loan Modifications.

Effective Dates

Servicers are encouraged to implement the Streamlined Modification policies immediately; however, servicers are required to implement these policies for borrowers who are eligible for a Streamlined Modification on or after July 1, 2013. The Streamlined Modification will expire on August 1, 2015; therefore, all Streamlined Modification Trial Period Plans must have an effective date on or before August 1, 2015.

Eligibility Requirements

Mortgage loans must satisfy all of the eligibility requirements shown below to be eligible for a Streamlined Modification. The mortgage loan:

- must be at least 90 days delinquent, but no more than 720 days delinquent;
- must have a pre-modified mark-to-market loan-to-value ratio (the gross unpaid principal balance of the mortgage loan divided by the current value of the property), greater than or equal to 80%; and
- must be a first-lien mortgage loan.

To be considered eligible for a Streamlined Modification, a complete Borrower Response Package is not required.

Borrowers will continue to be eligible for the Streamlined Modification even if a payment is received following the borrower evaluation or solicitation that results in the borrower subsequently becoming less than 90 days delinquent. However, the borrower must be at least 30 days or more delinquent prior to the commencement of the Streamlined Modification Trial Period Plan.

Eligibility Exclusions

A mortgage loan is considered ineligible for a Streamlined Modification if any of the following apply:

- The mortgage loan is on the most recent Fannie Mae Non-Eligible List, located on Fannie Mae's website, at the time the servicer is evaluating eligibility for solicitation. If a mortgage loan is on Fannie Mae's Non-Eligible List, the servicer must pursue receipt of the Borrower Response Package to evaluate the borrower for another foreclosure prevention alternative in accordance with the requirements in the *Servicing Guide*. Fannie Mae will update this list on a monthly basis. Further details about the list and directions on how to obtain access will be available on [Fannie Mae's website](#).
 - Servicers are required to check all mortgage loans that become 90 days delinquent against Fannie Mae's Non-Eligible List prior to sending the borrower an initial or any subsequent *Streamlined Modification Solicitation Letter* as set forth in this Announcement.
 - Servicers are not required to recheck the Fannie Mae Non-Eligible List at the time of the Streamlined Modification conversion to permanent modification.
- The mortgage loan origination date was less than 12 months prior to the date of evaluating eligibility for a Streamlined Modification.
- The mortgage loan was previously modified under the Fannie Mae standard modification payment structure described in the *Servicing Guide*, Part VII, Section 602: Mortgage Loan Modifications, and became 60 or more days delinquent within 12 months of the modification effective date.
- The mortgage loan was previously modified two or more times, regardless of the modification program or dates of prior modifications.

- The borrower previously failed a Trial Period Plan under a Fannie Mae standard modification payment structure within 12 months of evaluating eligibility for a Streamlined Modification.
- The calculated Streamlined Modification monthly principal and interest (P&I) payment is greater than the borrower's current contractual P&I obligation.
- The mortgage loan is insured or guaranteed by a federal government agency (e.g., FHA, VA, or Rural Housing).
- The mortgage loan is subject to:
 - a recourse or indemnification arrangement under which Fannie Mae purchased or securitized the mortgage loan or that was imposed by Fannie Mae after the loan had been purchased or securitized;
 - active nonroutine litigation described in the *Servicing Guide*, Part VIII, Section 101: Routine vs. Nonroutine Litigation;
 - a current offer for another modification or other foreclosure prevention alternative, such as a forbearance or repayment plan;
 - an active and performing Trial Period Plan;
 - an approved liquidation workout; or
 - an active and performing forbearance or repayment plan, unless otherwise directed by Fannie Mae.
- The borrower previously defaulted on either a Streamlined Modification Trial Period Plan or a Streamlined Modification.

Mortgage loans not meeting the eligibility requirements for a Streamlined Modification must be evaluated for another type of modification or other foreclosure prevention alternative, provided the borrower submits a complete Borrower Response Package in accordance with the *Servicing Guide*.

Solicitation Letter and Trial Period Plan Notice

Prior to soliciting a borrower for a Streamlined Modification, servicers must have previously solicited the borrower for a foreclosure prevention alternative in accordance with the *Servicing Guide*, Part VII, Section 205: Letters.

If the mortgage loan satisfies the eligibility requirements in this Announcement, the servicer must send to the borrower a customized solicitation letter ([Streamlined Modification Solicitation Letter](#)). A model *Streamlined Modification Solicitation Letter* is available on Fannie Mae's website. Use of the model letter is optional; however, the model letter reflects a minimum level of information that the servicer must communicate and illustrates a level of specificity that complies with the requirements of the *Servicing Guide* and this Announcement. The servicer that elects to use the model letter must revise its letter as necessary to comply with applicable law.

The *Streamlined Modification Solicitation Letter* must be accompanied by the customized Evaluation Notice (Streamlined Modification Trial Period Plan available in the [Evaluation Model Clauses](#) document), which must otherwise comply with the applicable requirements provided in the *Servicing Guide*, Part VII, Section 205.08: Evaluation Notices and Part VII, Section 602.02.06: Trial Period Plan.

The *Streamlined Modification Solicitation Letter* must include the date by which the borrower must return a complete Borrower Response Package to be evaluated for a Fannie Mae HAMP modification. This return date must be after the scheduled due date for the second Trial Period Plan payment and prior to the date the servicer will send the borrower the Modification Agreement for the borrower's signature. Servicers must complete the mailing of the *Streamlined Modification Solicitation Letter* within 90 to 105 days of the borrower's delinquency for borrowers who become 90 days delinquent. If for any reason the servicer fails to send the

Streamlined Modification Solicitation Letter within the prescribed timeframe, the servicer must send the solicitation as soon as possible thereafter.

If the borrower meets all the eligibility criteria set forth in this Announcement, the servicer must send the *Streamlined Modification Solicitation Letter* under the following circumstances:

- the borrower has not submitted a complete Borrower Response Package;
- the complete Borrower Response Package has been received, but has not been evaluated as of the date of the *Streamlined Modification Solicitation Letter*; or
- prior to sending the *Streamlined Modification Solicitation Letter*, the servicer previously conducted an evaluation of the borrower's complete Borrower Response Package and determined that the borrower was not eligible for a foreclosure prevention alternative in accordance with the *Servicing Guide*

Borrowers who meet the eligibility requirements in this Announcement and inquire about a modification or submit a Borrower Response Package must be sent a *Streamlined Modification Solicitation Letter* and evaluated pursuant to this Announcement.

Continued proactive solicitation for Streamlined Modifications is subject to servicer discretion. Servicers are encouraged to continue Streamlined Modification solicitation and collection efforts throughout the borrower's delinquency and the foreclosure process. These efforts include solicitation and collection attempts up to 60 days prior to a foreclosure sale date for mortgage loans secured by properties in judicial foreclosure states, or up to 30 days prior to a foreclosure sale date for mortgage loans secured by properties in non-judicial foreclosure states, unless the servicer:

- has established direct contact with the borrower and the borrower does not want to pursue an alternative to foreclosure, or
- has evaluated the borrower for alternatives to foreclosure in accordance with the *Servicing Guide* and determined that foreclosure is the appropriate course of action.

Fannie Mae reserves all rights and remedies with respect to servicer noncompliance with the solicitation and collection requirements provided in this Announcement.

Borrower Response Package

If the borrower submits a Borrower Response Package prior to or after the *Streamlined Modification Solicitation Letter* is mailed, the servicer must acknowledge receipt of the Borrower Response Package and provide any incomplete notice, if applicable, in accordance with the *Servicing Guide*, Part VII, Section 205.06: Acknowledgement of Borrower Response Package and Section 205.07: Incomplete Information Notices.

If the borrower submits a complete Borrower Response Package **prior** to the servicer mailing the *Streamlined Modification Solicitation Letter*, the servicer must review the Borrower Response Package in accordance with the *Servicing Guide*, Part VII, Section 205: Letters.

If the borrower submits a complete Borrower Response Package **after** the servicer mailed the *Streamlined Modification Solicitation Letter* **and prior** to the date the servicer mails the Modification Agreement to the borrower for signature, the servicer must:

- evaluate the borrower for all foreclosure prevention alternatives in accordance with the *Servicing Guide*, Part VII, Chapter 6: Foreclosure Prevention Alternatives, if the borrower has not accepted the Streamlined Modification Solicitation offer, or
- evaluate the borrower for a Fannie Mae HAMP modification in accordance with the *Servicing Guide*, Part VII, Section 609.02: Underwriting, if the borrower has accepted the Streamlined Modification Solicitation offer.

Once the Streamlined Modification Solicitation offer is accepted, follow-up solicitations for incomplete Borrower Response Packages are not required. If the borrower does not accept the offer, then the servicer must resume follow-up solicitation for the incomplete documentation in accordance with the *Servicing Guide*.

If the borrower qualifies for a Fannie Mae HAMP modification with a post-modification monthly P&I payment lower than the P&I monthly payment offered under the Streamlined Modification, the servicer must send a new offer to the borrower indicating that the borrower qualified for a Fannie Mae HAMP modification with a lower P&I payment. The offer letter must indicate that if the borrower chooses to accept the Fannie Mae HAMP modification, the borrower will not be required to complete a new HAMP Trial Period Plan at the conclusion of the Streamlined Modification Trial Period Plan, but will execute a Modification Agreement under the terms of the Fannie Mae HAMP modification program upon successful completion of the Streamlined Modification Trial Period Plan.

If the borrower does not qualify for a Fannie Mae HAMP modification with a post-modification P&I payment lower than the P&I monthly payment offered under the Streamlined Modification, or if the borrower fails to return a complete Borrower Response Package within the prescribed timeline provided in the *Streamlined Modification Solicitation Letter* (and as a result is not eligible for a Fannie Mae HAMP modification), the servicer must also communicate to the borrower that he or she is not eligible for a HAMP modification. The servicer, however, must communicate to the borrower that he or she continues to be eligible for the Streamlined Modification, and that if the borrower makes the trial payments in accordance with the requirements of the Streamlined Modification Trial Period Plan previously provided to the borrower, the mortgage loan will be permanently modified pursuant to the terms of the Streamlined Modification Trial Period Plan. As provided in the *Servicing Guide*, the servicer must comply with all applicable laws in connection with processing the Streamlined Modification.

Streamlined Modification Terms

The servicer must comply with the requirements described in the *Servicing Guide*, Part VII, Section 602.02.05: Conventional Mortgage Loan Modification Terms, to determine the mortgage loan modification terms for a Streamlined Modification Trial Period Plan.

Completing the Modification

Upon successful completion of the Streamlined Modification Trial Period Plan, the servicer will document and process the permanent modification in accordance with the applicable requirements in the *Servicing Guide*, based on the borrower's qualification for a Streamlined Modification or Fannie Mae HAMP Modification, as described above. (For the Streamlined Modification, the servicer should refer to Part VII, Section 602.02.07: Executing and Processing the Loan Modification Agreement. For a Fannie Mae HAMP modification, the servicer should refer to Part VII, Section 609.03.06: Executing the HAMP Documents.)

Postponing Referral to Foreclosure or Foreclosure Proceedings

Servicers must comply with the requirements in the *Servicing Guide*, Part VIII, Section 106: Referral to Foreclosure Attorney/Trustee and Section 107.01: Servicer-Initiated Temporary Suspension of Proceedings, in connection with offering Streamlined Modifications.

Streamlined Modification Incentives

Fannie Mae will pay the servicer an incentive fee consistent with the tiered incentive structure for the Fannie Mae standard modifications as described in the *Servicing Guide*, Part VII, Section 602.04.05: Incentives.

Any Streamlined Modification Trial Period Plan entered into by the borrower shall count towards the servicer achieving the minimum incentive benchmark (as described in the *Servicing Guide*, Part VII, Section 205.05: Servicer Incentives and Compensatory Fees for Borrower Response Packages) upon the servicer's entry of the associated case into the Home Saver Solutions[®] Network (HSSN).

Servicers will be paid a \$500 incentive fee only for collection of a complete Borrower Response Package, provided the collection is reported to Fannie Mae in accordance with the *Servicing Guide*.

Reporting a Conversion of a Streamlined Modification to a HAMP Modification

For mortgage loans being converted from a Streamlined Modification Trial Period Plan to a permanent Fannie Mae HAMP modification, servicers must follow the process indicated through the servicer web portal accessible on HMPAdmin.com.

Mortgage Insurer Approval

As a reminder, Fannie Mae has obtained delegations of authority with mortgage insurance companies so that servicers can more efficiently process modification requests without the need to obtain mortgage insurer approval on individual mortgage loans. A list of these mortgage insurers is posted on [Fannie Mae's website](#). For mortgage insurers not on this list, servicers must continue to obtain their approval on a case-by-case basis.

Conventional Mortgage Loan Modifications (Standard Mortgage Loan Modifications)

Servicing Guide, Part VII, Section 602.02.02: Conventional Mortgage Loan Modification Eligibility and Section 602.02.05: Conventional Mortgage Loan Modification Terms

Fannie Mae is updating its standard mortgage loan modification eligibility and terms. Servicers are encouraged to implement the updated standard mortgage loan modification policies immediately; however, servicers are required to implement these policies for borrowers who are eligible for a standard mortgage loan modification on or after July 1, 2013.

Eligibility

In addition to the standard modification eligibility requirements in the *Servicing Guide*, the following criteria will also make a loan ineligible for a standard mortgage loan modification.

- Borrowers who previously failed a standard mortgage loan modification Trial Period Plan within 12 months of the evaluation date are not eligible for a standard mortgage loan modification.
- Mortgages that have been previously modified two or more times, regardless of the modification type, are not eligible. If the loan is ineligible due to this requirement, but is otherwise eligible, the servicer must submit its recommendation to Fannie Mae.

Terms


Servicing Guide, Part VII, Section 602.02.05: Conventional Mortgage Loan Modification Terms

Fannie Mae is eliminating the requirement that the standard mortgage loan modification results in a P&I payment reduction of at least 10%. Instead, Fannie Mae is now requiring that the standard mortgage loan modification result in a P&I payment that is less than or equal to the pre-modification P&I payment.

Outbound Communications

Servicing Guide, Part VII, Section 201: Quality Right Party Contact and Section 203: Outbound Call Attempts

Fannie Mae is also clarifying that acceptable outbound communication methods for achieving Quality Right Party Contact include telephone, mail, email, servicer web portal, and face-to-face discussions. All contact



attempts must be documented in the mortgage loan servicing file. The servicer must be able to provide documented evidence that it satisfied Fannie Mae requirements upon request.

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

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