



## ***Servicing Guide Announcement SVC-2017-04***

**May 10, 2017**

*Reposted May 15, 2017*

### ***Servicing Guide Updates***

The *Servicing Guide* has been updated to include changes related to the following:

- CFPB Servicing Rule Changes
- Escrow Waiver Request Policy\*
- Allowable Incentive Fee for a Post-Bankruptcy Mortgage Loan Modification\*
- Post-Delivery Servicing Transfer Requirements and Form 629
- Prior Approval of Agreements with Government Insurers/Guarantors
- Miscellaneous Revision

\*Policy change not applicable to reverse mortgage loans.

Several of these updates described below help to simplify servicing. Servicers must review each topic in the *Servicing Guide* in its entirety to gain a full understanding of the policy changes.

### **CFPB Servicing Rule Changes**

On August 4, 2016, the Consumer Financial Protection Bureau (CFPB) published a final rule to amend their 2013 mortgage servicing rules. As a result, we made several changes to the *Servicing Guide* to simplify our requirements and clarify our existing policies in consideration of these new rules:

- eliminated the requirement to provide the six-digit pool number when a borrower requests the name of the owner (Fannie Mae as investor) of their mortgage loan. The servicer is now only required to provide the six-digit pool number, and related Trust information, to a borrower's written inquiry or dispute when the borrower specifically requests this information;
- removed the requirement for a complete borrower response package (BRP) for a unique hardship forbearance that is less than six months in duration;
- clarified the servicer's responsibilities to communicate with potential and confirmed successors-in-interest of the borrower. Our current requirements only contemplate communication with the new property owner and not potential successors-in-interest;
- clarified that, unless required to continue outbound borrower contact attempts in accordance with applicable law, the servicer must discontinue outbound borrower contact attempts 60 days prior to the judicial foreclosure sale date, or 30 days prior to a non-judicial foreclosure sale date;
- clarified that a borrower who submits a complete BRP at any time in the life of the mortgage loan is eligible to appeal the denial of a mortgage loan modification in connection with a mortgage loan secured by a principal residence. We previously limited the right to appeal to the first BRP and are silent on how to handle a borrower who cured a prior delinquency. This change does not include a borrower who submitted a complete BRP and has been delinquent at all times since submitting the prior complete BRP;
- clarified that the servicer must suspend foreclosure proceedings for a complete BRP submitted at any time over the life of a mortgage loan secured by a principal residence. This change does not include a borrower who submitted a complete BRP and has been delinquent at all times since submitting the prior complete BRP;



- require the servicer to send written notice to the borrower upon receipt of a complete BRP. Previously, we only required you to send a notice for an incomplete BRP; and
- require the servicer to send an Evaluation Notice to the borrower for any forbearance or repayment plan regardless of duration.

In addition, in alignment with Freddie Mac at the direction of FHFA, the *Servicing Guide* has been updated with new repayment plan terms.

## Updated Servicing Guide Topics

- [A4-1-01, Staffing, Training, Procedures, and Quality Control Requirements](#)
- [A4-1-03, Addressing Borrower Inquiries and Disputes](#)
- [D2-2-02, Outbound Contact Attempt Requirements](#)
- [D2-2-05, Receiving a Borrower Response Package](#)
- [D2-2-07, Resolving an Appeal of a Mortgage Loan Modification Trial Period Plan Denial -- Principal Residences Only](#)
- [D2-3.2-01, Standard Forbearance Plan](#)
- [D2-3.2-02, Forbearance Plan for an Unemployed Borrower](#)
- [D2-3.2-03, Forbearance Plan for a Unique Hardship](#)
- [D2-3.2-04, Repayment Plan](#)
- [D2-3.3-01, Fannie Mae Short Sale](#)
- [E-3.4-01, Suspending Foreclosure Proceedings for Workout Negotiations](#)
- [F-1-05, Examples of Documentation Required in the Mortgage Loan Servicing File](#)
- [F-1-23, Processing a Forbearance Plan](#)
- [F-1-25, Processing a Repayment Plan](#)

## Effective Date

Servicers are encouraged to implement these policy changes immediately; but must implement them by October 19, 2017.

## Escrow Waiver Request Policy

We instruct servicers to evaluate escrow waiver requests using certain criteria; however, greater specificity is needed to encourage objective and consistent escrow waiver evaluation. To provide a simpler execution and allow you to make a prompt decision using readily available standard servicing data while managing the risk of financial loss, *Servicing Guide B-1-01, Administering an Escrow Account and Paying Expenses*, has been updated as follows:

- removed the requirement that each approved escrow waiver be initiated by a written borrower request;
- removed the requirements to evaluate the borrower's overall credit history, financial ability to handle lump-sum tax and insurance payments, and cash reserves from the required considerations;
- revised the requirement to evaluate a borrower's mortgage loan payment history to include more specificity. Borrowers with more than one 30-day delinquency in the 12 months prior to evaluation, or more than one 60-day delinquency in the 24 months prior to evaluation, are not eligible for a waiver;
- revised the requirement to evaluate the borrower's loan-to-value (LTV) ratio to require that mortgage loans with an LTV ratio greater than or equal to 80% of the unpaid principal balance, based on the original property value, are not eligible for a waiver;
- added a prohibition on the solicitation of borrowers for escrow waivers; and
- added a requirement to deny a waiver to a borrower who has received a prior mortgage loan modification, or failed to maintain tax or insurance obligations under a prior escrow waiver.



## Effective Date

Servicers must implement this policy change by June 1, 2017.

## Allowable Incentive Fee for a Post-Bankruptcy Mortgage Loan Modification

The workout option process for a requested mortgage loan modification may take several months. During this time, the nature of the Delinquency Status Code Hierarchy requires the servicer to prioritize reporting an approved workout option or complete BRP delinquency status code over a bankruptcy-related delinquency status code. As a result, in situations where a mortgage loan has been placed in bankruptcy, there may be a gap of several months between the reporting of the bankruptcy-related delinquency status code and the beginning of the Trial Period Plan, which impacts the incentive evaluation process.

To address the time gap and expand eligibility for the workout option incentive fee for a mortgage loan subject to a post-bankruptcy mortgage loan modification, *Servicing Guide* [F-2-02, Incentive Fees for Workout Options](#), has been updated to allow for an incentive fee in cases in which

- the Trial Period Plan begins within five months after the servicer reports a bankruptcy-related delinquency status code, and
- the servicer has reported only Priority Level 1 or Priority Level 2 delinquency status codes between the initial reporting of the bankruptcy and the beginning of the Trial Period Plan.

## Effective Date

This policy change is effective immediately.

## Post-Delivery Servicing Transfer Requirements and Form 629

The *Servicing Guide* requires submission of a *Request for Approval of Servicing or Subservicing Transfer* ([Form 629](#)) 60 days prior to the proposed transfer date for both servicing transfers and subservicing transfers. The process requires completing the form with details of the proposed transaction for our review, and submitting a \$500 processing fee with each form, unless the form is being submitted to correct previously submitted forms, or when the transfer is for the repurchase of servicing rights transferred in a previously approved transfer. A separate Form 629 is required for acquired properties, REMIC loans, or reverse mortgage loans included in each transfer.

Because the sale date typically precedes the transfer date, but occurs at each servicer's discretion, basing the submission of Form 629 on the transfer date creates a situation in which we are unable to provide all servicers with an equal level of service. While all servicers receive a decision prior to the proposed transfer date, servicers may not receive a response prior to the proposed sale date.

*Servicing Guide* [A2-7-03](#) and [F-1-13](#), both entitled Post-Delivery Servicing Transfers, have been updated, as applicable, to reflect the following:

- base the submission requirement for Form 629 on the earlier of proposed sale date or proposed transfer date, instead of the proposed transfer date;
- reduce the submission requirement for subservicing transfers from 60 days to 30 days. Following the effective date, Form 629 submissions for servicing transfers will be required 60 days prior to the earlier of proposed sale date or proposed transfer date, while submissions for subservicing transfers will be required 30 days prior to the earlier of proposed sale date or proposed transfer date; and
- eliminate the \$500 processing fee for a Form 629 submission.

Additionally, Form 629 has been updated to require the name(s) of the current custodian(s) for all transferring mortgage loans.

## Effective Date

Servicers must implement these policy change(s) by July 1, 2017.



## Prior Approval of Agreements with Government Insurers/Guarantors

Our current policy in *Servicing Guide* [A2-1-08, Compliance with Requirements and Laws](#), instructs a servicer to take all actions necessary to ensure maximum recovery under a guaranty or insurance contract with a government guarantor or insurer. The policy also states that a servicer must not take any action that may prevent maximum recovery. These requirements are intended to promote full recovery for mortgage insurance claims filed with guarantors or insurers.

Servicer may have opportunities to participate in pilot programs or enter into agreements with a government insurer or guarantor, and upon analysis, determine that the proposed terms continue to ensure equivalent recovery. However, in the event prior approval from us has not been obtained, an unexpected reduction in recovery amounts may prompt remedy requests such as indemnification. To reduce risk to servicers, a process has been established to allow for collaborative review of any proposed agreement terms.

The *Servicing Guide* has been updated to reflect the following:

- [A2-1-08, Compliance with Requirements and Laws](#), and [B-8.2-01, FHA Mortgage Insurance Coverage Requirements](#), have been updated to require submitting the terms of proposed agreements with mortgage insurers or guarantors to us for approval prior to entering into such agreements;
- [F-1-07, Filing an MI claim for a Liquidated Mortgage Loan or Acquired Property](#), now provides instructions for the submission of proposed agreement terms to us; and
- [F-4-03, List of Contacts](#), provides contact information for a servicers' use in submitting agreement terms for review.

### Effective Date

This policy change is effective immediately.

## Miscellaneous Revision

Though not required to do so by the *Servicing Guide*, servicers have been submitting to us the originals and copies of recorded limited powers of attorney, quitclaim deeds, and assignments of mortgage from Fannie Mae to the servicer. To reduce the documentation burden on servicers as well as reduce exposure of non-public personal information, *Servicing Guide* [F-1-12, Obtaining and Executing Legal Documents](#), has been updated to clarify that these documents must be maintained by servicers. It is only necessary to submit these documents if requested by us.

### Effective Date

This policy change is effective immediately.

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Contact your Servicing Consultant, Portfolio Manager, or Fannie Mae's Single-Family Servicing, Servicer Support Center at 1-800-2FANNIE (1-800-232-6643) with any questions regarding this Announcement.

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