Welcome to the 2016 Fannie Mae Servicing Boot Camp Track
Materials

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Proactive Collections and Agent Scripting
Michele Murray
Tony Adams

BP = Best Practice
Borrower Communication
Behavioral Model

Scoring Loans Based on Risk Criteria

Quarterly analysis of the risk-scoring model helps effectively determine risk and potential delinquency status by obtaining the most current information of borrower attributes.

Effective risk-scoring model should include:

- FICO®
- Geography
- Unpaid Principle Balance (UPB)
- Loan-to-Value (LTV)
- Delinquency status
- Property type
- Payment history
- Prior modification history
Initial Calling Attempts

Begin outbound contact attempts no later than the 36th day of delinquency.

Use risk-scoring or behavioral models to:

- Contact customers prior to the 36th day of delinquency
- Determine frequency of contact with higher risk borrowers
Calling Strategies

- Use historical data from previous campaigns to prioritize and maximize borrower contact rates
- Create specialized campaigns
- Vary the days of the week, time of day and weekends for borrower contact
- Provide collectors with a campaign schedule
- Review the call campaign strategy daily or real-time and make necessary adjustments weekly
- Outbound call campaign should include information on leaving a message
- Ensure unfinished call campaigns are accounted for in future call campaigns
- Identify opportunities to use text or email as a method of communication in accordance with applicable law
Ongoing Attempts and Quality Right Party Contact (QRPC)

Maintain fifth day expectations until one of the following is met:

- Delinquency is resolved
- Complete Borrower Response Package (BRP) received
- Quality Right Party Contact (QRPC) achieved and borrower is not interested in a workout option
- Borrower has provided a promise to pay the delinquent amount within 30 days
- Borrower agrees on a workout, including but not limited to entering into a forbearance plan, Trial Payment Plan (TPP), or repayment plan
Ongoing Attempts and QRPC

**Skip Tracing**

- Use automated internal or third party skip tracing applications
- Perform skip tracing when it is determined that borrower contact information is incorrect
- Validate skip tracing results before overwriting existing borrower data

**Perform skip tracing weekly**
Ongoing Attempts and QRPC

Establishing QRPC

Components

- Determine and explore RFD
- Determine financial circumstance and occupancy status
- Educate on workout options
- Obtain a commitment for resolution

Also be sure to...

- Set expectations
- Develop sense of urgency/cite consequences of not resolving the delinquency
Ongoing Attempts and QRPC

Establishing QRPC via multiple opportunities

Collection policies and procedures
- Handling delinquent loans
- Collecting financials
- Use of decisioning tools

Borrower Education
- Job aids
- Call scripting
- Track credit counseling referrals
- Knowyouroptions.com

Training
- Collection specific topics
- Know Your Options™ Customer Care scripting/training

Know Your Options™ Customer CARE Training Webinars
- Create dedicated call campaigns for specific opportunities
- Utilize dedicated Fannie Mae Teams for collection efforts
- Record all calls
Collector Incentive Plans

Effective Incentive Plans include:

- Individual performance drivers
- Department performance drivers
- Promises to pay
- Promises to pay kept percent
- Dollars collected
- Loss mitigation referrals
- Call handling
- Individual quality drivers
Call Monitoring and Handling

Call monitoring should include business and customer elements:

- Borrower authorization
- Greeting and closing

- Agent information accuracy
- Call resolution

- Reason for delinquency
- Call documentation
Call Monitoring and Handling

Your call monitoring form or application should include:

- Call professionalism
- Know Your Options™ Customer Care 7 step call flow
- Conduct call calibrations utilizing Know Your Options™ Customer Care scorecard and Servicer Response Team (SRT) scorecard
- Multiple layers of management
Call Monitoring and Handling

- Sharing call monitoring scores with agents
- Track call monitoring trends for effectiveness
- Record all calls
- Archive calls for 12 to 24 months
- Include your escalation and call transfer process in call handling process

Consider using quality scores as a qualifier to incentives
Staffing Models

Should be in place for Collections

Updated monthly, at a minimum

An effective staffing model input should include:
- Forecasted call volume
- Absenteeism
- Off the phone activities
- Occupancy trends
Effective inbound call center reporting should be produced daily and include:

- Abandonment Rate (AR%)
- Average Speed to Answer (ASA)
- Average Handle Time (AHT)
- Hold time
- Auxiliary time
- Call blockage rate
Collection – Outbound Call Center Reporting

Effective outbound call center reporting should be reported hourly and include:

- Outbound efficiency or Right Party Contact (RPC)
- Breakout by delinquency bucket
- Call penetration or a metric showing percentage of eligible loans which have received an outbound attempt
- Payments collected
- AHT
- Number of calls attempted
- Number of calls connected
Call Center Scorecard

Effective call center scorecard includes:

- Metric thresholds or goals
- Performance indicators
Agent Level Scorecard

Effective agent level scorecard is produced monthly, at a minimum, and includes:

- Metric thresholds or goals
- Performance indicators
- Promises to pay
- Promises to pay kept percentage
- Adherence
- Calls per hour
- Dollars collected
- AHT
- Average idle time
- Hold time
- Quality Monitoring Scores

Agents should have access to departmental and individual goals and performance
Trending Exception Reports

Should be in place for management to easily identify performance issues

Produce on a daily or real-time basis

Exception reports should include:
- Missing or incorrect system codes (e.g., loan status codes)
- Loans not dialed
- Broken promises to pay

Include a breakout by delinquency
Produce them daily or real-time
Review daily
Delinquency Resolution

Repayment Tracking

Effective repayment reporting should include:
- Last Paid Installment (LPI)
- Plan payment next due date
- Length of the plan
- Plan payment start and end date
- Plan status

Quality control process should be in place to review approved and completed repayment plans

Specialized calling campaigns
Delinquency Resolution

Single Point of Contact (SPOC)

Refer loans to loss mitigation and/or SPOCs
Track referred loans

Roll Rate Tracking Report

Actively monitor
Include both set goals and thresholds

Warm transfer to SPOC agent
Drive process improvements (e.g., call campaign strategy)
Borrower Solicitation
Borrower Solicitation

Servicers must send a Borrower Response Package (BRP) if QRPC…

Is achieved and no delinquency resolution had been obtained.

Is not achieved or delinquency resolution has NOT been obtained by the 45th day of delinquency.

The BRP to include…

- Borrower Solicitation Letter
- Form 745, Uniform Borrowers Assistance Form (UBAF)
- Form 710
- Form 710A, HAMP Government Monitoring Data Form, only if the borrower is HAMP eligible and up until November 1, 2016
- IRS Form 4506-T, IRS Request for Transcript of Tax Return

Receiving Incomplete BRP

Incomplete information letter must be sent within five business days
Notice of Default
Notice of Default

Sending Breach/Acceleration Letters

No later than 60\textsuperscript{th} day of delinquency when able
Payment Collection Best Practices

- Review and encourage payment of Total Amount Due (TAD) by Collections and SPOC agents
- Establish guidelines around acceptance of < TAD
- Encourage set up of Auto Withdraw / ACH
- Provide self-service payment options
- Waive over the phone payment fee for trial payments
- Leverage branches / couriers if available
- Provide definition for “chronic” customers and set guidelines for expecting payments
Loss Mitigation: The Path to the Right Workout Solution Retention

Doug Von Stein
Rita Ballesteros

BP = Best Practice
Borrower Solicitation

Document processes to manage borrower solicitation

Send a Borrower Solicitation Letter that includes a

- Request for a Borrower Response Package (BRP)
- Reference to Fannie Mae’s *Know Your Options Customer Care*™
- Message that free assistance is available from HUD-approved housing counseling agencies, found on HUD.gov

Conduct post-solicitation call campaigns

Use a pre-solicitation call campaign

Identify borrowers who can be considered for a Streamlined Modification
Borrower Solicitation

- Provide documented training for vendors
- Set a Service Level Agreement (SLA)
- Review vendor performance on a weekly basis

Review vendor performance daily or in real-time
Borrower Response Package (BRP)

Items to be collected and retained for a BRP include:

- Complete and correct documents based on income and hardship, if applicable
- Date the complete BRP was received, as well as submitted by the borrower
- Credit report to document housing or credit expenses
- Property valuation

Base MTMLTV thresholds on post-modified balances
Inputs to Modification Terms

Escrow Shortage? \[ \div \] 60 Months

Income Calculation

- Process is consistently applied
- Underwriter’s calculation details are available
Workout Hierarchy

The servicer must consider a reinstatement when the mortgage loan is delinquent and the servicer has determined that the borrower has the ability to bring the mortgage loan current.

The servicer must see Chapter D2-3, Fannie Mae’s Home Retention and Liquidation Workout Options for the applicable workout option requirements. The following table provides guidance and the order of evaluation for available workout options for a conventional first lien mortgage loan.

<table>
<thead>
<tr>
<th>Temporary Hardship</th>
<th>Then the servicer must consider a...</th>
</tr>
</thead>
<tbody>
<tr>
<td>The following table describes the borrower’s requirements if the borrower is experiencing or has experienced a temporary hardship resulting from a short-term decrease in income or increase in expenses.</td>
<td></td>
</tr>
<tr>
<td>if the hardship has...</td>
<td></td>
</tr>
<tr>
<td>been resolved and the borrower does not have the ability to reinstate the mortgage loan</td>
<td>D2-3.2-04, Repayment Plan</td>
</tr>
<tr>
<td>not been resolved</td>
<td>D2-3.2-01, Standard Forbearance Plan</td>
</tr>
<tr>
<td></td>
<td>D2-3.2-02, Forbearance Plan for an Unemployed Borrower</td>
</tr>
<tr>
<td></td>
<td>D2-3.2-03, Forbearance Plan for a Unique Hardship</td>
</tr>
</tbody>
</table>

Note: A complete BRP may not be required.

Permanent Hardship

The following table describes the servicer’s requirements if the borrower is experiencing a hardship that has resulted in a permanent or long-term decrease in income or increase in expenses. If...

<table>
<thead>
<tr>
<th>Then the servicer must...</th>
</tr>
</thead>
<tbody>
<tr>
<td>the borrower has received a complete BRP</td>
</tr>
<tr>
<td>evaluate the borrower for a workout option in the following order:</td>
</tr>
<tr>
<td>• D2.3.2.07, Fannie Mae HAMP Modification</td>
</tr>
<tr>
<td>• D2.3.2.06, Fannie Mae Standard Modification</td>
</tr>
<tr>
<td>• D2.3.2.01, Fannie Mae Short Sale</td>
</tr>
<tr>
<td>• D2.3.3.07, Fannie Mae Mortgage Release (Deed-In-Lieu of Foreclosure)</td>
</tr>
<tr>
<td>determine if the borrower is eligible for a workout option that is not based on an evaluation of a BRP in the following order if the mortgage loan is 90 days or more delinquent:</td>
</tr>
<tr>
<td>• D2.3.2.08, Fannie Mae Streamlined Modification</td>
</tr>
<tr>
<td>• D2.3.2.01, Fannie Mae Short Sale</td>
</tr>
<tr>
<td>• D2.3.3.07, Fannie Mae Mortgage Release (Deed-In-Lieu of Foreclosure)</td>
</tr>
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</table>

Note: A Fannie Mae Streamlined Modification may be available if the mortgage loan was previously modified into a mortgage loan with a step-rate feature and an interest rate adjustment occurred within the last 12 months and the mortgage loan is 60 days or more delinquent after the interest rate adjustment.

Note: If a borrower requests to be evaluated for a liquidation workout option, the servicer must first evaluate the borrower for a liquidation workout option.
Eligibility Review

- Are Imminent Default rules applied correctly?
- Is modification eligibility met?
- Have non-delegated cases been sent with accurate figures in all fields?
- Has the post-modified DTI ratio been met?
- Is Fannie Mae Standard Modification Interest Rate correct?
- Has the underwriting waterfall tool accurately applied all steps for modified terms?
# Evaluation Notice and Trial Period Plan

<table>
<thead>
<tr>
<th>If the Evaluation Notice is mailed…</th>
<th>Then first Trial Period Plan payment is due…</th>
</tr>
</thead>
<tbody>
<tr>
<td>On or before September 15th</td>
<td>October 1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>After September 15&lt;sup&gt;th&lt;/sup&gt;</td>
<td>November 1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Include all amortization terms for modifications that have a MTMLTV less than 80% for which the borrower is eligible.
Training

- Counseling and Negotiation
- Underwriting/Decision Training
- Borrower Financial Reviews
- Fannie Mae Modification Training
- Foreclosure and Bankruptcy Overview
- KYOCC for Retention Agents
Modification Processing

As part of your modification process…

- Track and apply full PITI to payments when collected
- Report timely Trial Period Plan payments
- Review for recording requirements/title product
- Ensure modified mortgage is in first-lien position and enforceable
- Follow MBS rules for modifications and re-classifications
- Determine modification date accurately
- Obtain mortgage insurance approval, as needed
- Verify if the loan has MI with a non-delegated MI insurer
# Modification Processing

**As part of your modification process...**

- Send the Loan Modification Agreement prior to Effective Date
- Do not prepare the Loan Modification Agreement on or after the modification Effective Date
- Ensure all borrowers are included on the agreement
- Follow the modification requirements at all times for an MBS mortgage loan
  - Failed trials
  - Modification effective dates
  - Servicer execution date prior to re-class
# Modification Conversions

**As part of your conversion process...**

- Document the details of what was capitalized in the loan file
- Waive non-allowable fees when converting to a modification
- Adjust servicing records to reflect the modified current loan
- Accurately report the borrower’s current loan to the credit reporting repositories
- Send Loan Modification Agreement to document custodian within required timeframe
### Data Quality

As part of your data quality testing process, ensure the accuracy of...

- Important information reported to Fannie Mae in HSSN
- Trial Period Plan terms and payments
- Valuation amounts and dates
- New terms as per the Loan Modification Agreement
- Officer signature date
Quality Control

Up-to-date documented quality monitoring processes for retention agents

Quality control findings shared with agents weekly

BP Information shared daily with agents
Quality Control

System Status Codes are reviewed for accurate loss mitigation status on a monthly basis.

Status Codes are reviewed on a weekly or daily basis.
Re-defaulted retention solutions are reviewed for appropriateness of the solution offered.
Analytics

Leveraging financial analytics as a decisional tool

The use of SMDU for decisioning multiple loan workout solutions simultaneously, where the decision is based on the Fannie Mae Loan Workout Hierarchy
Non-Delegated Case Review

When to consider submitting a non-delegated modification

- Eligibility criteria for particular workout option not satisfied
- Submit request to Fannie Mae for review
- Acceptable mitigating circumstances

Servicing Guide D2-3.1-01, Determining the Appropriate Workout Option Evaluating the Mortgage Loan for Workout Options
Non-Delegated Case Review

- Provide gross income
- Confirm legal fees
- Verify escrow balances with $0 or positive amount (except on current loans)
- Verify the delinquent interest tolerance (+/-$75)
- Provide the reason for default
- Itemize breakdown of “other” costs documented in case comments
- Enter the effective date of the modification as the start date of the modification, not the Trial Period Plan date
Additional Resources

Requesting Approval for a Fannie Mae Standard Modification:
https://www.fanniemae.com/content/job-aid/hssn/topic/01_requesting_approval.htm

Eliminating Common Errors in Workout Profiler for Modifications:
Loss Mitigation:
The Path to the Right Workout Solution
Liquidation

Sandy Kim
Jasma Mistry
Jason Williams
Angela Rogers

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Eligibility and Decision
Short Sales and Mortgage Release™

Short Sales and Mortgage Release
(Deed-in-Lieu of Foreclosure)
Streamlined Documentation Eligible

- Delinquent
- Not investment property
- FICO® Score
- Non-Eligible list
- Discharge Chapter 7 Bankruptcy
Delinquency Status at the Time of Evaluation

- Hardship review listed and documented
- Debt-to-Income Ratio
- Determine occupancy
- Evaluation date
- Delinquency date
Contribution Analysis

- Not required
- Credit report > 90 Days
- Delinquency status at time of evaluation
Property Value

- Placing orders
- Not > 90 days old

While marketing the property, receive feedback from the listing agent

- Previously obtained interior valuation
- Automated Valuation Models (AVM) used for mortgage release
- Request list price guidance
Mortgage Insurance Approval

- Mortgage Insurance Approval
- Fannie Mae Approval
- File Documents
Evaluation Notice – Written Decision

- Fannie Mae’s workout hierarchy
- Leverage financial analytics as a decisioning tool

Use SMDU and multiple decisioning solutions in parallel

- File documents
- Written decision
- Foreclosure referrals / status
Subordinate Liens

- Payments

- Aggregate of $6,000

- Written commitment

Steps for working with subordinate lien holders should be included in your liquidation process.
Deficiency Waiver

- Issue deficiency waiver to borrower
- Mortgage Insurance
- Form 189
Processing and Closing Short Sales
Allowable Closing Costs

- Submit cases to Fannie Mae
- Subordinate lien payments
- No prohibited fees included
Incentives for Relocation

Ensure Borrower Eligibility
Anti-Fraud Measures

- Execute Short Sale Affidavit (Form 191)
- Funds or commissions
- Relocation assistance
  - Settlement agent
  - Documented process
Minimum Net Requirements

Short Sale Offer

Submit for written approval:

- Transaction costs excessive
- Offer Minimum Net Requirements (MNR) acceptable

Closing Timeline

- Within 60 days of approval

Reporting to Fannie Mae

- Short sales – 71 Servicer and Investor Reporting (SIR) action code
- Remit sales proceeds and borrower contributions
Processing and Closing Mortgage Release
Clear Title

- Order title search – resolve title issues
- Review credit report – determine liens and claims impeding closing
- Subordinate Liens – negotiate releases; obtain liability, and deficiency waiver commitments
Transition Options - Property Condition and Processing

- Property Valuation Review
- Subordinate Lien Negotiation
- Submit to Fannie Mae
- Fannie Mae Notifies
Final Interior Property Inspection

- Immediate move or vacant property required
- Interior inspection
- Personal property cash value determination
- Do not complete your final acceptance until…
Requesting Fannie Mae’s Approval

- Unable to close in 60 days
- Executed deed received < 30 days prior to foreclosure sale date

Reporting to Fannie Mae

- REOGram within 24 hours of your final acceptance
- Reporting applicable liquidation code:
  - 70 – uninsured conventional loans
  - 72 – Mortgage Insurance (MI) insured conventional loans
Referring a Mortgage Release to a Law Firm
Attorney Referral

- Authorized to select a third party
- Document training
- Service level agreements

Review vendor performance
Delinquency Status Code Reporting and HSSN Data Quality
Reporting Applicable Delinquency Codes

- Short Sales – 17
- Mortgage Release - 44

Accurate Reporting Through HSSN

- Valuation amounts
- Subordinate lien payouts
- Date borrower executed Mortgage Release docs
- Non-delegated cases – gross income, credit expenses, assets

Fields for:
- Streamlined documentation
- Imminent default
- Military station changes
- Relocation
Credit Repository Reporting
Accurate Final Credit Report

- Reflect short payoff or voluntary foreclosure occurred
- Validate completed and part of your records
Best Practices
Best Practices

- Performance metrics affected: Liquidation Efficiency Ratio
- Documented training and processes for liquidation solutions

Effective training includes:
- Negotiation
- Underwriting / decisioning
- Fannie Mae training
- Foreclosure and bankruptcy overview
Best Practices

Call Scripts

- Using call scripting
- Call script talking points include:
  - Handling short sales
  - Handling Mortgage Releases
  - Determining borrower willingness and ability to compete liquidation solution
Best Practices
Documentation

Documented and up-to-date monitoring process for liquidation agents

- Share quality control findings weekly
- Effective monitoring process includes:
  - Review case documentation for accuracy
  - Ensure accurate documentation in system of record
  - Share information daily
Best Practices
Scorecards

Produced daily

- Effective liquidation scorecards include:
  - Production goals at agent level
  - Quality assessments
  - Fannie Mae goals and number of short sales and mortgage releases completed compared to goals at department level
Best Practices
Exception Reports

Manage liquidation pipeline

- Effective liquidation reports include:
  - Loan – level tracking
  - Track quality monitoring results
  - Loans recorded with appropriate liquidation status codes
  - Updated and reviewed by management daily
  - Exception process in place

- Review system status code weekly or daily
- Provide alternate delivery methods to borrowers
Contact Fannie Mae Directly for Assistance:

Short Sales:
ream_short_sales_desk@fanniemae.com

Mortgage Release:
mortgage_release@fanniemae.com

Retention/Modification:
loss_mitigation@fanniemae.com
Expense Reimbursement

Stacy Largent
Cheryl Flemming

BP = Best Practice

Single-Family began a journey this year to transform the business by putting the customer at the heart of everything we do. We are committed to improving America’s secondary mortgage market by delivering a future state model that is simple, certain and dynamic.
Overview

- Expense Reimbursement Background and Responsibility
- Current Processing Timeframes
- Inquiry Response Tracker
- Disbursement Processing Strategy: Current State vs. Target State
- Process Updates
  - Accomplishments and Future/In-Flight Initiatives
- Recent Expense Reimbursement Communications
- Special Projects to Simply Processes
  - Reduce/Eliminate Documentation
  - Reintroduction of Pending Servicer Review Processes
  - CoreLogic Tax Pilot – Phase I
- Tips and Best Practices
- Appendix
Expense Reimbursement is the process of reimbursing servicers, and non-servicers (attorneys, real estate agents, appraisers), for advancing their own funds to cover allowable expenses.

In 2015, Single Family Credit Operations disbursed over $5.2B in expenses and processed almost 6M transactions.

Responsibility for Expense Reimbursements is broken into several groups:

- Servicer/Non-servicer Processing
- Exception/escalation Management
- QC/Red Flag Reviews
- Vendor Oversight
- Pre and Post-foreclosure Property Preservation Guidelines
- Business Rule Stakeholder
- Servicing Guide Policy
- Expense Policy
- Business Rule Stakeholder
Current Processing Timeframes

Turnaround times in calendar days:

- Servicer Claims Processing:
  - Non-Government Claims: 18 days
  - Government Claims: 17 days

- Servicer Inquiries: 3-5 business days
Inquiry Response Tracking Update

- In 2015, the Inquiry Response Tool (IRT) portal was launched to improve our ability to respond and track inquiries related to expense reimbursement claims [https://fanniemae.decisionreadysolutions.com/](https://fanniemae.decisionreadysolutions.com/)
- Servicers should submit any questions related to denied, curtailed or pending expenses, instructions and system issues within the IRT portal, as per the *Servicer Expense Reimbursement Job Aid*.
- 170+ servicers actively use IRT
- The portal helps capture servicer submission trends*:
  - Backup Documentation necessary
  - Denied due to duplicate request/expense
  - Expense not reimbursable
  - Policy/Servicing Guide questions
  - Status Update Request
  - Submitted Incorrectly (highest servicer trend at 24% of issues tracked)

*Additional Details are in the Appendix
Disbursement Processing Strategy

Current State

Move from a Disbursement model based on ---
- Requiring multiple submissions
- Lack of clear guidelines of reimbursable expenses leads to subjectivity
- Inconsistencies in decisioning
- Significant documentation requirements
- Multiple disbursement processing systems (SERFS, LoanSphere, TRAX)
- Decision can take 39 days on average
  - Manual verification and then pay
  - Claims are reviewed on a first-in, first-out basis

Target State

A new Disbursement model ---
- Single submission – 1 and Done!
- Automated validation and pay, post-payment QC
- Clear guidelines, including submission timings, that are simple and can be automated into business rules
- Leverage 3rd party data to automate decisions
- Paperless process except when required for audit and loan-type requirements (FHA, VA)
- Cost Containment
- Enhance IRT with real time chat for issue escalation and resolution
Process Updates

Accomplishments Year to Date:
- Creation of a line item dictionary and submission guide to provide visibility and transparency - Q1
- Line Item Consolidation from over 2,300+ line items to 328, reducing submission complexity – Q1
- Servicer webinars - Attendance included over 560 participants and 190 live questions were answered during the Q&A session – Q1
- Reduction in servicer expense reimbursement processing timelines from 70+ days to under 30 days

Future Enhancement Activities:
- Reduction of Required Documentation, including partnering with vendors as applicable
- Pre-Payment and Post-Payment Audit Processes
- Additional servicer webinars based on submission of servicer questions
- Evaluation of expense submission timing
- Targeted servicer training
- Servicer expense performance dashboard
Recent Expense Reimbursement Communications

Servicer Expense Reimbursement webinar hosted in April:
- 501 attendees with 312 different servicing entities.
- **Highlights of the Webinar:**
  - Expense Reimbursement Overview
  - Submitting a Claim and Submission timelines
  - Rules for Backup Documentation
  - Expense Types – Legal, Taxes, Insurance, HOA Dues
  - Check and ACH Information

In July, an updated Servicer Expense Reimbursement Job Aid was released:
- Introduction to Pre-Payment and Post-Payment Audit processes
- Reduction of required documentation
- Clarification on specific expense requirements, specifically property inspections and utilities
- Reintroduction of Pending Servicer Review processes

** Additional details are in the Appendix
Reduce/Eliminate Documentation

The scope of this project is to analyze the business rules, documentation requirements, alignment to policies, and assess risk factors to reduce the amount of documentation required for future servicer submitted claims.

- Update the processing requirements related to specific claims categories
- Reduce the manual review of claims
- Establish back end QC and controls for risk based review of documentation post payment
- Provide servicer communication about processing changes and impacts to post claim review and collections

<table>
<thead>
<tr>
<th>Phase 1 (Q3/16)</th>
<th>Phase 2 (Q1/17)</th>
</tr>
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<tbody>
<tr>
<td>Property Inspections</td>
<td>HOA/COA Dues</td>
</tr>
<tr>
<td>Technology Fees</td>
<td>Foreclosure-Mediation Fees</td>
</tr>
<tr>
<td>MI</td>
<td>Foreclosure Costs (Title)</td>
</tr>
<tr>
<td>Utilities</td>
<td>HOA (Non-Dues)</td>
</tr>
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</table>
Pending Servicer Review

The scope of this initiative is to reintroduce the use of the Pending Servicer Review (PSR) functionality within the claims reimbursement application.

- PSR will be leveraged when documentation is necessary for the reimbursement of claims as well as for pre-payment audit purposes, per the upcoming Servicer Expense Reimbursement Job Aid updates.
- This will reduce the need for resubmission of denied claims.
- Fannie Mae will update the Servicer Expense Reimbursement Job Aid to:
  - Clearly outline the situations in which claims will be placed into PSR.
  - Establish service level agreement timing for both Fannie Mae and servicers when claims are placed into PSR.
CoreLogic Tax Pilot – Phase I

The purpose of this initiative is to leverage existing CoreLogic tax data to reduce the amount of documentation and overhead to comply with existing processing requirements, increase auto-decisioning and reimburse servicers quicker.

- Operationalize the process to leverage CoreLogic data to maximize processing efficiencies
- Design a process to auto pay tax expenses invoices, reducing the number of claims requiring manual review and approval
- Develop a process for determining risk levels related to tax claims to ensure future inclusion of auto payments are possible
- Implement back-end QC routines to identify needed refunds from submitters and to adjust risk tolerances go-forward
- Develop a robust reporting mechanism for effective controls monitoring
Tips and Best Practices

Don’t wait until the disposition of a loan to submit your claims for reimbursement! Begin submitting claims when one of the following three qualifying criteria applies:

- A loan is at least 90 days delinquent and has been reported delinquent to Fannie Mae for three or more consecutive reporting cycles via HSSN.
- A workout has been completed or the loan is liquidated.
- Expenses on an individual case surpass $500 or a non-recoverable advance has been outstanding for at least six months.

While backup documentation is not always required for all types of expenses, it is highly recommended in most cases as Fannie Mae may request supporting documentation for any expense at any time.

- If the IM system generates an alert stating the expense is “over tolerance,” the servicer should provide supporting documentation at the time of submission.
- If an expense claim is paid and Fannie Mae retroactively requests supporting documentation which the servicer is unable to provide, the claim will be reversed and the servicer will be required to return the funds.
Tips and Best Practices

Resources available to servicers:

- Within FannieMae.com, there is a Servicer Expense Reimbursement page: https://www.fanniemae.com/singlefamily/servicer-expense-reimbursement
- There is a Servicer Expense Reimbursement Job Aid provides additional details: https://www.fanniemae.com/content/job_aid/servicer-expense-reimbursement-fact-sheet.pdf
- View the published list of available expense categories and subcategories: https://www.fanniemae.com/content/release_notes/loansphere-invoicing-change-notification-02162016.pdf
## Breakdown of IRT Trends – Q2 2016

<table>
<thead>
<tr>
<th>Trend</th>
<th>Servicer or Fannie Mae Trend</th>
<th>Count</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backup Docs Not Reviewed</td>
<td>Fannie Mae</td>
<td>48</td>
<td>1.79%</td>
</tr>
<tr>
<td>Claim Acknowledged/Received</td>
<td>Servicer Status Request</td>
<td>59</td>
<td>2.2%</td>
</tr>
<tr>
<td>Claim Paid</td>
<td>Servicer Status Request</td>
<td>6</td>
<td>.22%</td>
</tr>
<tr>
<td>Collections</td>
<td>Fannie Mae Request</td>
<td>2</td>
<td>.07%</td>
</tr>
<tr>
<td>Denied due to Duplicate Expense</td>
<td>Servicer</td>
<td>2</td>
<td>.07%</td>
</tr>
<tr>
<td>Denied in Error</td>
<td>Fannie Mae</td>
<td>47</td>
<td>1.76%</td>
</tr>
<tr>
<td>Expense Not Payable</td>
<td>Servicer</td>
<td>129</td>
<td>4.8%</td>
</tr>
<tr>
<td>Input Needed from Business Partner</td>
<td>Fannie MaeStatus</td>
<td>1</td>
<td>.04%</td>
</tr>
<tr>
<td>Internal Notes Not Followed</td>
<td>Fannie Mae</td>
<td>4</td>
<td>.15%</td>
</tr>
<tr>
<td>Policy (Guide) Question</td>
<td>Servicer</td>
<td>60</td>
<td>2.2%</td>
</tr>
<tr>
<td>Previous Instructions Not Followed by Processor</td>
<td>Fannie Mae</td>
<td>4</td>
<td>.15%</td>
</tr>
<tr>
<td>Processed Correctly (For ineligible expense)</td>
<td>Fannie Mae</td>
<td>58</td>
<td>2.2%</td>
</tr>
<tr>
<td>Status Request</td>
<td>Servicer Status Request</td>
<td>371</td>
<td>13.8%</td>
</tr>
<tr>
<td>Submitted Incorrectly</td>
<td>Servicer</td>
<td>646</td>
<td>24.1%</td>
</tr>
<tr>
<td>System Issue</td>
<td>Fannie Mae</td>
<td>30</td>
<td>1.12%</td>
</tr>
<tr>
<td>Backup Docs Needed</td>
<td>Servicer</td>
<td>196</td>
<td>7.3%</td>
</tr>
<tr>
<td>Business Approval &amp; Backup Docs Needed</td>
<td>Servicer</td>
<td>19</td>
<td>.71%</td>
</tr>
<tr>
<td>Business Approval Needed</td>
<td>Servicer</td>
<td>81</td>
<td>3%</td>
</tr>
<tr>
<td>Unable to Validate</td>
<td>Fannie Mae</td>
<td>167</td>
<td>6.23%</td>
</tr>
</tbody>
</table>
# Top 10 Servicers Using IRT – Q2 2016

<table>
<thead>
<tr>
<th>Servicer</th>
<th>Count</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>432</td>
<td>16.1%</td>
</tr>
<tr>
<td>Cenlar</td>
<td>126</td>
<td>4.7%</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>122</td>
<td>4.55%</td>
</tr>
<tr>
<td>Nationstar Mortgage</td>
<td>362</td>
<td>13.5%</td>
</tr>
<tr>
<td>Ocean First</td>
<td>58</td>
<td>2.16%</td>
</tr>
<tr>
<td>Ocwen</td>
<td>128</td>
<td>4.77%</td>
</tr>
<tr>
<td>PNC</td>
<td>236</td>
<td>8.8%</td>
</tr>
<tr>
<td>Regions</td>
<td>70</td>
<td>2.6%</td>
</tr>
<tr>
<td>US Bank Home Mortgage</td>
<td>79</td>
<td>2.95%</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>185</td>
<td>6.9%</td>
</tr>
<tr>
<td>All Others</td>
<td>883</td>
<td>32.9%</td>
</tr>
</tbody>
</table>
Expense Reimbursement Overview
Claim Submission Timelines

Currently, final claims must be submitted not later than 30 days after:

- A foreclosure prevention alternative is completed;
- The date the claim was filed, if the property will be conveyed to the insurer or guarantor;
- A third party acquires the property at the foreclosure sale; or
- Fannie Mae disposes of an acquired property.

Claims submitted later than days described above will be subject to denial.
Expense Types – Legal

Foreclosure and Bankruptcy Attorney’s Fees
- Fannie Mae posts allowable foreclosure attorney’s fees at: https://www.fanniemae.com/content/guide_exhibit/allowable-attorney-trustee-foreclosure-fees.pdf
- Fannie Mae posts allowable bankruptcy attorney’s fees at: https://www.fanniemae.com/content/guide_exhibit/allowable-bankruptcy-attorney-fees.pdf
- Attorneys must seek approval from the Fannie Mae Excess Fee Team for additional reimbursable attorney’s fees not covered by an allowable fee. For more information, email: excess_fee_request@fanniemae.com

Other Legal Expenses
- Legal expenses other than attorney’s fees incurred during a foreclosure, bankruptcy, or other legal proceeding are billed on separate line items from attorney’s fees. Fannie Mae requires servicers to provide supporting documentation to verify amounts or types of costs.
Expense Types - Taxes

- Servicers must be aware of current Fannie Mae policies before submitting requests for reimbursement of taxes. Refer to policy on [www.fanniemae.com/singlefamily](http://www.fanniemae.com/singlefamily) and/or *Servicing Guide F-1-06, Expense Reimbursement*.

- Fannie Mae requires servicers to submit supporting documentation for all tax reimbursements. It is especially important to have documentation if taxes are excessive or if they vary significantly in dollar amount from one taxing period to another, or if an edit fires during claim submission requesting additional documentation.
Expense Types - Insurance

Hazard Insurance
- The servicer must indicate whether the insurance is lender-placed or borrower-placed.

Flood Insurance
- Flood premiums will only be reimbursed if the property is located in a Special Flood Hazard Area. Documentation may be required.
- The servicer must indicate whether the insurance is lender-placed or borrower-placed.

Mortgage Insurance
- The servicer should identify whether the loan has MI before submitting the reimbursement claim.
Expense Types – HOA Dues

- HOA dues are reimbursable from the foreclosure date up to the REO sale date disposition. Reimbursement of dues incurred before the foreclosure date will be reimbursed in accordance with Fannie Mae policy.
- HOA-related fees other than dues should not be included in the HOA amount.
- Supporting documentation may be requested to verify amounts and property type.
Check and ACH Information

As is in the Servicer Expense Reimbursement Job Aid, if:

- A check or an Automated Clearinghouse (“ACH”) notification has not been received, email the Fannie Mae Accounting Department at: FannieMae_REO_Disbursements@fanniemae.com.
- If the bank account information or ACH email address requires an update, email the Fannie Mae REO Vendor Department at: REO_vendors@fanniemae.com.
### Additional Resources

<table>
<thead>
<tr>
<th>Invoice Management Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>For IM training, go to:</td>
</tr>
<tr>
<td>For IM training customer support email:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Invoice Management Categories and Subcategories</th>
</tr>
</thead>
<tbody>
<tr>
<td>To view the list of available IM categories and subcategories, go to:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Black Knight Bulk Upload Functionality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulk load functionality allows servicers to submit large volumes of reimbursement requests. For information, email:</td>
</tr>
</tbody>
</table>
Default Timeline Management

Cristi Richey
Rachel Lorenzo
Lauren Roffino

BP = Best Practice
Foreclosure Eligibility and Referral Processing
Determination of Principal or Non-Principal Residence

Ways to determine property type

- Inspections
- Conversations with borrower
- Address comparison
Pre-Referral Review and Components Included

Principal or Non-Principal determination
Pre-referral review

BP

- 500 or less loans assigned per FTE
- Automation/system-driven method for review
Pre-Referral Review and Components Included

Processing and Reporting

- Quality review
- Best practice and standard timelines
- Process to track missing documents
- State matrix
- Reporting or system tasks/queues
- Checklists
- Process for signing documents
- Complete referral package for law firm
# Referral Timeline Requirements

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Referral of non-principal properties required ≤ 120th day of delinquency.</td>
</tr>
<tr>
<td>Do not refer principal residence prior to day 121.</td>
</tr>
<tr>
<td>Leverage technology for foreclosure referral.</td>
</tr>
<tr>
<td>Two separate processes for principal vs tenant/abandoned properties.</td>
</tr>
</tbody>
</table>
# Requirements for Default-Related Law Firms

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Referred only to firms with no objection and ready for referral status</td>
</tr>
<tr>
<td>Foreclosure attorney matrix</td>
</tr>
<tr>
<td>Communicate escalations</td>
</tr>
<tr>
<td>Best practices</td>
</tr>
</tbody>
</table>

Reference [Servicing Guide F-2-05, Firm Minimum Requirements](#)
Servicer Selection Process

- Due diligence package
- Form 200
- Compliance and firm oversight

Reference Servicing Guide A4-2.2-01, Selecting and Retaining Law Firms
Foreclosure Processing
Overall Foreclosure Timelines

Effective controls for servicer impact to timeline

- Determine employee to file ratio
- Data accuracy reporting
- Processes for signing foreclosure-related documents

Leverage technology

- Management review of reports
- Exception reports
- Attorney performance scorecard
## Preforeclosure Sale Review and Certification of Workout Status

<table>
<thead>
<tr>
<th>Timelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact information</td>
</tr>
</tbody>
</table>

When a Borrower Response Package (BRP) is received prior to sale

Reference *Servicing Guide* E-3.3-01, Completing Preforeclosure Sale Review and E-3.3-02, Certifying the Status of Workout Negotiations Prior to Foreclosure
Overall Foreclosure Timelines

Effective controls for servicer impact to timeline

- Formal management approval
- Designated internal contact for foreclosure attorney
- Multiple methods of communication
- Performance metrics
Title Exceptions
Managing Title Defects

- Documented process
- Exception reporting to track title issues
- Dedicated team

Reference Servicing Guide E-3.2-13, Addressing Title Defects Generally
After the Sale is Held
# Investor Reporting Liquidation Codes

- **Report timely and accurately**

- **Reported Action Date = Foreclosure Sale Date**

- **70 – Liquidated Held for sale for Uninsured Properties (including those in redemption, acquired through Mortgage Release, or for a VA No-Bid or No Upset Case)**

- **71 – Acquired by Third Party**

- **72 – Acquired by Foreclosure Sale but pending conveyance to FHA/VA/MI**

---

*Investor Reporting Manual 3-05, Reporting a Liquidation to Fannie Mae*
REOgrams

Timeline Requirements

- Effective REOgram submission process
- Dedicated staff
- Include more than just mandatory fields
- Well defined quality control processes
- Manual and bulk uploads (bulk – best practice)
- Management or exception reporting

Reference Servicing Guide E-4.1-01, Notifying Fannie Mae of an Acquired Property
Elimination & Rescission Process

<table>
<thead>
<tr>
<th><strong>Invalidating a sale due to bankruptcy filing</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Documented process to manage eliminations and foreclosure rescissions</strong></td>
</tr>
<tr>
<td><strong>Post-foreclosure review process</strong></td>
</tr>
<tr>
<td><strong>Reporting to track eliminations/foreclosure rescissions</strong></td>
</tr>
<tr>
<td><strong>Track notification reasons and produce reporting more than weekly</strong></td>
</tr>
</tbody>
</table>

Reference *Servicing Guide E-4.1-02, Eliminations and Rescissions of Foreclosure Sales*
General Servicing and Escrow Administration

Jackie Miller
Kristy Scouten

BP = Best Practice
Payoffs
**Payoff Processing**

### Posting Payoff Proceeds

- Post the funds to the mortgage loan within 24 hours of receipt.
- It is important to have a process in place to ensure timely posting of funds.
Interest Calculation

Accurately Calculate Interest

Calculate the amount of interest correctly for a payoff based on:

- UPB
- LPI Date
- Current Interest Accrual Rate

## Interest Calculation

<table>
<thead>
<tr>
<th>Type</th>
<th>Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full month</td>
<td>360-day basis</td>
</tr>
<tr>
<td>Partial month</td>
<td>365-day basis</td>
</tr>
</tbody>
</table>
Proceeds Remittance

Remitting Timely and Accurately

Remittance of payoff proceeds greater than $2,500 on an Actual/Actual remittance type, must be remitted to Fannie Mae immediately.

It is important to accurately remit payoff funds on an Actual/Actual remittance type by remitting:

- UPB + Interest + FHA service charges (if applicable)
- + any prepayment premium (if applicable) – Servicing Fee

Servicing Guide F-1-31, Remitting and Accounting to Fannie Mae
Reported Payoffs

Report payoffs in a timely and accurate manner.

Liquidation code = 60

Date = day funds were received
ARM Loans
Servicer should complete a validation that includes, but is not limited to:

- Initial Rate
- Note Effective Date
- First and Subsequent Change Dates
- Rate and Ceiling
Detailed written procedures should include:

1. ARM Data Set-Up
2. Procedures and Controls
3. Validation
Assessment Review Documents

- ARM Processing Procedures
- ARM Note Copy and Riders
- Screen Shots of ARM Information
Escrow
Escrow Analysis

Perform an escrow analysis annually.

Perform the escrow analysis in sync with tax cycle.

Effective system or technology should be leveraged to perform escrow analyses. Increasing automation in this area will help improve accuracy.

Escrow analysis process is fully automated.
Escrow Analysis

- Conduct quality control reviews on escrow calculations annually.
- Review completed escrow analyses for quality.
- Leverage findings to improve processes and provide coaching.
- When payment change due to escrow analysis send notification of change within 15 days of change.
- Send notification of payment change more than 45 days before change.
## Escrow Analysis

When using a vendor, review performance monthly to compare against established Service Level Agreements (SLA) for performance and quality.

- **BP** Review vendor performance more frequently than once a month.

Reporting is in place to monitor escrow analysis activities.

- **BP** Produce and review reporting to monitor escrow activities on a frequent basis.
Property Insurance – Borrower and Lender Placed Policies

Retain full policies or declaration pages that include:

- Coverage type and amount
- Deductible
- Mortgagee clause
- Current policy and paid premiums validation

Refer to Evidencing Acceptable Property Insurance in Servicing Guide B-2-01, Property Insurance Requirements Applicable to All Property Types.
Flood Insurance – Borrower and Lender Placed Policies

Retain full policies or declaration pages that include:

- Coverage type and amount
- Deductible
- Mortgagee clause
- Current policy and paid premiums validation
- Re-mapping evidence
Flood Insurance Procedure

Detailed procedures need to include:

- Adding or removal due to re-mapping
- Accepting polices from private providers (alternative to National Flood Insurance Policies, or NFIP)
- Lender-placed insurance process
Lender-Placed Insurance Procedure

Detailed LPI procedures and processes must align with the *Servicing Guide* and need to include:

- Obtaining LPI when attempts to obtain evidence of acceptable coverage are unsuccessful
- Ensuring the coverage amount, deductible and mortgagee clause are outlined
- Paying premiums to the insurance company
- Establishing or analyzing the escrow account if payment creates a corporate advance
- Validating that affiliated entities, commissions, bonuses and fees are excluded from the premiums charged to the borrower and are submitted to Fannie Mae for reimbursement.
Condo, Co-Op and PUD Coverage

Detailed procedures and processes must align with the Servicing Guide and need to include:

- Determining minimum coverage amounts and maximum deductibles
- Collecting evidence from the borrower for condo coverage and determining if it is acceptable
- Maintaining acceptable evidence of Master or Blanket Policies
Taxes and Insurance Payment

Timely payments and non-escrowed loans:

- All escrowed items must be paid timely
- Detailed written processes for monitoring non-escrowed loans for timely payment of taxes and insurances
- Detailed written processes of adding an escrow account to pay taxes and insurances for non-escrowed loans, when applicable
Taxes and Insurance Payment Verification

- Effective Escrow Set-Up Process
- Automated Process for Escrow Set-Up
  - Staffing Model
  - Escrow Function Training
  - Escrow Disbursement Process
  - Quality Control Process
Taxes and Insurance Payment Verification

- Escrow Disbursement Vendor Scorecard & Escrow Department Scorecard
- SLA with vendor
- Vendor Performance Review
- Frequent review of vendor performance
  - Tracking Escrow Disbursement Reports
  - Remediating inaccurate escrow
Mortgage Insurance (MI) Procedures

Detailed written procedures are needed for:

- Payment of premiums
- MI cancellations
- Refund of unearned premiums on mortgagor-initiated cancellations and automatic terminations
- Notification of cancellations, MI rescissions and claim denials
- Filing of MI claims
Loss Drafts
Insured Loss Events

If the property can be legally rebuilt

- Ensure the claim is filed on a timely basis.
- Obtain complete details of damage and needed repairs.
- Release proceeds in excess of UPB and accrued interest/advances to mortgagor
- Monitor and inspect repairs
- Obtain proper lien releases/waivers
- Deposit non-disbursed funds into an interest-bearing account
- Discuss with the borrower plans for property repair
- Review and approve final repair plans
- Conduct a final inspection to ensure repair completion

Reference Servicer Responsibilities located in Servicing Guide B-5-01, Insured Loss Events
## Insured Loss Events

For loans current or < 31 days delinquent upon notification:

<table>
<thead>
<tr>
<th>If the insurance loss proceeds are...</th>
<th>Then the servicer...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $40,000</td>
<td>Is authorized to determine if a licensed contractor is required to restore or repair the property.</td>
</tr>
<tr>
<td>Equal to or greater than $40,000</td>
<td>Must ensure a licensed contractor is used to restore or repair the property.</td>
</tr>
</tbody>
</table>

And for releasing the insurance loss proceeds:

<table>
<thead>
<tr>
<th>If the insurance loss proceeds are...</th>
<th>Then the servicer must release the insurance loss proceeds payable to...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or equal to $20,000</td>
<td>Only the borrower.</td>
</tr>
<tr>
<td>Greater than $20,000</td>
<td>The borrower and the contractor.</td>
</tr>
</tbody>
</table>
# Insured Loss Events

## Loans > 31-days delinquent upon notification

| $>2500 | Initial disbursement not to exceed the greater of $10,000 or 25% of the CLAIM AMOUNT.  
|        | Subsequent disbursements not to exceed 25% of insurance loss proceeds.  
|        | Ensure licensed contractor is used.  
|        | Disbursements payable to mortgagor and contractor.  
|        | Evaluate borrower for workout option.  
|        | Must have a policy and procedure for the processing of excess funds after repairs are completed.  

| $\leq2500 | Funds can be released directly to borrower.  

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# Insured Loss Events

<table>
<thead>
<tr>
<th>If...</th>
<th>Then...</th>
</tr>
</thead>
</table>
| Foreclosure sale scheduled or property abandoned and the borrower wants to repair property | ▪ Evaluate the borrower for a workout option.  
▪ Follow the requirements in *Servicing Guide* E-3.2-12 and the Property Preservation Matrix.  
▪ Submit Form 176 to Fannie Mae. |
| Unable to contact mortgagors                                        | ▪ Contact insurance carrier to ensure claim filed.  
▪ If claim filed, file claim under mortgagee clause, collect funds on Fannie Mae’s behalf. |
| Property eligible for rebuild but borrower does not want to repair property | ▪ Submit Form 176 To Fannie Mae with recommendation.  
▪ Follow the requirements in *Servicing Guide* E-3.2-12 and the Property Preservation Matrix to ensure the property is maintained and preserved. |
Insured Loss Events

Handling loss draft proceeds
- Interest payments credited to mortgagor’s account

If property cannot be legally rebuilt
- Proceeds applied to reduce debt