Announcement SVC-2010-05 **March 30, 2010**

Miscellaneous Servicing Policy Changes

Introduction

This Announcement describes updates and clarifications to several servicing policies, including:

- Document custodian requirements for government loan modifications
- Foreclosure attorney fees for New Mexico and Vermont
- Mortgage insurance cancellations on loan modifications
- Foreclosure actions in the name of MERS
- Flat File layout for Payment Reduction Plan loans
- Balloon mortgage loans with a conditional modification option

Document Custodian Requirements for Government Loan Modifications

Servicing Guide, Part VII, Section 502.01: Modifying Government Mortgages

In Announcement 08-28, *Miscellaneous Servicing Changes*, Fannie Mae stated that servicers no longer needed to submit the original executed (and recorded, if applicable) *Agreement for Modification or Extension of a Mortgage* (Form 181) to the document custodian for government mortgage loans. To conform to industry practices, Fannie Mae is changing this requirement.

Effective May 1, 2010, for all government mortgage loans with an executed Form 181, servicers are required to submit the original executed (and recorded, if applicable) Form 181 to their document custodian. Servicers must send a copy of the executed Form 181 to the borrower and to the mortgage insurer or guarantor, and retain a copy in the servicer's individual mortgage file.

Before submitting a modification or extension to Fannie Mae, the servicer must first obtain the approval of FHA, HUD, VA, or the RD, as applicable, using any documentation they require. After all applicable approvals are obtained, the servicer must prepare the Form 181, have the form signed by the borrower(s) and any co-makers or endorsers of the note, and have its authorized representative sign the completed form to indicate the servicer’s approval of the modification or extension. After the loan modification agreement is executed, the servicer must submit the information pertaining to the modification through HomeSaver Solutions® Network (HSSN) and upload the executed Form 181 into the HSSN case.

As a reminder, servicers of conventional loans being modified are still required to submit the original modification agreements to the document custodian as stated in the *Servicing Guide*, Part VII, Section 502.02: Modifying Conventional Mortgages.

Foreclosure Attorney Fees for New Mexico and Vermont

Announcement 08-19, *New Foreclosure and Bankruptcy Attorney Network and Attorneys' Fees and Costs*

Fannie Mae has updated the foreclosure attorney fees for properties located in the states of New Mexico and Vermont.

The maximum attorney fees that Fannie Mae allows for legal work related to foreclosures of whole mortgages, participation pool mortgages, and MBS pool mortgages serviced under the special servicing option appear in Attachment 1 of Announcement 08-19.

The current maximum fee for judicial foreclosures in New Mexico is $900 and for judicial foreclosures in Vermont (strict foreclosure) is $950. Effective for cases referred for foreclosure services on and after May 1, 2010, the maximum fees will be $1,100 for judicial foreclosures in New Mexico and $1,050 for judicial foreclosures in Vermont (strict foreclosure).

Mortgage Insurance Cancellations on Loan Modifications

Servicing Guide, Part II, 102.03: Automatic Termination of Mortgage Insurance and 102.04: Borrower-Initiated Cancellation Based on Original Property Value

As stated in the *Servicing Guide*, the servicer must establish appropriate monitoring procedures that provide for an ongoing review of all mortgages in its portfolio to ensure that borrower-purchased mortgage insurance is automatically terminated when required by Fannie Mae policy or applicable federal or state law. Additionally, the servicer must cancel borrower-purchased mortgage insurance for any conventional mortgage (regardless of its closing date) on request if it meets certain eligibility criteria.

Effective immediately, for all loan modifications, mortgage insurance cancellation and termination eligibility criteria must be based on the terms and conditions of the modified loan. The servicer must use the amortization schedule of the modified loan and the value of the property at the time of the modification. To determine the value of the property at modification, the servicer may order a broker price opinion or a new appraisal, or use an automated valuation model (AVM) as long as the AVM provides a reliable confidence score. In some states, a new appraisal may be required, and the servicer must follow applicable state law.

Servicers are reminded that under the Homeowners Protection Act of 1998, the borrower in a residential mortgage transaction is to be provided at the time of consummation certain disclosures that describe the borrower's rights for mortgage insurance cancellation and termination. Initial disclosures vary, based upon whether the transaction is a fixed-rate or adjustable-rate mortgage. The Act also requires that the borrower be provided with certain annual and other notices concerning mortgage insurance cancellation and termination. A borrower may not be charged for any disclosure required by the Act.

Foreclosure Actions in the Name of MERS

Servicing Guide, Part VIII, 105: Conduct of Foreclosure Proceedings

Effective with foreclosures referred on or after May 1, 2010, MERS must not be named as a plaintiff in any foreclosure action, whether judicial or non-judicial, on a mortgage loan owned or securitized by Fannie Mae.

MERS is the mortgagee of record when either a mortgage names MERS as the original mortgagee and is recorded in the applicable land records, or a completed and recorded assignment names MERS as the mortgage assignee. Therefore, when MERS is the mortgagee of record, the servicer must prepare a mortgage assignment from MERS to the servicer, and then bring the foreclosure in its own name, unless Fannie Mae specifically requires that the foreclosure be brought in the name of Fannie Mae. In that event, the assignment must be from MERS to Fannie Mae, in care of the servicer at the servicer's address for receipt of notices. In all cases, the assignment from MERS to the servicer or Fannie Mae must be recorded before the foreclosure begins.

Fannie Mae will not reimburse the servicer for any expense incurred in preparing or recording an assignment of the mortgage loan from MERS to the servicer or to Fannie Mae.

If an assignment has been recorded from MERS to either the servicer or Fannie Mae and the borrower reinstates the mortgage loan prior to completion of the foreclosure proceedings, the servicer need not re-assign the mortgage to MERS and re-register the mortgage with MERS. Re-assigning and re-registering the mortgage with MERS is not required by Fannie Mae and any such action will be at the discretion and expense of the servicer.

The servicer should consult its foreclosure attorney to determine if any other legal requirements apply when conducting foreclosures of mortgage loans in which MERS is the prior mortgagee of record.

File Layout for Payment Reduction Plan Loans

In Announcement 09-30, *Retirement of the HomeSaver Forbearance™ and Conversion to the Payment Reduction Plan™,* Fannie Mae announced that the Payment Reduction Plan (PRP) would replace the HomeSaver Forbearance (HSF) program in Fannie Mae's hierarchy of foreclosure alternatives and, for reporting purposes, servicers were required to submit PRPs as HSFs via HSSN.

Effective June 1, 2010, for purposes of reporting via HSSN, data element field 13 (HomeSaver Forbearance Indicator) of the Delinquency Reporting Flat File Layout will be reformatted from a Yes/No indicator to a numeric flag representing the type of forbearance plan the borrower is participating in (0=Regular Forbearance, 1=HSF, 2=PRP).

Servicers may begin using the new reporting file layout as of June 1, 2010 (for June reporting of May activity) but are required to use it no later than August 1, 2010 (for August reporting of July activity). Until servicers have made the necessary changes to the reporting file layout, they must update HSSN manually to report HSFs and PRPs. This reporting will allow Fannie Mae to track activity among the forbearance plans.

Other data elements in the file layout that are changing:

- Forbearance Payment Amount – indicates the scheduled Forbearance Payment Amount for the plan, not the actual amount received; and,
- Forbearance Payment Date – indicates the date the forbearance payment was received during the last reporting month.

Unless noted above, all other fields remain unchanged.

The updated file layout is attached to this announcement. This layout replaces the previous layout shown in Announcement 09-27, *Miscellaneous Servicing Policy Changes.*

Balloon Mortgage Loans with a Conditional Modification Option

Servicing Guide, Part III, Chapter 8: Balloon Mortgage Maturity

Effective immediately, servicers should no longer refer to Part III, Chapter 8 of the Servicing Guide for guidance in processing balloon mortgage loans with conditional options to modify. Instead, servicers are advised to contact their Portfolio Manager, Investor Reporting Contact or the Servicing Solutions Center for assistance with maturing balloon mortgage loans with this option. For questions related to redelivery and pricing requirements, servicers should contact their Customer Account Team.

As a reminder, balloon mortgage loans with the standard conditional right to refinance must be refinanced in accordance with the terms and conditions of the applicable legal documents. If a balloon mortgage loan is not eligible for refinancing according to the terms and conditions of the related legal documents, the servicer should pursue standard loss mitigation options and submit the mortgage loan through the HSSN.

Additionally, when a conditional right to refinance a balloon mortgage loan is exercised and the mortgage loan is redelivered to Fannie Mae, the Adverse Market Delivery Charge (AMDC) will be charged. Mortgage loans secured by investment properties will also be subject to a 1.75 percent loan-level price adjustment fee (which will apply without regard to the LTV), however no other loan-level price adjustment fees will apply. These pricing changes are effective for whole loans purchased on or after June 1, 2010 and for mortgage loans delivered into MBS with issue dates on or after June 1, 2010. The Loan-Level Price Adjustment (LLPA) Matrix and Adverse Market Delivery Charge (AMDC) Information located on eFannieMae.com will be updated shortly to reflect this policy.

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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.

Marianne E. Sullivan
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Single-Family Chief Risk Officer

Attachment 1

Delinquency Reporting Flat File Layout
(Effective 06/01/10)

Description: A file containing the required data elements for reporting delinquent mortgage loans to Fannie Mae.

Data Record

	Data Element	Position	Format	Required Field	Definition
1	Servicer Number	1	9 N / 9(9)	Yes	Fannie Mae assigned lender number
2	Space	10	X(1)	Yes	
3	Fannie Mae Loan Number	11	10 AN / 9(10)	Yes	10-digit unique Fannie Mae assigned loan number for Fannie Mae loans
4	Space	21	X(1)	Yes	
5	Status Code	22	2 AN / X(2)	Yes	The latest action or stage of a specific action for a mortgage in each reporting cycle
6	Space	24	X(1)	Yes	
7	Delinquency Reason Code	25	3 AN / X(3)	Yes	Describes the circumstance that appears to be the primary contributing factor to the delinquency
8	Space	28	X(1)	Yes	
9	Default Effective Date	29	8 N / 9(8)	Required for reporting HomeSaver Forbearance™ (HSF), Payment Reduction Plan™ (PRP), regular forbearance, and repayment plans	Date that the delinquency status code becomes effective
10	Space	37	X(1)	Yes	
11	Default Completion Date	38	8 N / 9(8)	Required for reporting HSF, PRP, regular forbearance, and	Date that the delinquency status was completed

	Data Element	Position	Format	Required Field	Definition
				repayment plans	
12	Space	46	X(1)	Yes	
13	HomeSaver Forbearance Indicator	47	1 N / X(1)	Required for reporting HSF/PRP	Indicates what type of forbearance plan the borrower is on. Expected Value: 0 (Regular Forbearance) or 1 (HSF) or 2 (PRP) or Space
14	Space	48	X(1)	Yes	
15	Imminent Default Indicator	49	1 N / X(1)	Required for reporting HSF/PRP	Indicates that the loan has been placed in forbearance (HSF/PRP) because the borrower has been determined to be in imminent default Expected Value: 1 (YES) or 0 (NO) or Space
16	Space	50	X(1)	Yes	
17	Forbearance Payment Amount	51	11 N / 9(8).99	Required for reporting HSF/PRP	Payment amount of the Forbearance Plan (HSF/PRP). The Forbearance Payment Amount is the Forbearance plan amount NOT the actual amount received. If the value is short of length, prefix with zeros and suffix with zeros after decimal
18	Space	62	X(1)	Yes	
19	Forbearance Payment Date	63	8 AN / X(1)	Required for reporting HSF/PRP	Date the forbearance (HSF/PRP) payment was received during the last reporting month
20	Space	71	X(1)	Yes	
21	Ninety Plus New Layout Indicator	72	4 AN / X(4)	Required for reporting HSF/PRP	Indicates that the new file layout is being used for reporting the HSF or PRP. If this field is blank, then the four fields above will be ignored HSFR indicator must be provided if the transaction is for an HSF or PRP case Expected Value: HSFR or Space
22	Space	76	X(5)	Yes	