



Servicing Guide Announcement SVC-2016-07

August 17, 2016

Servicing Guide Updates

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

- Independent Dispute Resolution
- Allowable Foreclosure Attorney Fee for New York
- Termination of Conventional MI
- Suspending Foreclosure Proceedings for a Streamlined Modification Offer*
- Servicing Government Mortgage Loans*
- MI Claim Filing Documentation*

*Policy change not applicable to reverse mortgage loans.

Each of these updates is described below. The servicer must review each topic in the *Servicing Guide* in its entirety to gain a full understanding of the policy change(s).

Independent Dispute Resolution

Over the last several years, Fannie Mae, jointly with Freddie Mac, and at the direction of the Federal Housing Finance Agency, introduced and refined the representations and warranties framework and recently introduced the servicing defect remedies framework (the “remedies framework”). With this Announcement, Fannie Mae is announcing the Independent Dispute Resolution (IDR) process for servicing breaches under the remedies framework introduced in Servicing Announcement SVC-2015-15.

The IDR process provides the servicer an opportunity - within certain time limits and in the manner outlined in the *Servicing Guide* - to dispute the existence of a servicing defect in a demand for a servicing remedy, and elect a final, binding resolution to disputes regarding loan-level servicing violations through a more streamlined and efficient process. While almost all disputes will likely be resolved through the existing appeal process, or in the new impasse or management escalation processes, there is value for both the servicer and Fannie Mae in having an established process with clear expectations and costs for the parties involved. These changes will enable servicers to manage risk more effectively.

The IDR process for servicing defects is specifically designed to address loan-level servicing violations that remain unresolved after completion of the appeal, impasse and management escalation processes. The IDR process will not replace the current quality control and related appeal processes, but will offer a neutral third-party to resolve disputes that remain unresolved after appeals have been exhausted. The neutral third-party rather than Fannie Mae will be making the final determination about whether a defect existed at the time IDR begins. The written award from the neutral third-party will be final and binding upon, and enforceable against, the non-prevailing parties.

The appeal, impasse, management escalation, and IDR processes are described in detail in the [Appeal and Independent Dispute Resolution Processes](#) document on Fannie Mae’s website.

The servicer remains responsible for servicing mortgage loans in accordance with the terms of the Lender Contract.



Updated Servicing Guide Topics

- Servicing Guide [A1-3-02, Fannie Mae-Initiated Repurchases, Indemnifications, Make Whole Payment Requests, and Deferred Payment Obligations](#)
- Servicing Guide [A1-3-03, Repurchase Obligations Related to Bifurcated Mortgage Loans](#)
- Servicing Guide [A1-4.1-02, Fannie Mae's Remedies](#)
- Servicing Guide [A2-4-01, Quality Control Reviews](#)
- Servicing Guide [A2-7-03, Post-Delivery Servicing Transfers](#)
- Servicing Guide [E-3.2-14, Addressing Title Defects for Bifurcated Mortgage Loans](#)
- Servicing Guide [F-3, Glossary](#)
- Servicing Guide [F-4-01, References to Fannie Mae's Website](#)

Effective Date

The IDR process will be available for demands for servicing remedies issued on and after December 1, 2016.

Allowable Foreclosure Attorney Fee for New York

The [Allowable Foreclosure Attorney Fees Exhibit](#) has been updated to reflect a change to the maximum allowable judicial foreclosure fee for Fannie Mae mortgage loans secured by properties located in New York.

Effective Date

The new fee applies to all matters referred to counsel for initiation of foreclosure proceedings regardless of referral date, provided the matter is still active as of August 17, 2016. The servicer is encouraged to implement the new fee for the affected files as soon as possible, but must do so no later than November 1, 2016. The servicer may exercise reasonable discretion in determining how to implement the fee, including working as needed with the law firm or an applicable invoicing technology provider.

Termination of Conventional MI

Servicing Guide [B-8.1-04, Termination of Conventional Mortgage Insurance](#) has been updated to remove the payment of outstanding late charges as a requirement for a mortgage loan to be considered "current" for purposes of MI termination.

Effective Date

Effective immediately, the servicer is no longer required to consider outstanding late charges when determining whether a mortgage loan is current for purposes of MI termination for Fannie Mae mortgage loans.

Suspending Foreclosure Proceedings for a Streamlined Modification Offer

The *Servicing Guide* has been updated to clarify that, if the servicer has made the borrower an offer for a Fannie Mae Streamlined Modification, the borrower must contact the servicer (either verbally or in writing) within 14 days of the date of the offer to indicate his or her intent to accept the offer in order for the servicer to delay the next legal action in the foreclosure proceeding until the last day of the month in which the first payment is due.



Updated Servicing Guide Topics

- Servicing Guide [E-3.2-01, Conducting Prereferral Review](#)
- Servicing Guide [E-3.2-04, Postponing Foreclosure Referral for Mortgage Loans Not Secured by a Principal Residence](#)
- Servicing Guide [E-3.4-01, Suspending Foreclosure Proceedings for Workout Negotiations](#)

Effective Date

The servicer is encouraged to implement these policy changes immediately; but must implement these changes by November 1, 2016.

Servicing Government Mortgage Loans

Servicing Guide [E-4.1-01, Notifying Fannie Mae of an Acquired Property](#) and [E-4.2-02, Handling Reconveyance to the Insurer or Guarantor](#) have been updated to no longer require the servicer to submit an REOgram if a second conveyance is not accepted by HUD or VA. As a reminder, the servicer must take all actions necessary to ensure that Fannie Mae recovers the full amount due under a claim with the insurer or guarantor. Failure to do so may result in Fannie Mae electing a repurchase, a make whole payment, or an indemnification payment (see [Servicing Guide A1-3-02, Fannie Mae-Initiated Repurchases, Indemnifications, Make Whole Payment Requests and Deferred Payment Obligations](#)). Questions regarding reconveyances to Fannie Mae should be directed to Fannie Mae's CPM division at fnma_claims@fanniemae.com.

Additionally, [Servicing Guide D2-3.2-06, Government Mortgage Loan Modifications](#) has been updated to reflect that, consistent with [Servicing Guide A2-1-08, Compliance with Requirements and Laws](#), the servicer must provide to HUD all mortgage loan modification and partial claim documents in a timely manner. In the event HUD issues a request for repayment of the incentive payment or partial claim, the servicer must repay the funds.

Lastly, [Servicing Guide F-1-29, Processing a Workout Incentive Fee](#) has been updated to reflect that the servicer must enter a closed case into HSSN for an incentive fee to be paid to the servicer for an FHA mortgage loan modification.

Effective Date

The servicer is encouraged to implement these policy changes immediately; but must implement the changes by October 1, 2016.

MI Claim Filing Documentation

From time to time, we will review our policies to determine whether simplification and efficiency can be gained. [Servicing Guide F-1-07, Filing an MI Claim for a Liquidated Mortgage Loan or Acquired Property](#) has been updated as follows:

- the servicer is no longer required to send a copy of the MI claim form to Fannie Mae's SF CPM division after filing an MI claim associated with a short sale or third-party sale or after filing an MI claim for a property acquired through a Mortgage Release™ or foreclosure sale;
- for FHA/HUD-related MI claims and only upon Fannie Mae's request, the servicer is now required to email a copy of the MI claim payment advice letter to fnma_claims@fanniemae.com instead of sending a copy of the MI claim form; and
- for RD guaranteed mortgage loans and only upon Fannie Mae's request, the servicer is now required to email a copy of the MI claim payment advice letter to fnma_usda_claims@fanniemae.com instead of sending a copy of the MI claim form.



The *Mortgage Insurer's Claim Payment Data* (Form 567) has been retired.

Servicing Guide F-4-03, List of Contacts has been updated to include the fnma_claims@fanniemae.com mailbox for submission of FHA/HUD/VA payment advice letters and the fnma_usda_claims@fanniemae.com mailbox for submission of RD payment advice letters.

Effective Date

The servicer is encouraged to implement these policy changes immediately; but must implement these changes by October 1, 2016.

Please 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.

Malloy Evans
Vice President
Single-Family Servicing