



Servicing Guide Announcement SVC-2018-08

November 14, 2018

Servicing Guide Updates

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

- Fannie Mae Short Sale and Fannie Mae Mortgage Release™ (Deed-in-Lieu of Foreclosure) Workout Options**
- Delinquency Management Requirements*
- Miscellaneous Update*

*Policy change not applicable to reverse mortgage loans.

**Policy change applies only to HomeKeeper loans and is not applicable to Home Equity Conversion Mortgage (HECM) loans.

Fannie Mae Short Sale and Fannie Mae Mortgage Release (Deed-in-Lieu of Foreclosure) Workout Options

In alignment with Freddie Mac and at the direction of the Federal Housing Finance Agency (FHFA), we are simplifying our short sale and Mortgage Release policies to provide servicers with clear parameters to assist borrowers with exiting the property while avoiding a foreclosure sale. In particular, we are updating our short sale and Mortgage Release policies to

- streamline and align the documentation requirements for evaluating a borrower to determine eligibility;
- implement new criteria for evaluating a borrower facing imminent default, which closely aligns with the criteria for mortgage loan modification evaluations;
- streamline the borrower contribution evaluation, including eliminating the requirement to evaluate the borrower for a promissory note;
- revise the requirements for evaluating the credit report for new mortgage loans obtained;
- more closely align the incentive payments to assist a borrower with relocation expenses by removing the different incentive amounts for certain jurisdictions for a Mortgage Release;
- permit short sale negotiation fees as an allowable short sale transaction cost, provided they are deducted from the allowable real estate sales commission; and
- change the timing with which the servicer must conduct the final interior property inspection for a Mortgage Release from no more than two business days following the receipt of the executed deed and all related documents to no more than five business days following the receipt of the executed deed and all related documents.

We are also updating the servicer's responsibilities for anti-fraud measures for a short sale to instruct the servicer to insert the date of the short sale closing, rather than the date of the deed, when amending the deed conveying the property to the purchaser with the resale restriction provision.

Updated *Servicing Guide* Topics

- [D2-1-01, Determining if the Borrower's Mortgage Payment is in Imminent Default](#)
- [D2-3.3-01, Fannie Mae Short Sale](#)
- [D2-3.3-02, Fannie Mae Mortgage Release \(Deed-in-Lieu of Foreclosure\)](#)
- [F-1-12, Preparing to Implement a Workout Option](#)



- [F-1-15, Processing a Fannie Mae Mortgage Release \(Deed-In-Lieu of Foreclosure\)](#)
- [F-1-16, Processing a Fannie Mae Short Sale](#)

Effective Date

Servicers are encouraged to implement these policy changes immediately, but must implement them no later than September 1, 2019. Once implemented, servicers must evaluate borrowers for a short sale or Mortgage Release in accordance with this policy.

Additionally, without regard to a servicer's time frame for implementing the policy changes related to short sales and Mortgage Releases described above, we are updating [D2-3.3-02, Fannie Mae Mortgage Release \(Deed-in-Lieu of Foreclosure\)](#) to eliminate Mortgage Release case delegation and instead require servicers to submit all cases to us.

Effective Date

Servicers are encouraged to implement this change immediately, but must submit all Mortgage Release cases evaluated on or after March 1, 2019 to Fannie Mae for review.

Delinquency Management Requirements

As a part of our ongoing effort to simplify servicing, we are reviewing our delinquency management requirements in a post-crisis environment. As a result, we are making changes to our outbound contact attempts, breach letter, and initial property inspection requirements to reduce the cost of servicing. At the direction of FHFA under the Servicing Alignment Initiative, Freddie Mac is aligning with these policy changes.

We are updating

- the frequency of outbound contact attempts from every five days to every seven days between day 36 and 210 of delinquency, and
- the timing of when the breach or acceleration letter must be issued from no later than the 60th to no later than the 75th day of delinquency.

Updated Servicing Guide Topics

- [D2-2-02, Outbound Contact Attempt Requirements](#)
- [D2-2-06, Sending a Breach or Acceleration Letter](#)

Effective Date

Servicers are encouraged to implement these policy changes immediately, but must implement these changes by March 1, 2019.

Additionally, a recent review of our inspection requirements identified that the timing of the initial property inspection at the 45th day of delinquency yielded very few benefits due to a servicer's typical 30-day roll rate. We are updating our property inspection requirements to

- change the timing for ordering the initial property inspection for a delinquent mortgage loan from the 45th day of delinquency to the 60th day of delinquency. With this change, the initial property inspection must be completed by the 75th day of delinquency; and



- add a requirement to discuss the occupancy status of the property when establishing Quality Right Party Contact (QRPC) to further reduce the need for property inspections.

Updated *Servicing Guide* Topics

- [D2-2-01, Achieving Quality Right Party Contact with a Borrower](#)
- [D2-2-10, Requirements for Performing Property Inspections](#)

Effective Date

Servicers are encouraged to implement these policy changes to the timing of initial property inspections immediately, but must implement these changes by January 1, 2019.

Miscellaneous Update

We have added [E-3.3-04, Marketing the Foreclosure Sale and Using Foreclosure Auction Services](#) to the *Guide* and updated [F-1-08, Managing Foreclosure Proceedings](#), to reflect changes recently communicated in Announcement SVC-2018-07. The changes include

- requiring servicers to use a Fannie Mae vendor for foreclosure sale marketing services in certain jurisdictions, and
- encouraging the use of Fannie Mae vendors for foreclosure auction services in available jurisdictions.

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

Carlos T. Perez
Senior Vice President and
Chief Credit Officer for Single-Family