

Announcement SVC-2010-17

November 29, 2010

Miscellaneous Servicing Policy Changes

Introduction

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

- Update to unique hardships policy for problem drywall
- Termination of the option to submit manually prepared reports
- Delivery of repurchased loans

Effective Date

Unless otherwise indicated, all policy changes included in this Announcement are effective immediately.

Update to Unique Hardships Policy for Problem Drywall

In Announcement SVC-2010-11, *Unique Hardships*, Fannie Mae identified situations that warrant the use of relief provisions such as forbearance for borrowers affected by unique circumstances. Fannie Mae identified problem drywall as one of the unique hardships eligible for relief provisions, provided certain conditions were met.

Based on the evaluation of the borrower's financial hardship and his or her intended plans to remediate the problem drywall, servicers are permitted to grant up to six months of forbearance and must suspend reporting the status of the mortgage loan to the credit bureaus. The length of the forbearance term should correlate to the estimated time to cure the unique hardship, the expectation of insurance proceeds (if available), and other relevant facts, up to a period of six months.

Effective immediately, Fannie Mae will consider an extension of the maximum term of forbearance for borrowers experiencing a financial hardship due to the documented presence of problem drywall in their property. (Refer to Announcement SVC-2010-11 for details on problem drywall documentation, forbearance, and reporting requirements). If the servicer recommends additional forbearance beyond the initial six months, the servicer must reevaluate the borrower's financial condition and progress made towards remediating the problem drywall.

The servicer should rely upon verified income documentation as required in Announcement SVC-2010-11. The income documentation provided must not be more than 90 days old from the date of evaluation. The servicer must determine the borrower's ability to contribute to the mortgage loan payment and must not automatically suspend payments during forbearance. If the borrower is a party to litigation related to the problem drywall, the servicer must monitor the

proceedings and take any steps necessary to protect Fannie Mae's interest in any miscellaneous proceeds and Fannie Mae's rights under the security instrument.

As a reminder, as described in the *Servicing Guide*, Part II, Section 102: Conventional Mortgage Insurance, the servicer must keep in effect any borrower-purchased mortgage insurance that existed when Fannie Mae acquired the mortgage, unless the conditions Fannie Mae imposes for replacing or canceling the coverage are met. In addition, the servicer must keep in effect any lender-purchased mortgage insurance that existed when Fannie Mae acquired the mortgage until the mortgage is paid in full.

After evaluating the borrower's continued financial hardship and progress towards remediation, if the servicer recommends forbearance up to an additional six months, it must submit its recommendation and the suggested term of forbearance to its Portfolio Manager, Servicing Consultant, or the National Servicing Organization's Servicer Support Center. The length of the forbearance term should still correlate to relevant facts mentioned in Announcement SVC-2010-11.

If Fannie Mae approves the recommendation to extend forbearance, the servicer must communicate the decision in writing to the borrower, consistent with the *Servicing Guide*, Part VII, Section 403: Forbearance, and must suspend reporting the status of the mortgage loan to the credit bureaus during the additional forbearance term. If Fannie Mae denies the recommendation to extend forbearance, the servicer must work with the borrower to determine the appropriate permanent foreclosure prevention alternative and resume credit reporting.

Termination of the Option to Submit Manually Prepared Reports

***Servicing Guide*, Part VIII, Chapter 1: Foreclosures, Section 115.02: Reporting via Magnetic Media; Section 115.03: Reporting via Manually Prepared Reports**

Currently, servicers that prepare IRS Form 1099-A (Acquisition or Abandonment of Secured Property) information manually must submit the original completed form (Copy A only) to Fannie Mae in sufficient time to reach Fannie Mae by the close of business on January 31 of each year.

Beginning with the 2010 tax year, servicers must electronically file all required Forms 1099-A that are filed on Fannie Mae's behalf even if they have already submitted manual Forms 1099-A to Fannie Mae for 2010. Fannie Mae will no longer electronically submit IRS Form 1099-A information to the IRS on behalf of servicers. Fannie Mae is discontinuing this service because electronic submission via the Internet is common practice.

Servicers are reminded of their responsibility to ensure that all information reported is correct and submitted on a timely basis to the IRS. Servicers are also reminded to submit a [Summary of IRS Form 1099-A and 1099-C Filing \(Form 1100\)](#) to Fannie Mae as notification that the data was reported to the IRS.

Delivery of Repurchased Loans

Servicing Guide, Part I, Section 208:01: Repurchase as Result of Warranty Violations

Fannie Mae allows the redelivery of a mortgage loan that was repurchased by the lender, as long as the condition making the mortgage loan ineligible has been corrected and it meets Fannie Mae's current underwriting standards.

Fannie Mae is clarifying that a mortgage loan that was required to be repurchased by a secondary market investor, government sponsored enterprise (GSE), or private institutional investor other than Fannie Mae is not eligible for delivery. These types of mortgage loans are not eligible for delivery to Fannie Mae even if the identified defect has been cured by the lender and may otherwise meet Fannie Mae requirements.

Note: A mortgage loan that a lender repurchased from another investor or GSE that was delivered in error to that investor or GSE is eligible for delivery to Fannie Mae as long as it meets all the requirements of the *Selling Guide*.

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.

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