Servicing Guide Announcement SVC-2018-02

March 14, 2018

Servicing Guide Updates

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

- Updates to the Servicing Requirements for HomeStyle® Renovation Mortgage Loans*
- Non-Judicial Foreclosure Fees**
- Miscellaneous Revision

*Policy change not applicable to reverse mortgage loans.
**For reverse mortgage loans, this policy change applies only to Home Keeper and is not applicable to HECM mortgage loans.

Updates to the Servicing Requirements for HomeStyle® Renovation Mortgage Loans

The *Servicing Guide* has been updated to incorporate industry best practices for HomeStyle® Renovation mortgage loans.

D1-2-01, Renovation Mortgage Loans, has been updated as follows:

- Property inspections are now required before escrow draw requests may be approved.
- The existing requirement that all repairs be completed by licensed contractors now extends to subcontractors as well in jurisdictions where licensing applies.
- (Form 1036), the HomeStyle Completion Certificate, has been retired. (Form 1004D), the Appraisal update and/or Completion Report, is now mandatory to evidence project completion in all cases.
- An updated appraisal is now required when repairs deviate materially from the original renovation plan, and any increases in the loan-to-value ratio of the mortgage loan as a result of such deviations must be self-reported to Fannie Mae.
- A certificate of occupancy must be obtained upon completion of renovations.

Additionally, A1-1-01, Application and Approval of Seller/Servicer, has been updated to note that the special seller/servicer approval currently required to deliver or service HomeStyle Renovation mortgage loans to Fannie Mae is not required for mortgage loans delivered after the renovations have been completed.

As a reminder, when a lender chooses to deliver a HomeStyle Renovation mortgage loan to Fannie Mae before the renovations are complete, the mortgage loan is sold with recourse and specific requirements apply.

Please see *Selling Guide* Announcement SEL-2018-02 for additional changes related to this mortgage loan product.

Effective Date

Servicers are encouraged to implement these policy changes immediately; but must implement by September 1, 2018.

Non-Judicial Foreclosure Fees

The *Allowable Foreclosure Attorney Fees Exhibit* has been updated to reflect a change to the maximum allowable foreclosure attorney fees for Fannie Mae mortgage loans secured by properties in Alabama, Colorado, Georgia, Guam, Maryland, Michigan, Minnesota, Missouri, Montana, North Carolina, Rhode Island, Texas, and Virginia.

Effective Date

These new fees apply to all matters referred to counsel for initiation of foreclosure proceedings, regardless of referral date, as long as the matter is still active as of March 14, 2018. Servicers are encouraged to implement the new fees for the impacted files as soon as possible, but must do so no later than July 1, 2018. Servicers may exercise reasonable discretion in determining how to implement the fees, including working as needed with the law firm or an applicable invoicing technology provider.

Miscellaneous Revision

The goal of the Fannie Mae Cap and Extend Modification for Disaster Relief is to get the monthly principal and interest (P&I) payment as close to the pre-disaster P&I payment as possible. To determine the new terms of a mortgage loan that will be modified under Fannie Mae Cap and Extend Modification for disaster relief, servicers must take three (3) steps:

1. Capitalize arrearages.
2. Set the interest rate to a fixed interest rate that is based on the existing mortgage loan amortization.
3. Extend the term in monthly increments up to a maximum of 480 months from the modification effective date.

The *Servicing Guide* does not provide detailed guidance on how to determine the terms for a Fannie Mae Cap and Extend Modification for Disaster when the pre-disaster payment is achieved before extending the term, which may occur in cases including, but not limited to:

- a borrower who had previously made a curtailment, or
- the modified interest rate was reduced because the pre-modified term was an ARM or step-rate loan.

Therefore, the *Guide* has been revised to clarify that if the modified P&I payment is less than the current P&I payment after capitalizing arrearages (step 1) and setting the modified interest rate (step 2), servicers must not extend or shorten the term of the mortgage loan.

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Contact your Customer Delivery 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.

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