



Lender Letter LL-2017-06

September 13, 2017

To: All Fannie Mae Single-Family Sellers and Servicers Additional Clarifications for Mortgage Loans Impacted by Hurricanes Harvey and Irma

As the damage assessment from Hurricanes Harvey and Irma continues, we are committed to supporting sellers, servicers, and their customers. This Lender Letter provides additional clarifications to help you originate and service loans impacted by the disasters.

Selling Policies

Our selling policies for properties affected by Hurricane Harvey also apply to those impacted by Hurricane Irma. We summarize those policies and additional clarifications below.

Disaster Areas

Fannie Mae relies on the Federal Emergency Management Agency’s (FEMA) [disaster declaration list](#) for certain aspects of our policy (including the property inspection waiver (PIW) exclusion list). However, FEMA declaration areas made at a county level may include *or* exclude areas with actual physical impact of the disaster. Our policies – both in terms of lender obligations and many of the flexibilities offered – apply to any property that may be impacted by the disaster regardless of whether or not the property is within a county listed by FEMA.

Property Eligibility

Before delivery of a mortgage loan to Fannie Mae where the property may have been damaged by a disaster, we expect the lender to take prudent and reasonable actions to determine whether the condition of the property may have materially changed. The lender must determine if an inspection of the property and/or new appraisal is necessary. In the case of a property in a condo or co-op project, both the condition of the unit and the condition of the building in which the unit is located must be assessed.

The following table summarizes our requirements depending on the status of the loan at the time of the disaster, and whether the lender intended to deliver the loan with an appraisal or property inspection waiver (PIW).

Loan Status As Of Disaster	Loan Files with Appraisals	Loan Files with PIW offers
In Process	Determine if condition of the property has materially changed since the appraisal effective date.	Lender may not exercise a PIW offer and must obtain an appraisal. Loan casefiles must be resubmitted to DU.
Closed, But Not Delivered	Determine if condition of the property has materially changed since the appraisal effective date.	Determine if condition of the property has materially changed since the note date. Lender may exercise the PIW.
Delivered	See the Fannie Mae <i>Servicing Guide</i> , Chapter D1-3 .	

Property Representation and Warranty

The above requirements are necessary to support the lender’s property representations and warranties, and apply through the end of the delivery process, which is the whole loan purchase date or MBS settlement date.



DU Refi Plus™ or Refi Plus™ Loans

The above requirements do not apply to DU Refi Plus or Refi Plus loans. Lenders may exercise a Desktop Underwriter® (DU®) property fieldwork waiver (a “PIW” for DU Refi Plus loans) if DU offered it. An additional inspection or new appraisal is not required, and we do not require properties damaged by a disaster to be repaired prior to delivery as long as the loan meets the property insurance requirements in the *Selling Guide*, [Chapter B7-3](#), Property and Flood Insurance.

Updates to DU

As previously communicated, we exclude ZIP codes in FEMA-declared disaster areas that are eligible for individual assistance from consideration for a PIW. We updated DU for Hurricane Harvey, and will do the same for Hurricane Irma as the damage assessments continue.

Reimbursement for Property Inspection Costs

Lenders will be reimbursed for the costs associated with inspecting properties potentially impacted by Hurricanes Harvey and Irma for loans delivered to us that were in process when the disaster occurred. Additional details about what we will reimburse and the process to obtain reimbursement are forthcoming.

Age of Documents

For loans in process that were impacted by Hurricane Irma, we are extending the maximum age of credit and appraisal documents to 180 days to align with the flexibility offered for Hurricane Harvey. (See Lender Letter [LL-2017-04](#), Selling Policies for Mortgage Loans Impacted by Hurricane Harvey for additional information.)

Servicing Policies

We continue to work with servicers to support borrowers impacted by the hurricanes. We remind servicers how our disaster relief, forbearance, and other workout options are designed to work together to provide borrowers with the appropriate level of relief. We are also revising and expanding the temporary protections issued in [LL-2017-03](#), Servicing Policies for Mortgage Loans Impacted by Hurricane Harvey. Lastly, we are suspending servicing transfers for impacted mortgage loans, and extending the amount of time with which to submit a *Report of Property Insurance Loss* ([Form 176](#)). Below, we provide additional detail for each of these policy areas.

Disaster Relief, Forbearance, and Other Workout Options

The *Servicing Guide* defines a disaster as an event caused by earthquake, flood, hurricane, or other catastrophe caused by a person or event beyond the borrower’s control that results in destruction or significant damage to the property securing the mortgage loan. Servicers can find our policies on how to assist borrowers impacted by a disaster in the *Servicing Guide* in the following topics:

- [D1-3, Providing Assistance to a Borrower Impacted by a Disaster](#)
- [D2-3.2-10, Fannie Mae Cap and Extend Modification for Disaster Relief](#)
- [F-1-16, Processing a Fannie Mae Cap and Extend Modification for Disaster Relief](#)
- [D2-3.2-12, Fannie Mae Flex Modification](#)
- [F-1-36, Processing a Fannie Mae Flex Modification](#)
- [C-4.1-02, Suspending Credit Bureau Reporting](#)
- [D2-2-05, Receiving a Borrower Response Package](#)

Servicers must grant disaster relief, and report a delinquency status code of 42 – Delinquent, when

- the servicer is unable to contact a borrower who may have been impacted by a catastrophe that was caused by nature or a person other than the borrower; and
- the servicer has determined that such an event may adversely affect either



- the value or habitability of a property securing a mortgage loan, or
- the borrower's ability to make further payments or payment in full on a mortgage loan.

After the servicer's review of the facts and circumstances indicates that the property, the borrower's employment, or the borrower's income is seriously affected by a disaster event, the servicer is authorized to offer a forbearance plan, and must report a delinquency status code of 9 – Forbearance. The length of the initial forbearance plan is based on whether the servicer has achieved quality right party contact (QRPC):

- If the servicer achieved QRPC, then the servicer is authorized to offer an initial forbearance plan up to 6 months.
- If the servicer did not achieve QRPC, then the servicer is authorized to offer an initial forbearance plan up to 3 months.

During the disaster relief and/or forbearance plan periods, the servicer must suspend the reporting of delinquencies to the credit bureaus and waive any late charges.

Sending a Borrower a Solicitation Package

We remind servicers that if a borrower is performing on a forbearance plan, the servicer does not need to send a *Borrower Solicitation Letter* ([Form 745](#)), or equivalent, or a complete Borrower Solicitation Package by the 45th day of delinquency. See [D2-2-04, Sending a Borrower a Solicitation Package for a Workout Option](#), for additional information.

Temporary Suspension of Foreclosure Sales

We are revising and expanding the temporary guidance issued with Lender Letter [LL-2017-03](#). Going forward, servicers must suspend any foreclosure sale for a mortgage loan in which the property or borrower is impacted by either Hurricane Harvey or Hurricane Irma as of the date the disaster occurred and until December 31, 2017. This foreclosure suspension does not apply to mortgage loans on properties that were previously identified as vacant or abandoned.

If the property securing the mortgage loan was identified as vacant or abandoned prior to either hurricane, the servicer is authorized to proceed with the foreclosure sale prior to December 31, 2017. This applies provided that a property inspection has been completed to confirm that

- there is no damage to the property, or
- damage to the property is not covered by insurance or eligible for state or federal disaster assistance.

When applicable, servicers must receive pre-approval by the mortgage insurer or guarantor to suspend the foreclosure sale to avoid jeopardizing benefits of any applicable insurance or guaranty.

Temporary Suspension of Evictions

For properties impacted by Hurricanes Harvey and Irma, we are suspending eviction lock-outs on REO properties until January 2, 2018.

Determining Impacts to the Property and Reimbursement for Property Inspection Costs

We remind servicers that they must determine the extent and nature of the damage and its effect on the borrower's ability to continue making his or her monthly payments. If the servicer is not able to contact the borrower to determine the extent and nature of the damages, the servicer must inspect the property using the *Property Inspection Report* ([Form 30](#)) or equivalent. For additional information on inspecting properties impacted by disaster, see *Servicing Guide*, [D1-3-01, Evaluating the Damage Caused by a Disaster](#), [D2-2-10, Requirements for Performing Property Inspections](#), and the [Property Preservation Matrix and Reference Guide](#).

We previously announced in [LL-2017-04](#) that we will reimburse for the costs associated with inspecting impacted properties securing existing mortgage loans. We will reimburse servicers for



- exterior inspections only (unless the property is confirmed as abandoned and an interior inspection is performed), and
- inspections related to insurance loss proceeds.

Additional details about the process to obtain reimbursement are forthcoming.

Temporary Suspensions of Servicing Transfers

Effective immediately, servicers should remove mortgage loans secured by a property located within a FEMA-declared disaster area eligible for individual assistance from any pending servicing transfer. If it can be determined that the property is not damaged and the borrower's ability to make further payments has not been adversely impacted by the disaster, servicers may include the loan in a future transfer. In the event a *Request for Approval of Servicing or Subservicing Transfer* ([Form 629](#)) has already been submitted to us that includes loans secured by a property located in such an area, servicers should submit an updated Form 629 requesting removal of the impacted loans as soon as possible.

Temporary Extension for Submitting a Report of Property Insurance Loss (Form 176)

We remind servicers that in accordance with *Servicing Guide*, [B-5-01, Insured Loss Events](#), you are only required to submit Form 176 to us within 5 business days of

- receiving notification of damages if the borrower wants to repair or restore the property, but the foreclosure sale date has been scheduled and/or the property has been abandoned; or
- learning of the borrower's intent not to repair or restore the property.

Effective immediately and until December 31, 2017, we are extending the time for submission of [Form 176](#) from 5 business days to 15 business days.

We will continue to monitor the situation in the impacted areas and alert you to any additional policy updates. If you have questions about this Lender Letter, please reach out to your Fannie Mae customer delivery team.

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Chief Credit Officer for Single-Family