FannieMae

Loan Workout Hierarchy for Fannie Mae Conventional Loans

The following table identifies the Fannie Mae loss mitigation options that are available to assist borrowers experiencing financial hardship. The loan workout hierarchy announced in Guide Announcement 09-05R requires that you first evaluate a borrower to determine if the Home Affordable Modification Program is appropriate, and if not, you should then determine whether the borrower is eligible for an alternative loss mitigation option based on whether the borrower is experiencing a temporary or long-term financial hardship. Each option should be considered in the order in which they appear. NOTE: The Loan Workout Hierarchy and associated programs are updated frequently. Refer to eFannieMae.com for the latest information.

Home Affordable Modification Program (HAMP)

The Home Affordable Modification Program (HAMP) is designed to help at risk homeowners – both those who are in default and those who are at imminent risk of default – by providing the borrower with affordable and sustainable monthly payments. The loan is modified only after the borrower successfully completes a trial payment period. Servicers must consider unemployed borrowers for forbearance before consideration for a permanent modification through HAMP. Learn More.

Second Lien Modification Program (2MP)

The Second Lien Modification Program (2MP) is designed to work with the Home Affordable Modification Program (HAMP) to help eligible borrowers by lowering payments on both first lien and second lien mortgage loans. Learn More.

If ineligible for the HAMP, is the borrower experiencing a temporary or long-term hardship?

Temporary Hardship

Forbearance

Forbearance is a temporary reduction or suspension of payments which must be immediately followed by an arrangement to cure the delinquency. Learn More.

Repayment Plan

A repayment plan is an arrangement in which a borrower agrees to repay past due amounts while still making regularly scheduled payments. Learn More.

Long-term Hardship

If a permanent loss mitigation option cannot be immediately identified, a borrower should be considered for the following forbearance option:

Other Forbearance: Other forbearance is a temporary reduction or suspension of payments (subject to the limits of the governing MBS trust document under which the mortgage loan was pooled, if applicable) which must culminate in a long term resolution of the delinquency. Learn More.

The following permanent loss mitigation options should be considered in the order they are listed below:

Modification: Any permanent modification to the terms of a mortgage loan that make it more affordable, including changes to the interest rate, loan balance or loan term. Learn More.

Home Affordable Foreclosure Alternatives Program (HAFA): HAFA is designed to reach those borrowers that are eligible for but unsuccessful under the Home Affordable Modification Program (HAMP). HAFA provides the option of first a short sale and second a deed-in-lieu to provide HAMP-eligible borrowers with an alternative to foreclosure. Learn More.

Non-HAFA Preforeclosure/Short Sale: To be offered to borrowers ineligible for HAMP and have been considered for all other home retention alternatives. Learn More.

Non-HAFA Deed-in-Lieu: To be offered to borrowers ineligible for HAMP and have been considered for all other home retention alternatives and a short sale. Learn More.

FannieMae

The Home Affordable Modification Program

Description	The Home Affordable Modification Program, or HAMP, is a uniform loan modification process intended to provide eligible borrowers – both those who are in default and those who are at imminent risk of default – with affordable and sustainable monthly payments. An affordable payment is achieved by taking specified sequential steps, as necessary, to capitalize arrearages; reduce interest rates, extend the payment time frame and defer the payment of principal in order to bring the monthly payments down to 31% of the borrower's gross monthly income. Before the loan is modified, the borrower must successfully complete a trial payment period. If the borrower does not wish to be considered for a HAMP modification but meets the eligibility criteria for HAMP, the servicer may consider a Fannie Mae HAFA preforeclosure or DIL in accordance with the Servicing Guide. If the borrower is not eligible for HAMP, the servicer may consider a Fannie Mae non-HAMP modification or a standard Fannie Mae preforeclosure sale or DIL.
Eligibility	Available to a borrower who meets the following criteria: • The borrower's monthly mortgage payment ratio is currently greater than 31% • The borrower has verified income (unemployment benefits, or other temporary sources of income related to unemployment such as severance payments, are not an acceptable source) documented in accordance with the Uniform Borrower Assistance Form, Form 710 • The borrower must be able to: o Document a valid long-term or permanent hardship by completing the hardship documentation set forth in the Uniform Borrower Assistance Form, Form 710, and the income documentation must not be more than 90 days old o Provide documentation of occupancy status (tax returns, credit report AND one other form of documentation such as a utility bill) o Agree to an escrow account for taxes and insurance (unless prohibited by applicable law) Any first lien loan originated before January 1, 2009 and secured by a borrower's principal residence is eligible -- even a loan currently in foreclosure or (at the servicer's discretion) involved in bankruptcy proceedings, EXCEPT: • Loans previously modified under the Home Affordable Modification Program • Loans secured by condemned properties • Loans subject to full lender recourse HAMP went into effect on March 4, 2009 and will close to new borrowers on December 31, 2012.
Terms and Conditions	All Fannie Mae servicers must submit a HAMP Registration form, available from the Treasury's administrative Web site for servicers at www.HMPadmin.com. This form is a one-time submission and asks for information such as contact information and banking instructions for deposits of incentive compensation payments. For all mortgage loans that are modified pursuant to HAMP, you must ensure that the modified loan retains its first lien position and is fully enforceable. **Continued on next page…**

The Home Affordable Modification Program

Terms and Conditions continued

PROPERTY VALUATION

A property valuation must be obtained using one of the following:

- Broker's price opinion (BPO)
- Appraisal
- Fannie Mae's Automated Property Service (APS)
- Freddie Mac's automated valuation model (AVM)
- Third-party APS or AVM that renders a reliable confidence score

A servicer's internal AVM may be used as long as the servicer is subject to supervision by a federal regulatory agency, the agency has reviewed the model, and the AVM has a reliable confidence score. Refer to the Servicing Guide for further details.

The property valuation used cannot be more than 90 days old as of the date the loan is being evaluated for the modification and must be attached to the submitted case in HSSN.

IRS FORM

All borrowers must provide a signed and completed IRS Form 4506T-EZ or IRS Form 4506-T. You must submit this to the IRS to obtain a copy of the borrower's tax transcript in the following instances:

- Borrower is being evaluated for a HAMP modification but has not provided a signed federal income tax return, complete with all schedules and forms
- To reconcile inconsistencies between other information the borrower provided and the income documentation
- Borrower has income that is required to be documented by the most recent federal income tax return but the borrower has not provided the tax return, complete with all schedules (e.g. self employed borrowers)
- Upon request by Fannie Mae

ESCROW

If the mortgage loan being considered is a non-escrowed mortgage loan, the servicer must revoke any escrow waiver and establish an escrow deposit account in accordance with the Servicing Guide, prior to the beginning of the trial period, unless prohibited by law. In addition, an escrow analysis must be completed based on estimates prior to extending a Trial Period Plan.

MORTGAGE INSURANCE

Fannie Mae has obtained blanket delegations of authority on behalf of all servicers from several mortgage insurers based on the parameters in the Servicing Guide. The list of mortgage insurers from which blanket delegation of authority have been obtained are provided on eFannieMae.com. If the mortgage loan does not meet the requirements as indicated, the servicer must submit the modification request to the mortgage insurer for approval.

Although the blanket delegations allow servicers to process modifications without obtaining MI approval, the servicer must ensure that the modification does not impair any existing mortgage insurance coverage and that it adheres to all other requirements of the master policy.

Continued on next page…

The Home Affordable Modification Program

Terms and Conditions continued	**TRIAL PERIOD PLAN** A three-month Trial Period Plan is required for borrowers whose loan is in default and a four-month Trial Period Plan is required for imminent default borrowers. The borrower must remain current under the terms of the Trial Period Plan and be current at the end of the trial period in order to receive a permanent modification. "Current" is defined as the borrower having made each required Trial Period Plan payment by the last day of the month in which it is due. A borrower who fails to make the Trial Period Plan payments on a timely basis is considered to have failed the Trial Period Plan and is not eligible for a permanent mortgage modification. **MBS RECLASSIFICATION** If the eligible mortgage loan is in a Fannie Mae MBS pool, it must be removed prior to the Modification Effective Date as indicated in the Servicing Guide.
Reporting requirements	To Fannie Mae: • Use Home Saver Solutions® Network (HSSN) (part of Fannie Mae's Asset Management Network) to provide loan-level data and record receipt of the trial period payments due under the plan. • Report delinquency status codes accurately to reflect trial period payment data and then the modification after the borrower completes the Trial Period Plan and before the modification becomes effective. Refer to the HSSN Job Aids and select Delinquency Reporting for details. • Existing monthly Loan Activity Record (LAR) requirements will not change To Treasury: • Report periodic HAMP loan activity via www.HMPadmin.com. To Mortgage Insurers: • Report successful HAMP modifications and the terms of those modifications to appropriate mortgage insurers, within 30 days following the end of the trial period and in accordance with procedures that currently exist or may be agreed to between the servicer and the mortgage insurers. Keep paying the mortgage insurance premium. To Credit Bureaus: • You must submit a "full-file" credit report to each major credit repository on a monthly basis.
Incentive fees	For the servicer: For all Fannie Mae HAMP modifications entered into HSSN with a Trial Period Plan effective date prior to October 1, 2011, servicers will receive $1,000 upon successful completion of each Fannie Mae HAMP modification. • Effective October 1, 2011, Fannie Mae will no longer pay the additional $500 incentive on mortgage loans that are either current or less than 60 days delinquent (facing imminent default) and the new incentive fee structure will be based on the number of days the mortgage loan is delinquent as of the Trial Period Plan Effective Date. **Continued on next page…**

The Home Affordable Modification Program

Incentive fees continued	For loans with a Trial Period Plan effective date of October 1, 2011 or later, servicers will receive an amount based on a tiered incentive structure upon successful completion of the HAMP modification. The new incentive fee structure is based on the number of days the mortgage loan is delinquent as of the Trial Period Plan Effective Date as specified in the following table and will be paid automatically by Fannie Mae upon successful completion of the modification as long as you complete the required delinquency reporting.

Days Delinquent at Trial Period Plan Effective Date	Incentive
Less than or equal to 120 days delinquent (150 days from Last Paid Installment (LPI))	$1,600
121 days through 210 days delinquent (151 to 240 days from LPI)	$1,200
Greater than 210 days delinquent (greater than 240 days from LPI)	$400

- The servicer will also receive an annual "pay for success" fee for up to three years after a modification is implemented as long as the borrower's monthly mortgage payment (as defined in the Servicing Guide) was reduced through the modification by 6% or more AND the loan is a performing loan modification.

For the borrower:

- Borrowers will earn a principal balance reduction incentive of up to $1,000 per year for up to five years after a modification is implemented as long as the borrower's monthly mortgage payment was reduced through the modification by 6% or more AND the loan remains a performing loan modification.
- This annual payment will be paid to the servicer and must apply it first toward reducing the interest bearing UPB and then towards any principal forbearance amount (if applicable) on the loan.

Costs

There is no cost to the borrower for HAMP.

You must waive all late charges, penalties, stop payment fees, or similar fees upon successful completion of the Trial Period Plan and conversion to the permanent HAMP modification.

If the borrower does not successfully complete the Trial Period Plan and does not convert to a permanent HAMP modification, you may collect all late fees, including those accrued during the trial period.

You must advance any actual out-of-pocket expenses such as notary fees, recordation fees, title costs, property valuation fees (if any), credit report fees or other allowable and documented expenses. Fannie Mae will reimburse you for allowable out-of-pocket expenses in accordance with the Servicing Guide.

Back to top.

The Second Lien Modification Program (2MP)	
Description	The Second Lien Modification Program (2MP) is designed to work with the Home Affordable Modification Program (HAMP) to help eligible borrowers by lowering payments on both first lien and second lien mortgage loans. All servicers of Fannie Mae second lien mortgage loans must participate in 2MP without regard to whether the servicer services the first lien mortgage loan. Since the terms of the HAMP modification on the first lien are used to determine the terms of the 2MP modification on the second lien, you are not required to verify financials originally provided by the borrower for the HAMP modification unless you suspect fraud or misrepresentation.
Eligibility	The 2MP implementation guidelines apply to all eligible one-to-four-unit; owner-occupied properties, securing Fannie Mae portfolio mortgage loans and MBS pool mortgage loans guaranteed by Fannie Mae. To be eligible, a loan must meet all of the following criteria: • Second liens with corresponding first liens modified under HAMP • Second liens originated on or before January 1, 2009 • Second liens not previously modified under 2MP • Closed-end second liens (if lien is open line of credit, ability to draw funds must be terminated when the 2MP modification becomes effective) • Mortgage liens that would generally be in a second lien position but have a tax lien, a mechanic's lien or other non-mortgage related lien that has priority (if applicable) • A fully executed 2MP Modification Agreement or Trial Period Plan is in your possession on or before December 31, 2012 The following loan types are ineligible: • Second liens (current or delinquent) with an unpaid principal balance (at initial consideration for the second lien modification) of less than $5,000 or a pre-modification scheduled monthly payment less than $100 • A mortgage loan that is subordinate to a second lien - modification of a subordinate mortgage loan in place of the second lien will not satisfy your obligation to modify the second lien • A home equity loan in first lien position A second lien with no interest charged and no payments due until the first lien is paid in full (e.g., FHA partial claim liens and/or equity appreciation loans)
Terms and conditions	**<u>Trial Period Requirements</u>** A trial period with payments reflecting terms of the proposed second lien modification is required for all 2MP eligible Fannie Mae second mortgage liens. During the trial period for MBS second liens, the second lien remains in the related MBS pool until the loan is removed from its MBS pool in accordance with the reclassification process. The effective date of the trial period is set forth in the *Trial Period Plan*. In most cases, the effective date is the first day of the month following your mailing of the offer for the *Trial Period Plan*. The trial payment period is based on the second lien mortgage loan delinquency status. The trial payment period is: **Continued on next page…**

The Second Lien Modification Program (2MP)

Terms and conditions continued	• Three months long for second lien mortgage loans where the payment is already in default; and • Four months long for second liens where a borrower is current or default is imminent The borrower must make each trial period payment no later than 30 days from the trial period payment due date. You may use business judgment in accepting late payments when there are mitigating circumstances and must document the decision in the servicing file. The length of the trial period does not change and the effective 2MP modification date is not accelerated when a borrower makes early payments. The modification of a second lien may not become effective until: • Modification of the corresponding first lien becomes effective under HAMP • The borrower makes all required 2MP trial period payments in accordance with **Announcement SVC-2010-14**. The servicer must offer a 2MP trial period plan to eligible second-lien borrowers within 120 calendar days of the date the servicer receives the first and second lien matching information from LPS. Timely payment by the borrower of the initial 2MP trial period payment is evidence of the borrower's acceptance of the 2MP trial offer terms. If the trial period is not accepted by the last day of the month the first trial period payment is due, you may permanently withdraw the offer and will not be obligated to modify the second lien. The withdrawal notice must be in writing and must be sent within 10 business days of the withdrawal decision. To receive a permanent modification, the borrower must be current under the Trial Period Plan terms at the end of the trial period. If the HAMP modified first lien falls out of good standing while the second lien is in a trial period, you are not required to offer a 2MP modification.
Reporting requirements	**To Fannie Mae:** After receipt of the first trial period payment, you must enter loan level 2MP data for all Fannie Mae second lien mortgage loans held in our portfolio and MBS pools by submitting a delegated case into HomeSaver Solutions® Network (HSSN). Additionally, you must record each trial period payment. Select the appropriate campaign ID when submitting a 2MP case in HSSN: 2MP (3 month delegated trial) or 2MP (4 month delegated trial) Second lien loans held in MBS pools must be reclassified prior to the effective date of the modification. You are required to follow the existing procedure and update the Officer Signature Date in HSSN to close the modification. **To Treasury:** The following data must be reported through the servicer web portal on HMPadmin.com: • Periodic 2MP loan activity, excluding 2MP trial period initiation and 2MP trial period payments • Loan set up attributes listed under the 2MP Data Dictionary on HMPadmin.com no later than the fourth business day of the month the second lien modification is effective The Treasury reporting and payment processes are currently under development. In this interim period, servicers must collect and store information on all 2MP transactions. **Continued on next page…**

The Second Lien Modification Program (2MP)	
Reporting requirements (continued)	**To Mortgage Insurers:** Servicers must maintain mortgage insurance processes and comply with required mortgage insurer reporting. You are required to report successful 2MP modifications and terms to the mortgage insurers, if applicable, within 30 days following the end of the trial period and in accordance with procedures that may be agreed upon. **To Credit Bureaus:** Servicers must report a "full-file" status report to the credit repositories for each loan under 2MP in accordance with the Fair Credit Reporting Act as well as other applicable law and credit bureau requirements as provided by the Consumer Data Industry Association (CDIA).
Incentive Fees	**For the servicer:** ▪ A one-time compensation of \$500 for each second lien modification that becomes effective under 2MP ▪ An annual "pay for success" fee of \$250 for up to three years as long as: ➢ the second lien payment is reduced through 2MP by at least 6%, ➢ both the HAMP 1st lien modification and the 2MP modification remain in good standing, ➢ and the loan is not paid in full as of the payment date. "Pay for success" fees do not accrue during the trial period. The "pay for success" fee will accrue monthly and is payable annually for each of the first three years after the anniversary of the date the 2MP modification becomes effective. This is in addition to any incentive compensation the servicer may be eligible for in connection with a HAMP first lien modification. **For the borrower:** ▪ If the borrower's monthly second lien payment is reduced through 2MP by at least 6%, the borrower will receive an annual "pay for performance" principal balance reduction payment of up to \$250 for up to five years following the effective date of the second lien modification. To be eligible, both the HAMP 1st lien and 2MP modification must remain in good standing and the loan is not paid in full. "Pay for performance" principal balance reduction payments do not accrue during the trial period. The "pay for performance" principal balance reduction payment will accrue monthly as long as the borrower is current on both the first and second liens and makes the monthly payment on time. The payment will be applied annually for the first five years after the anniversary of the date the 2MP modification became effective. This payment is paid to the servicer to be applied toward reducing the second lien UPB.
Costs	Servicers of Fannie Mae second lien mortgage loans must enter into a contract with LPS to facilitate the program and are required to pay a one-time set up fee and nominal transaction fees for each second lien matched, regardless of whether a 2MP modification is completed. Servicers must also pay out-of-pocket expenses such as notary fees, recordation fees, title costs, property valuation fees, credit report fees or other allowable and documented expenses. Fannie Mae will reimburse the servicer for allowable out-of-pocket expenses, but will not reimburse credit report costs. All late fees, penalties, stop payment fees or similar fees must be waived upon successful completion of the trial period.

Back to top.

TEMPORARY HARDSHIP Forbearance	
Description	Forbearance provides a temporary reduction or suspension of payments on a borrower's mortgage loan, followed by an arrangement to cure the delinquency.
Eligibility	The borrower is experiencing temporary financial hardship. Servicers must consider unemployed borrowers for forbearance before consideration for a permanent modification through HAMP. A borrower who is currently in a HAMP trial period plan and becomes unemployed may seek consideration for forbearance. The servicer, however, cannot require an unemployed borrower in a trial period plan to convert to a forbearance plan.
Terms and conditions	Forbearance can be implemented for borrowers who are facing imminent default and/or who have missed one or more payments on their mortgage loan. For unemployed borrowers, the minimum forbearance plan is the lesser of six months or upon notification that the borrower has become re-employed. The length of forbearance is 6 months. Prior written approval from Fannie Mae is required for a period longer than 6 months. A written agreement with the borrower is required if the forbearance period is greater than 6 months.
Reporting requirements	Complete the required monthly delinquency reporting in HSSN. Refer to the HSSN Job Aids and select Delinquency Reporting for details. You must submit a "full-file" credit report to each major credit repository on a monthly basis.
Incentive fees	There are no servicing incentive fees.
Costs	There is no cost to the borrower for forbearance.

Back to top.

TEMPORARY HARDSHIP Repayment Plan	
Description	A repayment plan is an arrangement in which a borrower agrees to repay past due amounts while still making regularly scheduled payments.
Eligibility	You must be sure that the borrower is expected to overcome the temporary financial hardship AND be able to make future scheduled mortgage loan payments in addition to an amount necessary to cure any outstanding arrearage.
Terms and conditions	A repayment plan can be implemented once a borrower has missed one or more payments on the mortgage loan. Repayment terms may include: • Monthly payments that are multiples of regular installments • Regular payment one month and multiple payments the next • More frequent payments • Any other variation in timing or amount that will cure delinquency in the shortest time possible If the term of the repayment plan is greater than six months, you must have a written repayment agreement with the borrower which includes the amount due, payment dates and the date the delinquency will be cured.
Reporting requirements	Complete the required monthly delinquency reporting in HSSN. Refer to the HSSN Job Aids and select Delinquency Reporting for details. You must submit a "full-file" credit report to each major credit repository on a monthly basis.
Incentive fees	There is a $400 servicing incentive fee given that the following criteria are met: • The mortgage loan must be 60 or more days delinquent when first reported with the appropriate delinquency status code • The mortgage must be brought current upon the successful completion of the repayment plan The incentive fee is paid automatically by Fannie Mae to the servicer as long as you complete the required delinquency reporting.
Costs	There is no cost to the borrower for a repayment plan.

Back to top.

LONG-TERM OR PERMANENT HARDSHIP Other Forbearance	
Description	Forbearance is a written agreement that provides a temporary reduction or suspension of payments (subject to the limits of the governing MBS trust document under which an MBS loan was pooled, if applicable) on a borrower's mortgage loan. During the period of forbearance, you must work with the borrower to identify the feasibility of, and implement, a more permanent long term resolution of the delinquency from the following options (to be considered in the following preferred order) – modification, pre-foreclosure sale or deed-in-lieu.
Eligibility	Intended for a borrower who does not meet the eligibility requirements of the Home Affordable Modification Program.
Terms and conditions	Forbearance can be implemented for borrowers facing imminent default and/or who have missed one or more payments on their mortgage loan. The length of forbearance is 6 months. Prior written approval from Fannie Mae is required for a period longer than 6 months. A written agreement with the borrower is required if the forbearance period is greater than 6 months.
Reporting requirements	Complete the required monthly delinquency reporting in HSSN. Refer to the HSSN Job Aids and select Delinquency Reporting for details. You must submit a "full-file" credit report to each major credit repository on a monthly basis.
Incentive fees	There are no servicing incentive fees.
Costs	There is no cost to the borrower for forbearance.

Back to top.

LONG-TERM OR PERMANENT HARDSHIP
Modification

Description	The Fannie Mae modification is designed to help those borrowers who are ineligible for the Home Affordable Modification Program (HAMP), or who defaulted on a HAMP modification or under certain circumstances, a non-HAMP modification, by changing the terms of their mortgage loans to make them more affordable. An affordable payment is achieved by following the sequential modification steps described under the Terms and Conditions section below. Before the loan is permanently modified, the borrower must enter into a Trial Period Plan and successfully make all Trial Period Plan payments.
Eligibility	**ELIGIBLE** A conventional mortgage loan held in Fannie Mae's portfolio, a mortgage loan sold to Fannie Mae for cash and subsequently securitized into MBS pools (known as Pooled from Portfolio or PFP mortgage loans), or a mortgage loan that is part of an MBS pool that has either a special servicing option or a shared-risk MBS pool for which Fannie Mae markets the acquired property and is delinquent or facing imminent default* is eligible for a modification if it is determined to have the following characteristics: • Previously evaluated for a HAMP modification and found ineligible for HAMP or received but defaulted on either a HAMP trial period plan or HAMP permanent modification • Borrower received but defaulted on a Fannie Mae cash flow/surplus income modification ("Cash Flow Mod") • Property may be owner-occupied or non-owner occupied • Property may be vacant as long as it is not condemned • Borrower must have a financial hardship (documented in the Uniform Borrower Assistance Form, Form 710 – See the Servicing Guide for detailed guidance) • Loan must have been originated at least 12 months prior to the loan modification evaluation date • Borrower must have verified income (unemployment benefits are not an acceptable source), documented in accordance with the Uniform Borrower Assistance Form, Form 710 • The pre-modification mark-to-market loan-to-value (MTMLTV) ratio must be greater than or equal to 80% **INELIGIBLE** • Borrower previously received a Fannie Mae non-Cash Flow Mod and became 60 or more days delinquent within 12 months of the modification effective date • The loan is secured by a non-owner occupied property and is current or less than 60 days delinquent Fannie Mae will consider exceptions to the above eligibility criteria only when there are extenuating circumstances. You must submit a request to Fannie Mae for review if you believe a modification is appropriate. *Borrowers requesting a modification who are current or less than 60 days delinquent must be evaluated for imminent default using Freddie Mac's Imminent Default Indicator™ (IDI), accessed through Fannie Mae's HomeSaver Solutions® Network (HSSN), if the property securing the mortgage loan is owner-occupied. **Continued on next page…**

LONG-TERM OR PERMANENT HARDSHIP
Modification

Terms and Conditions	**PROPERTY VALUATION** A property valuation must be obtained using one of the following: • Broker's price opinion (BPO) • Appraisal • Fannie Mae's Automated Property Service (APS) • Freddie Mac's automated valuation model (AVM) • Third-party APS or AVM that renders a reliable confidence score A servicer's internal AVM may be used as long as the servicer is subject to supervision by a federal regulatory agency, the agency has reviewed the model, and the AVM has a reliable confidence score. Refer to the Servicing Guide for further details. The property valuation used cannot be more than 90 days old as of the date the loan is being evaluated for the modification and must be attached to the submitted case in HSSN. **IRS FORM** All borrowers must provide a signed and completed IRS Form 4506T-EZ or IRS Form 4506-T. You must submit this to the IRS to obtain a copy of the borrower's tax transcript in the following instances: • Borrower is being evaluated for a Fannie Mae modification but has not provided a signed federal income tax return, complete with all schedules and forms • To reconcile inconsistencies between other information the borrower provided and the income documentation • Borrower has income that is required to be documented by the most recent federal income tax return but the borrower has not provided the tax return, complete with all schedules (e.g. self employed borrowers) • Upon request by Fannie Mae **ESCROW** If the mortgage loan being considered is a non-escrowed mortgage loan, the servicer must revoke any escrow waiver and establish an escrow deposit account in accordance with the Servicing Guide, prior to the beginning of the trial period, unless prohibited by law. In addition, an escrow analysis must be completed based on estimates prior to extending a Trial Period Plan. **MORTGAGE INSURANCE** Fannie Mae has obtained blanket delegations of authority on behalf of all servicers from several mortgage insurers based on the parameters in the Servicing Guide. The list of mortgage insurers from which blanket delegation of authority have been obtained are provided on eFannieMae.com. If the mortgage loan does not meet the requirements as indicated, the servicer must submit the modification request to the mortgage insurer for approval. Although the blanket delegations allow servicers to process modifications without obtaining MI approval, the servicer must ensure that the modification does not impair any existing mortgage insurance coverage and that it adheres to all other requirements of the master policy. **Continued on next page…**

LONG-TERM OR PERMANENT HARDSHIP
Modification

Terms and Conditions (continued)	**MODIFIED PAYMENT TERMS**
	
	You must follow all these steps in order to determine the borrower's new modified payment terms:
	• Capitalize the arrearage.
	  ➢ Acceptable arrearage: accrued interest, out-of-pocket escrow advances to third parties, and any required escrow advances that will be paid to third parties by the servicer during the trial period and servicing advances paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by state law.
	  ➢ Late fees may not be capitalized and must be waived if the borrower satisfies all conditions of the Trial Period Plan.
	  ➢ If applicable state law prohibits capitalization of past-due interest or any other amount, the servicer must collect such funds from the borrower over a 60-month period unless the borrower decides to pay the amount upfront.
	• Set the interest rate to a fixed-rate mortgage (currently 5%, however, the fixed-rate may be subsequently adjusted from time to time for new modifications based on market conditions and communicated by Fannie Mae).
	• Extend the term to 480 months from the modification effective date.
	• For loans with a pre-modification MTMLTV ratio greater than 115%, forbear the principal in an amount that is the lesser of:
	  ➢ an amount that would create a post modified MTMLTV ratio of 115% using the interest bearing principal balance, or
	  ➢ 30% of the gross post-modified UPB of the mortgage loan, including capitalization of arrearages.
	Servicers must stop forbearing principal once the modified interest-bearing UPB results in a 115% MTMLTV ratio or the amount of forbearance equals 30% of the post-modification UPB, whichever is first. Interest will not accrue on the deferred principal. Deferred principal is payable upon maturity of the mortgage loan modification, sale or transfer of the property, or refinance.
	After calculation of the modified payment terms is completed, the mortgage loan must meet the following conditions:
	• Housing ratio (PITIAS, including any applicable escrow shortage payments and excluding mortgage insurance payments, if applicable, divided by gross income) must be greater than or equal to 10% and less than or equal to 55%. (See Announcement SVC-2011-08R or the Servicing Guide for details on calculating the housing expense-to-income ratio for specific property types)
	• Modification must result in a principal and interest (P&I) reduction of at least 10%
	
	TRIAL PERIOD PLAN
	
	A three-month Trial Period Plan is required for borrowers whose loan is in default and a four-month Trial Period Plan is required for imminent default borrowers.
	
	The borrower must remain current under the terms of the Trial Period Plan and be current at the end of the trial period in order to receive a permanent modification. "Current" is defined as the borrower having made each required Trial Period Plan payment by the last day of the month in which it is due. A borrower who fails to make the Trial Period Plan payments on a timely basis is considered to have failed the Trial Period Plan and is not eligible for a permanent mortgage modification.
	
	Continued on next page…

LONG-TERM OR PERMANENT HARDSHIP
Modification

Terms and Conditions (continued)	**MBS RECLASSIFICATION** If the eligible mortgage loan is in a Fannie Mae MBS pool, it must be removed prior to the Modification Effective Date as indicated in the Servicing Guide.
Reporting Requirements	To Fannie Mae: • Submit loan-level data in HSSN upon receipt of a borrower's first Trial Period Plan payment under the Trial Period Plan Notice and all other subsequent payments upon receipt. • Report delinquency status codes accurately to reflect trial period payment data and then the modification after the borrower completes the Trial Period Plan and before the modification becomes effective. Refer to the HSSN Job Aids and select Delinquency Reporting for details. • Report post-modification UPB once the modification is closed in HSSN. • Existing monthly Loan Activity Record (LAR) requirements remain unchanged. **Note:** LAR reporting will be similar to HAMP reporting. Special handling will be required if the final Trial Period Plan payment received results in application of a contractual payment in the same month as the modification is closed and reported in HSSN. Refer to "**Resolving Failed Business Rules and Hard Rejects for Modified Loans**" and "**How Fannie Mae Modifications Affect Investor Reporting**" on eFannieMae.com for details that will help you avoid a "hard reject" and/or "failed business rule" during the Investor Reporting cycle. To Mortgage Insurers: • Report successful modifications and the terms of those modifications to appropriate mortgage insurers in accordance with procedures that currently exist or may be agreed upon between you and the mortgage insurers. To Credit Bureaus: • Continue to submit a "full-file" credit report to each major credit repository on a monthly basis. (See the Servicing Guide for details on credit bureau post modification reporting requirements.)
Incentives	For all Fannie Mae non-HAMP modifications entered into HSSN with a Trial Period Plan effective date prior to October 1, 2011, servicers will receive $800 upon successful completion of each modification. For loans with a Trial Period Plan effective date of October 1, 2011 or later, servicers will receive an amount based on a tiered incentive structure upon successful completion of the Fannie Mae modification. The new incentive fee structure is based on the number of days the mortgage loan is delinquent as of the Trial Period Plan Effective Date as specified in the following table:

Days Delinquent at Trial Period Plan Effective Date	Incentive Amount
Less than or equal to 120 days delinquent (150 days from Last Paid Installment (LPI))	$1,600
121 days through 210 days delinquent (151 to 240 days from LPI)	$1,200
Greater than 210 days delinquent (greater than 240 days from LPI)	$400

Continued on next page…

LONG-TERM OR PERMANENT HARDSHIP Modification	
Incentives (continued)	Incentive fees will not be paid if the servicer settles the modification more than 60 days after the end of the Trial Period Plan. On or after October 1, 2011, per the Incentives and Compensatory Fees for Borrower Response Packages section of Announcement SVC-2011-08R, servicers identified by Fannie Mae for inclusion in the new Borrower Response Packages incentive program must also meet a workout fulfillment benchmark before modification incentives will be paid by Fannie Mae. Servicers impacted by this will be contacted directly by a Fannie Mae representative.
Costs	There is no cost to the borrower for participating in the Fannie Mae modification. You must waive all late charges, penalties, stop payment fees, or similar fees upon successful completion of the Trial Period Plan and conversion to the permanent loan modification. If the borrower does not successfully complete the Trial Period Plan and does not convert to a permanent modification, you may collect all late fees, including those accrued during the trial period. You must advance any actual out-of-pocket expenses such as notary fees, recordation fees, title costs, property valuation fees (if any), credit report fees or other allowable and documented expenses. Fannie Mae will reimburse you for allowable out-of-pocket expenses in accordance with the Servicing Guide.
Implementation	
Step 1.	Determine whether the borrower and the mortgage loan meet eligibility requirements for a Fannie Mae modification. You will need the following in order to evaluate a borrower: • Borrower Response Package* – This includes: ➢ A completed Uniform Borrower Assistance Form (UBAF) (Form 710) ➢ Income documentation (per UBAF) – documentation obtained during the HAMP evaluation may be used to verify income provided it is not more than 90 days old ➢ Hardship documentation (per UBAF) ➢ IRS Form 4506T-EZ or IRS Form 4506-T • A Property Valuation - The valuation document will need to be uploaded along with the submitted case using HSSN. * If you determine that documentation is missing or not complete, you must send an Incomplete Information Notice to the borrower within five (5) days of receiving the documentation. Refer to the Servicing Guide for requirements related to timing and types of letters, notices, and supporting documents that must be sent to the borrower. Borrowers who are current or less than 60 days delinquent may be evaluated for imminent default if the property is owner-occupied. If a borrower is being evaluated for imminent default, submit the case using Freddie Mac's Imminent Default Indicator™ (IDI), accessed through Fannie Mae's HomeSaver Solutions® Network (HSSN). Additional documentation will be required when the IDI result is a "2". Refer to the Servicing Guide for details on documentation requirements. For instructions on how to submit the case to IDI, refer to the HSSN Job Aids on eFannieMae.com. **Continued on next page…**

LONG-TERM OR PERMANENT HARDSHIP Modification	
Implementation	
Step 2.	Determine the borrower's new modified payment terms (See Terms and Conditions section). After evaluating the modification, you must send the borrower an Evaluation Notice if the borrower qualifies for the modification. See Announcement SVC-2011-08R for other types of notices depending on the outcome of the evaluation.
Step 3.	Submit the case using HSSN. For details on how to enter the case, refer to one of the following job aids on eFannieMae.com. • To submit a case that requires Fannie Mae's approval (e.g., extenuating circumstances), refer to the job aid titled, "**Requesting Approval for a Fannie Mae Loan Modification**". • Servicers that are not required to request Fannie Mae approval should refer to the job aid titled, "**Creating and Submitting a Closed Loan Modification Case**". If Fannie Mae declines your request for a modification and the borrower is not delinquent or in default, send an Adverse Action Notice (Form 182) to the borrower within 30 days of the declination. The notice is not required if the servicer offers the borrower a counteroffer, such as forbearance or other payment plan, and the borrower accepts the counteroffer within the 30-day period.
Step 4.	Prior to the trial period, you must establish an escrow account for loans that are not currently escrowed, in accordance with the Servicing Guide and related Announcements.
Step 5:	Use the non-HAMP Modification (Trial Period) Evaluation Notice (a sample is provided on eFannieMae.com) to inform the borrower of the terms of the three-month Trial Period Plan or four-month Trial Period Plan, as applicable.
Step 6:	Record each Trial Period Plan payment as it is received and complete any other required reporting.
Step 7:	Send the borrower the Loan Modification Agreement (Form 3179) revised to reflect any additional provisions described in the Summary Instructions relating to the form, and Modification Agreement Cover Letter prior to borrower's completion of the Trial Period Plan. All forms are located on eFannieMae.com
Step 8:	Upon receipt of the returned signed Loan Modification Agreement (Form 3179) and the borrower's successful completion of the Trial Period Plan payments, execute the Loan Modification Agreement (unless it is in an MBS pool) and continue to complete all required reporting. For an MBS loan, you must not execute the Loan Modification Agreement until the loan has been removed from the pool by the reclassification process, in addition to the borrower's successful completion of the Trial Period Plan and upon receipt of the signed loan modification agreement. See the Servicing Guide for more information on executing the Loan Modification Agreement and the reclassification requirements. You must ensure that all terms and dates are accurate and make any changes necessary should the modification effective date change based on the specific date when the borrower completes the Trial Period Plan. For detailed guidance on reclassification of MBS loans that are facing imminent default and loans that are in default, refer to the Servicing Guide Refer to the "**Reclassifying MBS Pool Loans**" and other HSSN Job Aids on eFannieMae.com for instructions on how to reclassify MBS Pool Loans in HSSN.
Step 9:	Once the mortgage has been modified and all required reporting is complete, Fannie Mae will automatically pay your incentive fee provided the modification settles within 60 days of completion of the Trial Period Plan in accordance with the Servicing Guide.

Back to top.

LONG-TERM OR PERMANENT HARDSHIP

The Home Affordable Foreclosure Alternatives (HAFA) Program

<table>
<tr><td>Description</td><td>
The Home Affordable Foreclosure Alternatives Program (HAFA) is designed to reach those borrowers – both those who are in default and those who are at imminent risk of default – who are eligible for but unsuccessful under the Home Affordable Modification Program (HAMP). HAFA streamlines and standardizes industry practices for preforeclosure sales and deeds-in-lieu to provide eligible borrowers with an alternative to foreclosure.
With a preforeclosure (short) sale, the borrower, with the servicer's permission, lists and sells the property even if the sale may be less than the total amount due on the mortgage loan. The mortgage lienholder determines in advance the minimum acceptable net proceeds it will accept as a short payoff in full satisfaction of the total amount due on the first mortgage loan.
With a deed-in-lieu (DIL), the borrower voluntarily transfers ownership of the property to the lienholder or its designee in full satisfaction of the total amount due on the mortgage loan. Borrowers who are eligible for DIL and who indicate interest in remaining in the property as a tenant must be considered for the Deed-for-Lease™ Program (D4L). For more information, refer to Announcement 09-33 and the following Web site: https://www.efanniemae.com/sf/servicing/d4l/ .
Servicers of Fannie Mae first lien mortgage loans are encouraged to adapt their processes to implement the policies and procedures of HAFA immediately but no later than August 1, 2010 with respect to borrowers who become eligible for HAFA on or after that date. A borrower may be accepted into HAFA if a HAFA Short Sale Agreement or HAFA DIL Agreement is fully executed by the borrower and received by the servicer on or before December 31, 2012.
</td></tr>
<tr><td>Eligibility</td><td>
A borrower is eligible for HAFA if all the following requirements have been met in the listed order:

The borrower has qualified for a HAMP modification*, based on verified income, but:

Was not offered a trial modification due to inability to meet HAMP qualifications (for example, did not pass the NPV test or meet the target monthly mortgage payment ratio); or
Failed to complete the trial period successfully; or
Became 2 consecutive payments (31 or more days) delinquent on the modified loan; or
Requests a short sale or DIL

* One exception to the HAMP eligibility criteria regarding property occupancy allows a borrower to be eligible for HAFA if evidence is provided that he/she (i) had to relocate to a new job or was transferred by an existing employer more than 100 miles from the property AND (ii) has not purchased a one- to four-unit property within 90 days prior to the date of a HAFA Agreement.
The borrower has been considered for all other home retention options as per Fannie Mae's loan workout hierarchy
You have completed an evaluation of the borrower's financial condition and have determined that the borrower does not have an ability to contribute meaningfully to reducing the potential loss on the mortgage loan

Without Fannie Mae's prior consent you must not consider or solicit a borrower for HAFA if:

A foreclosure sale is scheduled or a foreclosure proceeding could be initiated and reasonably expected to be held within 60 days of either the borrower's request for a HAFA or a determination of a borrower being ineligible for HAMP
The mortgage loan is secured by a property in Florida on which foreclosure proceedings are pending, judgment has been obtained, or a hearing on summary judgment or trial is scheduled within 60 days

A borrower in an active Chapter 7 or 13 bankruptcy case may be considered for HAFA if the borrower, borrower's counsel, or bankruptcy trustee requests HAFA consideration.
Continued on next page…
</td></tr>
</table>

LONG-TERM OR PERMANENT HARDSHIP
The HAFA Program

Terms and conditions	While the borrower is being evaluated for HAFA you must follow Fannie Mae requirements related to the initiation and pursuit of foreclosure for defaulted mortgage loans and you must advise the borrower accordingly. Fannie Mae requires a current interior broker's price opinion (BPO) or appraisal to assist in evaluating the merits of a preforeclosure sale which must be completed by an approved Fannie Mae Network Provider. A listing of network providers can be found on the Preforeclosure Valuation Provider Information document located on efanniemae.com. MI approval must be obtained on a case-by-case basis until such time that Fannie Mae has obtained delegations of authority from each mortgage insurer. A list of the mortgage insurers from which Fannie Mae receives a delegated authority agreement will be posted on www.eFannieMae.com. MI approval under HAFA cannot require a borrower contribution. A borrower may be required to make monthly payments while a short sale or DIL is pending. You must identify the payment amount, if any, based on the borrower's financial circumstances, but the payment may not exceed 31% of the borrower's gross monthly income. Remember that for MBS loans with a pool issue date between June 1, 2007, and December 1, 2008, any period of forbearance on the loan cannot exceed 6 consecutive months. If local or state law does not require release of the first mortgage lien within a specified time frame, you must release the lien within 30 business days after the completion of the Fannie Mae HAFA preforeclosure sale or DIL. You must retain all documentation in accordance with the Servicing Guide, or for such longer period as may be required pursuant to applicable law.
Reporting requirements	**To Fannie Mae:** 1. Use HomeSaver Solutions® Network (HSSN) to: • Complete the required monthly delinquency reporting in HSSN. Refer to the HSSN Job Aids and select Delinquency Reporting for details. • Within 24 hours of either receiving the final signed HUD-1 Settlement Statement and net sales proceeds (for a short sale) or after the borrower executes the warranty deed or equivalent transfer document (for a DIL), you must report the completion of the short sale or DIL by submitting a closed case 2. Report the required Action Codes to Fannie Mae's investor reporting system (report Action Code 71 for a short sale, Action Code 70 for a DIL for an uninsured conventional mortgage loan or Action Code 72 for a DIL for all other types of mortgage loans). 3. Submit a REOgram within 24 hours after the date the DIL is accepted. **To Treasury:** 1. Report HAFA loan level data at key milestones in the transaction (notification, short sale/DIL loan set-up, termination) no later than the 4th business day of the month following the event. 2. Collect the data required under Schedule 1 and Schedule IV of Supplemental Directive 09-06 for all HAFA transactions, including those that occur prior to August 1, 2010. **Continued on next page…**

LONG-TERM OR PERMANENT HARDSHIP The HAFA Program	
Reporting requirements (continued)	**To Mortgage Insurers:** For any conventional first mortgage loan on which Fannie Mae bears the risk of loss and which is insured under a master primary policy issued by a participating mortgage insurer other than RMIC, file the primary mortgage insurance claim following the completion of the short sale or DIL in accordance with procedures that currently exist or may be agreed to between you and the mortgage insurers. The mortgage insurance claim must be filed so that proceeds are sent to Fannie Mae. **To Credit Bureaus:** Continue to report a "full-file" status report to each major credit repository.
Incentive fees	**The servicer is** entitled to the following HAFA incentive payments: • $2,200 upon verification of a successful Fannie Mae HAFA preforeclosure sale • $1,500 following the successful completion of a Fannie Mae HAFA DIL **The borrower** is entitled to $3,000 to assist with relocation expenses following successful completion of a HAFA short sale or a DIL. This amount may be deducted from the net sales proceeds at closing of the sale. You may not require the borrower to apply this incentive to obtain the release of junior liens or non-real estate title impediments. The incentives are applicable only to HAFA short sales and DILs and are effective with cases closed in HSSN after the effective date of the Fannie Mae Announcement SVC-2010-07. The incentives are paid or reimbursed via Fannie Mae's payment process, in its capacity as Program Administrator for the Treasury Department, after you have reported the HAFA short sale or DIL transaction using the HAMP Reporting Tool. You **must not** include a request for the HAFA incentives in a Cash Disbursement Request (Form 571).
Costs	Fannie Mae will allow payments from sales proceeds to subordinate lienholders, to not exceed $6,000 in aggregate. Each lienholder in order of priority may be paid 6% of the unpaid principal balance of its loan, until the $6,000 cap is reached. You may not charge borrowers any fees for participating in HAFA. You may not require that the real estate sales commission be reduced to less than 6% of the sales price of the property. You must advance any actual out-of-pocket expenses such as notary fees, recordation fees, lien release fees, title costs, property valuation fees, credit report fees or other allowable and documented expenses. You must require borrowers to waive reimbursement of any remaining escrow, buydown funds or prepaid items and assign any insurance proceeds and/or refunds, if applicable, to be applied to the total pay-off amount. Fannie Mae will reimburse you for allowable out-of-pocket expenses (including the cost of obtaining a BPO, or appraisal, if required; attorney fees up to $350 for preparation of DIL documents and costs relating to obtaining a title insurance policy for a DIL; but excluding any credit report fees and fees charged by third parties in connection with negotiation services) upon completion of a Cash Disbursement Request, Form 571 within 30 days following the short sale closing or DIL acceptance.

Back to top.

LONG-TERM OR PERMANENT HARDSHIP
Non-HAFA Preforeclosure Sale

Description	A preforeclosure sale involves releasing the lien against the property in exchange for proceeds from the sale of the property of less than the amount owed. A non-HAFA preforeclosure sale can be offered to a borrower who is ineligible for a HAFA preforeclosure sale.
Eligibility	A preforeclosure sale can be initiated for a borrower who is delinquent or facing imminent default, can no longer afford the mortgage or does not qualify for retention workout options, and wants to avoid foreclosure. A preforeclosure sale exists when net sale proceeds are less than a full mortgage loan payoff. A preforeclosure sale should be considered only when all your efforts to cure the mortgage loan delinquency have failed and it is clear that the borrower cannot afford the home or does not want to keep the property. Other guidelines are as follows: • The borrower must be facing financial hardship. • The borrower may be required to contribute cash or execute a note to mitigate our losses if a review of the borrower's financial condition indicates that he/she is able to do so. • Property must be free of other liens (including homeowner's association liens) other than liens that Fannie Mae will allow to be settled from the sales proceeds; and • The borrower must execute all documents although sales proceeds, net of allowed closing costs, will be paid to Fannie Mae. Fannie Mae will consider exceptions to the above eligibility criteria only when there are extenuating circumstances. You must submit a request to Fannie Mae for review if you believe a preforeclosure sale is appropriate.
Terms and conditions	• Fannie Mae approval is required once you have received an offer. To obtain approval you must submit a request via HSSN – Workout Profiler. • Fannie Mae requires a current interior broker's price opinion (BPO) or appraisal to assist in evaluating the merits of a preforeclosure sale which must be completed by an approved Fannie Mae Network Provider. A listing of network providers can be found on the Preforeclosure Valuation Provider Information document located on efanniemae.com. • MI written approval is required (if applicable). Execute the preforeclosure sale by following these steps: • The borrower, working with a realtor, lists the property for sale. • Once the borrower receives a purchase offer and provides required documentation, the servicer must notify Fannie Mae and MI (if applicable) immediately to request approval.
Reporting requirements	Complete the required monthly delinquency reporting in HSSN. Refer to the HSSN Job Aids and select Delinquency Reporting for details. You must report the case in HSSN. You must submit a "full-file" credit report to each major credit repository on a monthly basis. **Continued on next page…**

LONG-TERM OR PERMANENT HARDSHIP Non-HAFA Preforeclosure Sale	
Incentive fees	There is a tiered incentive fee for a servicer for each successful preforeclosure sale: • $1,500 for (i) preforeclosure sales with Net Proceeds to Value (NPTV) equal to or greater than 92% or (ii) preforeclosure sale in situations in which the mortgage insurance claim is projected to make Fannie Mae whole for all losses • $1,250 for preforeclosure sales with NPTV equal to or greater than 90% but less than 92% • $1,000 for preforeclosure sales with NPTV of less than 90% After the closed case is entered into HSSN, Fannie Mae will review the case for eligibility of incentive fees and make a final determination based on the case information provided. For cases closed on or after June 1, 2011, approved incentive fees will be paid to servicers automatically once per month and you will no longer be required to complete a Cash Disbursement Request, Form 571 to request payment of incentive fees.
Costs	There is no cost to the borrower for a pre-foreclosure sale. To receive reimbursement for fees and costs, including expenses such as taxes and insurance, complete a Cash Disbursement Request, Form 571. The reimbursement request will be rejected for any amount(s) requested greater than the amount(s) in the closed HSSN case.

Back to top.

LONG-TERM OR PERMANENT HARDSHIP
Non-HAFA Deed-in-Lieu of Foreclosure

Description	A deed-in-lieu of foreclosure (DIL), also referred to as a "voluntary conveyance," occurs when a borrower voluntarily transfers title to and possession of the property to Fannie Mae to satisfy the mortgage loan debt and avoid foreclosure. A non-HAFA DIL can be offered to borrowers that are ineligible for a HAFA DIL and have been considered for all other home retention alternatives including a non-HAFA preforeclosure sale. A borrower who is eligible for a DIL and who indicates an interest in remaining in the property as a tenant must be considered for the Deed-for-Lease™ program (D4L). For more information, refer to the Servicing Guide, Part VII, 606 and https://www.efanniemae.com/sf/servicing/d4l/
Eligibility	The servicer of a Fannie Mae mortgage loan may recommend a voluntary deed-in-lieu of foreclosure from the borrower if, but not limited to: • the mortgage is more than 90 days past due; • pursuit of a deficiency judgment is not practical or warranted; • there may be legal impediments to pursuing foreclosure; • acceptance of the DIL will enable Fannie Mae to acquire the property earlier than it would with a foreclosure; • the mortgage insurer or guarantor has agreed to the DIL; • the borrower is not paid to deed the property over to Fannie Mae; • the borrower can convey acceptable marketable title; • the property is vacant when final documents are executed (unless eligible for the D4L program); • the property is not subject to liens held by others; • the borrower agrees to assign and transfer any rents if the property is rented to Fannie Mae; and • the borrower agrees to make a cash contribution or execute a note to mitigate Fannie Mae losses if a review of the borrower's financial condition indicates that he/she is able to do so. Fannie Mae will consider exceptions to the above eligibility criteria only when there are extenuating circumstances. You must submit a request to Fannie Mae for review if you believe a deed-in-lieu of foreclosure is appropriate.
Terms and Conditions	You must submit a request via the Workout Profiler module of Fannie Mae's HomeSaver Solutions Network (HSSN) to obtain Fannie Mae approval. Before a DIL can be accepted from the borrower, all of the following must be completed: • Obtain an interior BPO or appraisal of property by using an approved Fannie Mae Network Provider. A listing of network providers can be found on the Preforeclosure Valuation Provider Information document located on efanniemae.com. • Review title report for subordinate liens against the property. If the DIL is approved, a title insurance policy insuring marketable title to Fannie Mae is required. The amount of title insurance must be based on the estimated sale price of the property as determined by the BPO or appraisal obtained in connection with the DIL. • Obtain MI approval (if applicable). • Obtain Fannie Mae approval. • Obtain a complete property inspection report to confirm occupancy status and no conditions exist that would cause Fannie Mae to reject ownership of the property, for example, environmental issues. After accepting a DIL, notify Fannie Mae of the acquired property using Fannie Mae's REO Notification system (REOgram) on the Asset Management Network and close the case in HSSN. **Continued on next page…**

LONG-TERM OR PERMANENT HARDSHIP Non-HAFA Deed-in-Lieu of Foreclosure	
Reporting Requirements	Complete the required monthly delinquency reporting in HSSN. Refer to the HSSN Job Aids and select Delinquency Reporting for details. You must report a closed case in HSSN. You must submit a "full-file" credit report to each major credit repository on a monthly basis.
Incentive Fees	Servicers will receive a $1,000 incentive payment for each successful DIL. After the closed case is entered into HSSN, Fannie Mae will review the case for eligibility of the incentive payment and make a final determination based on the case information provided. For cases closed on or after June 1, 2011, approved incentive fees will be paid to servicers automatically once per month and you will no longer be required to complete a Cash Disbursement Request, Form 571 to request payment of incentive fees.
Costs	There is no cost to the borrower for a DIL. Fannie Mae will reimburse the servicer for costs relating to obtaining a title update and up to $350 for attorneys' fees incurred for preparation of DIL documents. To receive reimbursement for fees and costs, including expenses such as taxes and insurance, complete a Cash Disbursement Request, Form 571.

Back to top.