Fannie Mae

Fannie Mae Single-Family Reverse Mortgage Loan Servicing Manual

September 18, 2018

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Preface

This *Reverse Mortgage Loan Servicing Manual* (Manual) incorporates all Fannie Mae servicing-related guidelines for reverse mortgage loans. While the Manual sets forth specific servicing requirements unique to reverse mortgage loans, servicers must continue to comply with servicing requirements in the Fannie Mae Single-Family *Servicing Guide* (*Servicing Guide*) for reverse mortgage loans to the extent such requirements are not in conflict with the provisions contained in the Manual. In the event that the Manual and the *Servicing Guide* are conflicting, the servicer must follow the requirements in the *Servicing Guide*. If Fannie Mae does not specifically address a particular servicing responsibility, Fannie Mae's standard requirements apply for reverse mortgage loans.

This Manual covers the standard requirements for servicing reverse mortgage loans for one- to four-unit properties owned or securitized by Fannie Mae. On behalf of Fannie Mae, servicers are servicing two reverse mortgage loan products: conventional Home Keeper™ mortgage loans and FHA HECM loans.

For HECM loans, the servicer must follow all applicable requirements of the HECM program found in the Department of Housing and Urban Development (HUD) Handbook 4235.1 REV-1: Home Equity Conversion Mortgages, Handbook 4330.1 REV-5: Administration of Insured Home Mortgages, all related HUD Mortgagee Letters, and all other guidance provided by HUD. This Manual includes requirements for HECMs that Fannie Mae imposes as a result of its purchase and securitization of those mortgage loans and is not intended to contradict HUD's requirements. In the event that this Manual and guidance provided by HUD are conflicting, the servicer must follow HUD's requirements.

In addition, special rules apply in Texas for both HECMs and Home Keeper mortgage loans as noted in Fannie Mae Lender Letters and HUD Mortgagee Letters. Information on how to service these reverse mortgage loans may be obtained through the servicer's Servicing Representative or on Fannie Mae's website.

Content Organization

This Manual is organized into chapters that reflect how servicers generally categorize various aspects of their business relationship with Fannie Mae:

- Chapter 1: Reverse Mortgage Loan Products
- Chapter 2: Doing Reverse Mortgage Loan Business with Fannie Mae
- Chapter 3: General Servicing Requirements
- Chapter 4: Assisting Borrowers At Risk of Default or In Default
- Chapter 5: Processing Claims and Managing Acquired Properties
- Chapter 6: Reporting through eBoutique
- Chapter 7: Quick Reference Materials

Chapters 1 through 6 are structured hierarchically to state Fannie Mae's requirements logically and with increasing levels of detail, so that readers can quickly locate a subject of interest and find desired content. Chapter 7 includes a variety of support components, including the Glossary and Table of Acronyms.

To learn more about the details on the content included in a chapter, see Table of Contents.

Access Options

The Manual is available on AllRegs and in Adobe® PDF format on Fannie Mae's website. Related Announcements, Lender Letters, and Notices may be obtained through a variety of mediums, including

- using a free electronic version on the AllRegs website through a link from Fannie Mae's website;
- a subscription paid directly to AllRegs for an enhanced electronic version with additional features and a higher degree of functionality (than the free version); and
- in PDF format on Fannie Mae's website.

Amendments to the Manual

Fannie Mae may at any time alter or waive any of the requirements of this Manual, impose other additional requirements, or rescind or amend any and all material set forth in this Manual. The servicer must ensure that its staff is thoroughly familiar with the content and requirements of the Manual as it now exists and as it may be changed.

Notification of Changes and Manual Updates

Fannie Mae notifies servicers of changes and updates to its Manual policies and procedures, as communicated in Announcements, Lender Letters, and Notices, in two ways:

- posting the documents on Fannie Mae's website and the AllRegs website, and
- e-mail notification of those postings to servicers that subscribe to Fannie Mae's e-mail subscription service and select the option "Servicing News."

Forms, Exhibits, and Content Incorporated by Reference

The Manual provides information about the specific forms servicers must use to fulfill Fannie Mae's requirements. Servicers can access the actual forms on Fannie Mae's website.

Some materials are only referenced in the Manual and are posted in their entirety on Fannie Mae's website. Fannie Mae also periodically issues reverse mortgage loan-specific guidance, which is incorporated into the Manual by reference. Such specific guidance—whether it currently exists or is subsequently created is legally a part of the Manual.

Technical Issues

In the event of technical difficulties or system failures with FannieMae.com, the delivery of the "Servicing News" option of Fannie Mae's e-mail subscription service, or the AllRegs website, users may contact the following resources:

For Fannie Mae's website and Fannie Mae's e-mail subscription service, use the "Contact Us" link on the website to ask questions or obtain more information or contact Fannie Mae's Single-Family Technology Support at 1-877-722-6757.

For the AllRegs website, submit an e-mail support request from the website or contact AllRegs Customer Service at 1-800-848-4904.

When Questions Arise

The Manual provides information about normal and routine reverse mortgage loan servicing matters. Servicers must address questions relevant to a particular situation not covered in the Manual to their Servicing Representative.

Table of Contents

Chapter 1, Reverse Mortgage Loan Products

In this Chapter

This chapter contains the following topics:

1-01, Home Keeper Mortgage Loans (05/28/2014)

The Home Keeper mortgage loan is a conventional reverse mortgage loan that is designed to assist older homeowners in converting the equity in their homes to cash.

This topic contains information on the following:

- Determining the Principal Limit
- Payment Plan Options
- Determining the Borrowers Mortgage Loan Balance

Determining the Principal Limit

The principal limit is the amount of cash that is available when a Home Keeper mortgage is originated. It is a function of

- the age and number of borrowers,
- the value of the property, and
- whether the borrower chose an equity share feature, for some older mortgage loans originated before August 10, 2000.

The borrower's original principal limit is reduced by

- any allowable closing costs or third-party fees that the borrower wants to finance,
- an allocation for the expected servicing fees that will be paid over the life of the mortgage loan, and
- if applicable, set-asides to reserve funds for the payment of the first year's property charges and the costs of property repairs that must be completed as a condition of granting the mortgage loan, as well as by any mortgage loan advances that will be made at loan closing.

The principal limit that remains after these adjustments are made, which is called the "net principal limit at origination," is the amount used to determine the line of credit or scheduled payments that will be available to the borrower.

Payment Plan Options

The following table describes the types of payment plans offered through which a borrower may obtain mortgage loan advances.

Payment Plan	Frequency of Disbursement
Tenure payment plan	Scheduled equal monthly payments beginning on the first day of the month after the mortgage loan is closed.
Line of credit payment plan	Unscheduled payments to be made to the borrower whenever a disbursement is requested from the servicer. The borrower must specify the amount of the disbursement each time payment is requested. The borrower may request that the entire amount of the line of credit be disbursed at closing.
Modified tenure payment plan	The borrower sets aside part of the principal limit as a line of credit to receive • scheduled equal monthly payments based on the reduced principal limit beginning on the first day of the month after the mortgage loan is closed and • unscheduled payments that may be requested at any time as prescribed in the line of credit payment plan.

For the tenure, line of credit, and modified payment plans, the payments will continue to be made to the borrower as long as

- the principal limit has not been reached,
- the borrower occupies the property as the principal residence, and
- the borrower has not violated any of the mortgage covenants that would result in the mortgage loan becoming due and payable (see 4-02, Acceleration of the Debt).

The borrower selects a payment plan at closing. However, the borrower may change from one payment plan to another as often as he or she wishes. When the borrower changes the payment plan,

- a new monthly payment and/or line of credit is established; however, any funds in a set-aside account will not be affected, and
- the servicer may charge the borrower up to $50 to process each request for a payment plan change.

The borrower also may choose to have the scheduled payments under his or her current payment plan suspended for a period of time and then restarted, without having to pay a plan change processing fee.

Determining the Borrower's Mortgage Loan Balance

The beginning balance is the sum of all disbursements the seller/servicer made to, or on behalf of, the borrower at closing. The mortgage loan balance will increase over time

- as payments to, or on behalf of, the borrower are made;
- as adjustments for accrued interest and servicing fees are capitalized at the end of each month;
- as interest and servicing fee accruals or the payment of set-aside funds on the borrower's behalf take place even if the borrower's scheduled payments have been suspended or the borrower does not request a line of credit withdrawal for that month; and/or
- if the borrower changes payment plans and chooses to finance the processing fee.

A borrower may obtain a mortgage loan advance (either as a scheduled payment or as an unscheduled line of credit draw), repay the mortgage loan advance, and then withdraw the same funds again. Any partial repayments of mortgage loan advances that a borrower makes will decrease the borrower's mortgage loan amount equally and will be available for future withdrawal as long as the mortgage loan remains outstanding. Also see 3-05, Managing Partial Repayments or Payments in Full.

1-02, Home Equity Conversion Mortgage Loans (05/28/2014)

A HECM loan is an FHA-insured reverse mortgage loan that is designed to assist older homeowners in converting the equity in their homes to cash. The servicer must follow all applicable requirements of the HECM program found in HUD Handbook 4235.1 REV-1: Home Equity Conversion Mortgages, Handbook 4330.1 REV-5: Administration of Insured Home Mortgages, all related HUD Mortgagee Letters, and all other guidance provided by HUD.

Chapter 2, Doing Reverse Mortgage Loan Business with Fannie Mae

As a condition of the servicers approval to service reverse mortgage loans for Fannie Mae, the servicer must demonstrate a proven ability to service reverse mortgage loans and must employ a staff with adequate experience in this area. (Refer to *Servicing Guide* A1-1-01, Application and Approval of Seller/Servicer for additional information.)

In this Chapter

This chapter contains the following topics:

2-01, Mortgage Loan Files and Records (05/28/2014)

The servicer must retain all evidence of compliance with Fannie Mae policy and make all records, regardless of the format, available to Fannie Mae upon request. See *Servicing Guide* A2-5, Individual Mortgage Loan Files and Records for additional information.

2-02, Servicing Fees Related to Reverse Mortgage Loans (05/28/2014)

The servicer’s total servicing fee for a reverse mortgage loan is a specified dollar amount as indicated in the mortgage loan documents, rather than the difference between the mortgage loan interest rate and the rate at which the servicer passes through interest to Fannie Mae.

2-03, Property Insurance Policy and Coverage Requirements (09/14/2016)

The servicer must follow all applicable HUD requirements for property insurance policy and coverage requirements for HECM loans.

The requirements of a property insurance policy for the insurable improvements of the property securing Home Keeper mortgage loans are as follows:

- The coverage must protect against loss or damage from fire, windstorm, hurricane, hail, and other hazards covered by the standard extended coverage endorsement.

- If the property insurance policy includes limitations or exclusions, the borrower must obtain a separate policy or endorsement from another insurer that provides adequate coverage for the limited or excluded peril.
- The coverage must provide for claims to be settled on a replacement cost basis.
- The servicer must change the insurance coverage for a mortgage loan when it is inadequate to protect Fannie Mae's interests. Examples include properties that become vacant and home renovation or construction mortgage loans where the renovation or construction work is completed or the borrower occupies the property. Also, see *Servicing Guide* B-4-02, Builder's Risk/Construction Site Insurance for additional information.

See *Servicing Guide* B-2-01, Property Insurance Requirements Applicable to All Property Types for additional information.

This topic contains information on the following:

- Property Insurance Carrier Rating Requirements
- Determining Coverage Amounts and Deductible Requirements for Reverse Mortgage Loans Secured by a One- to Four-Unit Property
- Determining Coverage Amounts and Deductible Requirements for Reverse Mortgage Loans Secured by a Unit in PUD, Condo, or Co-op

Property Insurance Carrier Rating Requirements

The property insurance policy for the insurable improvements of the property securing the reverse mortgage loan must be written by a carrier that meets one of the following rating requirements, even if it is rated by more than one of the rating agencies.

Rating Agency	Rating Category
A.M. Best Company, Inc.	Either a "B" or better Financial Strength Rating in Best's Insurance Reports, or an "A" or better Financial Strength Rating and a Financial Size Category of "VIII "or greater in Best's Insurance Reports Non-US Edition.
Demotech, Inc.	"A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings.
Standard & Poor's	"BBB" or better Insurer Financial Strength Rating in Standard & Poor's Ratings Direct Insurance Service.

Fannie Mae continues to accept pre-existing property insurance policies for a reverse mortgage loan if the insurance carrier does not meet Fannie Mae rating requirements. However, if the reverse mortgage loan borrower obtains a new property insurance policy, the carrier of that policy must satisfy Fannie Mae's rating requirements.

Determining Coverage Amounts and Deductible Requirements for Reverse Mortgage Loans Secured by a One- to Four-Unit Property

Coverage must be equal to 100% of the insurable value of the improvements.

The maximum allowable deductible for a home mortgage loan is 5% of the face amount of the policy. See *Servicing Guide* B-6-01, Lender-Placed Insurance Requirements for the deductible requirements for lender-placed insurance policies.

Determining Coverage Amounts and Deductible Requirements for Reverse Mortgage Loans Secured by a Unit in PUD, Condo, or Co-op

Coverage must be equal to 100% of the insurable value of the improvements.

The maximum allowable deductible is as follows:

- For policies covering the common elements in a PUD project, a PUD unit mortgage loan, condo projects, or co-op projects, 5% of the face amount of the policy. See *Servicing Guide* B-6-01, Lender-Placed Insurance Requirements for the deductible requirements for lender-placed insurance policies.
- For blanket insurance policies covering the individual units and the common elements, 5% of the replacement cost of the unit.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2016-01	September 14, 2016
Announcement RVS-2015-03	October 14, 2015

2-04, Lender-Placed Insurance Requirements (10/14/2015)

The servicer must follow all lender-placed insurance requirements found in the *Servicing Guide* B-6-01, Lender-Placed Insurance Requirements.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2015-03	October 14, 2015

2-05, Establishing Custodial Bank Accounts (06/13/2018)

The servicer must hold in a custodial bank account prior to its remittance to Fannie Mae any funds it receives for a portfolio mortgage loan or an MBS mortgage loan.

The servicer must provide Fannie Mae with a status of the funds in the custodial account at the end of each month.

The servicer is responsible for the safekeeping of custodial funds at all times. Even if the servicer has complied with all of the requirements of the Manual and the *Servicing Guide*, Fannie Mae will hold the servicer responsible for any loss of funds deposited in a custodial account and any damages Fannie Mae suffers because of delays in obtaining the funds from the custodial account.

The servicer must reconcile its cash book to the custodial accounts on a monthly basis. The servicer must refer to *Servicing Guide* A4-1-02, Establishing Custodial Bank Accounts for additional information on the requirements for establishing and maintaining custodial accounts and funds on behalf of Fannie Mae.

This topic contains information on the following:

- Requirements for Custodial Bank Accounts
- Use of Clearing Accounts
- Establishing Drafting Arrangements

Requirements for Custodial Bank Accounts

If the servicer uses a custodial account for reverse mortgage loans, the custodial account must be separate from those used for regularly amortizing mortgage loans. The servicer must use the separate custodial account only for

- disbursing funds to the borrower (and, if applicable, an insurance carrier, taxing authority, repair contractor, or mortgage insurer),
- depositing funds received from Fannie Mae,
- remitting funds to Fannie Mae, and
- transferring servicing fees into the servicer’s internal operating account.

The servicer must take the following steps for each custodial account that is established (or changed).

Step	Servicer Action
1	Obtain a fully executed Form 1013 signed by both the servicer and the depository institution.
2	Forward the executed original form to the address listed on the form for processing.
3	Retain a copy of each form in its files.

The P&I custodial account must be titled as follows:

(Name of servicer), as agent, trustee, and/or bailee for the benefit of Fannie Mae and/or payments of various mortgagors and/or various owners of interests in mortgage-backed securities (Custodial Account).

Use of Clearing Accounts

When clearing accounts are used for reverse mortgage loans, the servicer is not required to establish separate accounts for collections and disbursements. However, if the servicer chooses to establish a separate custodial account, deposits to the clearing account must be subsequently recorded in a separate custodial account meeting Fannie Mae's custodial requirements within one business day (including any period during which funds were in a clearing account or general ledger account) of receipt.

The servicer may use general ledger or internal operating accounts as clearing accounts provided that:

- the institution is an eligible depository and meets the requirements outlined in *Servicing Guide* A4-1-02, Establishing Custodial Bank Accounts*,*
- the account is titled to indicate it is custodial in nature and includes “for the benefit of Fannie Mae” in the account title, and
- adequate records and audit trails must be maintained to support all credits to, and charges from, the borrower's payment records and the clearing accounts.

> **NOTE:** *Servicing fees and, if applicable, purchase proceeds can be transferred directly from this clearing account into the servicer’s internal operating account without going through the separate custodial account.*

Establishing Drafting Arrangements

The servicer must refer to the following table to designate a drafting arrangement for a custodial account or to change an existing arrangement for reverse mortgage loans.

Step	Servicer Action
1	Confirm Fannie Mae’s Cash Management Unit (see 7-03, List of Contacts) has a completed and executed *Certificate of Authority, Incumbency, and Specimen Signatures* (Form 360) on file. **Note**: Form 360 must be accompanied by the Resolution(s)/Evidence of Authorization to be considered complete.
2	Complete an *Authorization for Automatic Transfer of Funds* (Form 1072) for each drafting arrangement with its custodial bank(s).
3	Send the completed and executed Form 360, as applicable, and Form 1072 to Fannie Mae for processing.

Fannie Mae will use the information the servicer provides to set up automatic drafting or depositing through the ACH process. Fannie Mae will deposit funds that represent

- the purchase proceeds for the reverse mortgage loan or that are to be used for borrower payments,

- vendor payments, or
- the servicer's servicing fees into the designated account.

Fannie Mae will draft the applicable account when the servicer reports remittances related to

- partial repayments of mortgage loan advances,
- payoffs,
- repurchases, or
- foreclosures.

The servicer must designate the accounts from which Fannie Mae is to draft the funds that are due to Fannie Mae. All remittances will be drafted from the servicer's designated P&I custodial account. However, if a master servicer has designated a subservicer to remit on its behalf, the subservicer's designated P&I custodial account will be drafted.

The servicer must report any collections for reverse mortgage loans through eBoutique™ and make the funds available in the custodial account prior to the date Fannie Mae drafts the account.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement SVC-2018-04	June 13, 2018

2-06, Submitting Expense Reimbursement Claims (04/11/2018)

Prior to foreclosure, the servicer must submit expense reimbursement claims via eBoutique. (See 5-01, Submitting the REOgram.)

After foreclosure, the servicer must submit expense reimbursement claims via LoanSphere. The servicer must not submit expense reimbursement claims via LoanSphere prior to the mortgage loan's liquidation date. Failure to submit a reimbursement claim through the appropriate system may result in denial of the claim.

The servicer must submit its final expense reimbursement claim no later than 60 days after the date Fannie Mae disposes of an acquired property.

For HECM loans, the servicer is authorized to submit its final expense reimbursement claim beyond 60 days after the date Fannie Mae disposes of an acquired property, as long as it is submitted within 30 days of receipt of an initial or supplemental AOP from HUD.

> **NOTE:** *Any expense reimbursement claim submitted more than 60 days post-disposition must include an AOP in the supporting documents.*

If the servicer submits an expense reimbursement claim after the final deadline, Fannie Mae will deny the request.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018
Announcement RVS-2016-02	November 9, 2016

2-07, Post-Delivery Transfers of Servicing (05/28/2014)

The servicer of reverse mortgage loans must refer to *Servicing Guide* A2-7-03, Post-Delivery Servicing Transfers for detailed requirements related to post-delivery transfers of servicing.

The servicer must submit a separate Request for Approval of Servicing or Subservicing Transfer (Form 629) for all reverse mortgage loans that are part of the portfolio of mortgage loans being transferred.

With regard to the submission of final accounting reports and remittances, the transferee servicer must submit the monthly Loan Activity Reports in eBoutique.

Chapter 3, General Servicing Requirements

In this Chapter

This chapter contains the following topics:

3-01, Disbursing Payments to Borrowers (05/28/2014)

This topic contains information on the following:

- Disbursing Payments Requirements Applicable to All Reverse Mortgage Loans
- Disbursing Payments Requirements Specific to Home Keeper Mortgage Loans
- Disbursing Payments Requirements Specific to Home Equity Conversion Mortgage Loans

Disbursing Payments Requirements Applicable to All Reverse Mortgage Loans

The servicer must advance funds to make allowable payments to the borrower. At the end of each month the servicer must include in the outstanding mortgage loan balance the following:

- all payments made to (or on behalf of) the borrower as payments are disbursed, and
- the servicing fee.

The servicer must advise Fannie Mae when a borrower requests the suspension of payments and again when the borrower requests resumption of the payments to ensure that Fannie Mae's regular scheduled monthly disbursements accurately reflect the payments due the borrower for that month. (Also see 6-01-01, Reporting Specific Transactions.)

The servicer must disburse payments to a borrower either by sending them through the mail or by electronically transferring them into the borrower's bank account. The servicer must not disburse funds for draws against a line of credit until after it receives a written request from the borrower.

The servicer must not submit an expense reimbursement claim via LoanSphere prior to the mortgage loan's liquidation date.

Disbursing Payments Requirements Specific to Home Keeper Mortgage Loans

Fannie Mae reimburses the servicer for all authorized advances. The servicer must request reimbursement for all unscheduled payments. Fannie Mae reimburses the servicer as described in the following table.

Type of Reimbursement	Frequency
Scheduled payments for tenure and modified tenure payment plans	On the first business day of the month
Payments for: • servicing fees due for the previous month, and • any adjustments necessary for scheduled payments made in the previous month	On the third business day of the month
Unscheduled payments for: • a line of credit draw, • disbursement from the set-asides for repairs or the first year's property charges, or • disbursement for the payment of tax assessments or insurance premiums (on behalf of the borrower) Also see *Unscheduled Payment Transactions* in 6-01-03, General Servicing Transactions.	Within two business days after receipt of request for reimbursement

The servicer is authorized, however, to provide a borrower who has a line of credit "checks" that can be used both as the official request for funds and the means by which the funds are withdrawn from an account the servicer has established for the borrower.

> **NOTE:** *Fannie Mae will not reimburse the servicer for draws against the line of credit that are in excess of the remaining balance of the borrower's credit line; therefore, a servicer that issues checks to a borrower must establish appropriate controls to monitor the borrower's use of the checks.*

The servicer must pay the borrower a late charge for any payment that it does not make to the borrower in a timely manner. A scheduled tenure payment is considered late if the servicer does not mail or electronically transfer it to the borrower on the first business day of the month. An unscheduled line of credit payment is considered late if the servicer does not mail or electronically transfer it to the borrower within five business days after the date it receives the borrower's written request for the draw. The initial late charge will be 10% of the entire amount that should have been paid to the borrower. For each additional day that the servicer fails to make payment to the borrower, it also must pay interest on the late payment (which should be calculated by using the then-current interest rate for the mortgage loan).

Fannie Mae will not reimburse the servicer for any late charges that the servicer pays.

Disbursing Payments Requirements Specific to Home Equity Conversion Mortgage Loans

The servicer must follow all applicable HUD requirements for disbursing payments to borrowers for HECM loans.

Fannie Mae reimburses the servicer for all authorized advances. The servicer must request reimbursement for all unscheduled payments. Fannie Mae reimburses the servicer as described in the following table.

Type of Reimbursement	Frequency
Scheduled payments	On the first business day of the month
Scheduled payments for: • servicing fees due for the previous month, • the mortgage insurance premium accrual for the previous month, and • any adjustments necessary for payments made the previous month	On the third calendar day of the month
Unscheduled payments for: • a line of credit draw, • disbursement from the set-asides for repairs or the first year's property charges, or • disbursement for the payment of tax assessments or insurance premiums (on behalf of the borrower) Also see *Unscheduled Payment Transactions* in 6-01-03, General Servicing Transactions.	Within two business days after receipt of request for reimbursement

> **NOTE:** *Fannie Mae will not reimburse the servicer for any late charges that the servicer pays, including any late charges paid to HUD for any mortgage insurance premium payment.*

3-02, Adjusting the Interest Rate (05/28/2014)

Fannie Mae will independently calculate each scheduled interest rate change and notify the servicer of its calculation by providing the Reverse Mortgage Rate Changes Report to the servicer on the second business day of the month before each interest rate adjustment date via eBoutique. If the servicer disagrees with Fannie Mae's calculations, it should contact its reverse mortgage loan Single Family Operations Specialist. (Also see *Monthly Reports* in 6.2-01, Fannie Mae-Generated Reports).

This topic contains information on the following:

- Adjusting the Interest Rate Specific to Home Keeper Mortgage Loans
- Adjusting the Interest Rate Specific to Home Equity Conversion Mortgage Loans

Adjusting the Interest Rate Specific to Home Keeper Mortgage Loans

All Home Keeper mortgage loans are originated using ARM Plan 1526. The characteristics of this plan are that it has no per-adjustment interest rate cap and has a lifetime interest rate adjustment cap of 12%. Adjustments to the mortgage loan interest rate will change the monthly interest accrual that is added to the mortgage loan balance, but will have no effect on the size of the borrower's scheduled payments or the amount available for withdrawal under a line of credit.

The servicer must adjust the mortgage loan interest rate on the first day of the month following the date of mortgage loan closing and on the first day of each subsequent month for the remaining term of the mortgage loan—as long as changes in the index value dictate such adjustments. The new interest rate will be the sum of the index value that was in effect 30 days before the scheduled interest rate adjustment date and the mortgage loan margin specified in the note, rounded to the nearest 0.125%. When the cumulative interest rate adjustments result in a new interest rate that would be more than 12% above the initial mortgage loan interest rate, the interest rate must be the capped rate and no additional interest rate increases will be permitted for the remaining term of the mortgage loan (although downward adjustments can be made). The servicer must advise the borrower of the new interest rate (including the index value and the publication date on which the new rate is based) before each rate adjustment goes into effect, if required by applicable law.

The interest that accrues on any payments made to the borrower during the month, along with any interest that accrues on the mortgage loan balance that was outstanding on the first of the month, will be based on the interest rate that became effective on the first day of the month and will be included in the outstanding mortgage loan balance as of the end of the month.

Adjusting the Interest Rate Specific to Home Equity Conversion Mortgage Loans

The FHA HECM loans that Fannie Mae purchased were ARMs originated under the three plans described in the following table.

HECM ARM Plan	Characteristics
856	• CMT-indexed plan that provides for annual interest rate adjustments. • Interest rate cap of 2% per adjustment. • The interest rate may not increase or decrease by more than 5% over the term of the mortgage loan.
857	• CMT-indexed plan that provides for monthly interest rate adjustments. • Lifetime interest rate cap that is 10% above the initial mortgage loan interest rate. • This plan has no floor.
4287	• LIBOR-indexed plan that provides for monthly interest rate adjustments. • Lifetime interest rate cap that is 10% above the initial mortgage loan interest rate. • This plan has no floor.

The initial interest rate—and all subsequent rate adjustments—for these plans may be rounded to the nearest 0.125% only if the lender specifies the rounding option at mortgage loan closing.

The servicer must adjust the mortgage loan interest rate in accordance with the terms of the ARM plan the borrower selected. The servicer must use the weekly average index value that is in effect for one-year Treasury securities or the LIBOR index on the day that is exactly 30 days before the interest rate adjustment date.

The new interest rate will be the sum of the index value and the mortgage loan margin specified in the note, rounded to the nearest 0.125% if the borrower selected the rounding option at mortgage loan closing. If this calculated rate exceeds the previous interest rate for an ARM Plan 856 by more than 2%, the new interest rate will be the sum of the previous interest rate and 2%. If the calculated rate exceeds the original interest rate by more than a specified percentage—5% for ARM Plan 856 and 10% for ARM Plan 857—the new interest rate will be the sum of the original interest rate and 5% or 10% (as applicable) and no additional interest rate increases will be permitted for the remaining term of the mortgage loan (although downward adjustments may be made). On the other hand, if the calculated rate for an ARM Plan 856 is less than the original interest rate, the borrower's interest rate must be reduced accordingly—although it does not have to be decreased by more than 5% (even if the difference is greater than that). The servicer must advise the borrower of the new interest rate (including the index value and the publication date on which the new rate is based) at least 25 days before the new interest rate becomes effective.

Adjustments to the mortgage loan interest rate will change the monthly interest accrual that is added to the borrower's mortgage loan balance, but will have no effect on the size of the borrower's scheduled payments or the amount available for withdrawal under a line of credit. The interest that accrues on any payments made to the borrower during a month, along with any interest that accrues on the mortgage loan balance that was outstanding on the first of the month, will be based on the interest rate in effect on the first day of the month and will be included in the outstanding mortgage loan balance as of the end of the month.

3-03, Changes to Borrower's Payment Plan (05/28/2014)

This topic contains information on the following:

- Changes to Borrower's Payment Plan Applicable to All Reverse Mortgage Loans
- Changes to Borrower's Payment Plan Specific to Home Keeper Mortgage Loans

Changes to Borrower's Payment Plan Applicable to All Reverse Mortgage Loans

The borrower may request a change to his or her payment plan at any time. The new payment plan is effective on the first day of the month following the date the servicer reports the payment plan change to Fannie Mae. The servicer must process the payment plan change promptly. If, for any reason, it fails to report the plan change to Fannie Mae in a timely manner, the servicer must nevertheless make payments to the borrower according to the terms of the new plan, even if it has to advance its own funds to do so. Also see 6-01-02, Payment Change Transactions.

The servicer must send its calculations of the new payment terms to the borrower and provide a standardized acceptance statement on which the borrower must

- indicate acceptance of the change to a new payment plan in writing, and
- acknowledge the effective date of the change.

The servicer must retain the borrower's signed acceptance of the payment plan change and all related documents in the borrower's individual mortgage loan file.

For HECM loans, the servicer must follow all applicable HUD requirements for changes to a borrower's payment plan.

Changes to Borrower's Payment Plan Specific to Home Keeper Mortgage Loans

The servicer may charge the borrower up to $50 for each payment plan change it processes. The borrower may finance the payment of this fee, but if he or she does so, the new net principal limit used in the calculations of the payment terms for the new plans must be reduced accordingly. A change in payment plans will have no effect on the funds remaining in any set-aside accounts that have been previously established.

When a borrower requests a payment plan change, the servicer must determine the new payments and/or line of credit. To make this determination, the servicer must have access to the original net principal limit and a tenure conversion factor, both of which were determined at mortgage loan origination.

The borrower's signed acceptance of the payment plan change must be retained in the individual mortgage loan file.

The procedures for processing different types of changes to the borrower's payment plan are described in the following table.

If a borrower changes…	Then the servicer must…
to a line of credit plan	1. determine a new net principal limit by reducing the original net principal limit by the sum of all payments that have been made to the borrower, then 2. increase the result by any partial repayments of mortgage loan advances that the borrower has made. This new net principal limit will be the line of credit that is available to the borrower under the new line of credit payment plan.
to a tenure plan	1. determine a new net principal limit by reducing the original net principal limit by the sum of all payments that have been made to the borrower, then 2. increase the result by any partial repayments of mortgage loan advances that the borrower has made. To determine the new tenure payments the borrower will be able to receive under the new tenure payment plan, the servicer must multiply this new net principal limit by the tenure conversion factor.

<table>
<tr><th>If a borrower changes…</th><th colspan="2">Then the servicer must…</th></tr>
<tr><td rowspan="4">to a modified tenure plan</td><td colspan="2">determine a new net principal limit.
The following table describes the method for doing this, which will vary depending on whether the borrower specifies the size of the desired line of credit or the size of the desired tenure payments.</td></tr>
<tr><th>If the borrower requests…</th><th>Then the servicer must…</th></tr>
<tr><td>line of credit of a specified size</td><td>1. determine the new net principal limit by reducing the original net principal limit by the sum of all payments that have been made to the borrower,
2. increase it by any partial repayments of mortgage loan advances that the borrower has made, and finally deducting an amount equal to the desired line of credit, and then
3. determine the new tenure payments the borrower will be able to receive under the new modified tenure payment plan by multiplying this new net principal limit by the tenure conversion factor.
The borrower’s line of credit under the new payment plan will be the amount the borrower specified.</td></tr>
<tr><td>tenure payments of a specified size</td><td>1. divide the desired payment amount by the tenure conversion factor, then
2. determine the new net principal limit by reducing the original net principal limit by the sum of the result of this division and the total payments that have been made to the borrower and then increasing it by any partial repayments of mortgage loan advances that the borrower has made.
This new net principal limit will be the line of credit that is available to the borrower under the new modified tenure payment plan. The borrower’s new tenure payments will be in the amount the borrower specified.</td></tr>
</table>

<table>
<tr><th>If a borrower changes…</th><th colspan="2">Then the servicer must…</th></tr>
<tr><td rowspan="4">the terms of a modified tenure plan</td><td colspan="2">reallocate the net principal limit that exists between the line of credit and the tenure payments.
The following table describes the method used to reallocate the net principal limit, which will differ, depending on whether the borrower wants to increase the size of the line of credit or the size of the tenure payments.</td></tr>
<tr><th>If the borrower requests to increase the size of…</th><th>Then the servicer must…</th></tr>
<tr><td>the line of credit</td><td>1. determine the new net principal limit by reducing the original net principal limit by the sum of all payments that have been made to the borrower and the amount of the desired new line of credit,
2. increase it by any partial repayments of mortgage loan advances that the borrower has made, and then
3. determine the new tenure payments the borrower will be able to receive under the revised modified tenure payment plan by multiplying this new net principal limit by the tenure conversion factor.
The borrower’s line of credit under the revised payment plan will be the amount the borrower specified.</td></tr>
<tr><td>the tenure payment</td><td>1. divide the desired payment amount by the tenure conversion factor,
2. determine the new net principal limit by
3. reducing the original net principal limit by the sum of the result of this division and the total payments that have been made to the borrower and then
4. increasing it by any partial repayments of mortgage loan advances that the borrower has made.
This new net principal limit will be the line of credit that is available to the borrower under the revised modified tenure payment plan.
The borrower’s revised tenure payments will be in the amount the borrower specified.</td></tr>
</table>

> **NOTE:** *The tenure conversion factor is the ratio of the maximum monthly tenure payment available to the borrower at origination to the maximum line of credit available to the same borrower at origination.*

3-04, Payment of Taxes and Insurance (04/11/2018)

Generally, the borrower is responsible for the timely payment of all applicable property taxes, ground rent, special assessments, property insurance premiums, and flood insurance premiums. However, in certain circumstances, the borrower may request that the servicer pay these expenses from the proceeds of the reverse mortgage loan. In such cases, the borrower must again take responsibility once all the proceeds have been exhausted.

For Home Keeper mortgage loans, if the servicer uses a third-party tax vendor to advise it about when a borrower is delinquent in making a property tax payment, the servicer must include a question as part of its annual occupancy verification form to ascertain whether the borrower has entered into a tax deferral program and also must include the same or a similar question on other documents it sends to the borrower—such as a notification of a change to the mortgage loan interest rate or an account activity statement—along with a reminder that the borrower must contact the servicer if he or she ever enters into a tax deferral program. If the borrower's response indicates that he or she has entered into a tax deferral plan or the servicer discovers there is a tax deferral, the servicer must obtain confirmation that the program is subordinate to the Home Keeper mortgage lien and retain evidence of that confirmation in the individual mortgage loan file. Also see 3-07, Annual Occupancy Certification Requirements.

This topic contains information on the following:

- When the Servicer Makes Payments
- When the Borrower Makes Payments

When the Servicer Makes Payments

When a borrower requests the servicer to pay T&I premiums on his or her behalf from the proceeds of the reverse mortgage loan, the servicer must ensure that the borrower is aware of the following:

- how payment of the property charges will be handled,
- payments will be made only if funds are available in the borrower's "net principal limit," and
- the responsibility for payment of these expenses is back with the borrower once all of the proceeds from the reverse mortgage loan have been exhausted.

The method the servicer uses to make payments for T&I premiums varies according to the payment plan. The servicer must follow the process described in the following table.

If a borrower changes…	Then the servicer must…
to a line of credit plan	1. determine a new net principal limit by reducing the original net principal limit by the sum of all payments that have been made to the borrower, then 2. increase the result by any partial repayments of mortgage loan advances that the borrower has made. This new net principal limit will be the line of credit that is available to the borrower under the new line of credit payment plan.
to a tenure plan	1. determine a new net principal limit by reducing the original net principal limit by the sum of all payments that have been made to the borrower, then 2. increase the result by any partial repayments of mortgage loan advances that the borrower has made. To determine the new tenure payments the borrower will be able to receive under the new tenure payment plan, the servicer must multiply this new net principal limit by the tenure conversion factor.

<table>
<tr><th>If a borrower changes…</th><th>Then the servicer must…</th></tr>
<tr><td>to a modified tenure plan</td><td>determine a new net principal limit.
The following table describes the method for doing this, which will vary depending on whether the borrower specifies the size of the desired line of credit or the size of the desired tenure payments.
<table>
<tr><th>If the borrower requests…</th><th>Then the servicer must…</th></tr>
<tr><td>a line of credit of a specified size</td><td>1. determine the new net principal limit by reducing the original net principal limit by the sum of all payments that have been made to the borrower,
2. increase it by any partial repayments of mortgage loan advances that the borrower has made, and finally deducting an amount equal to the desired line of credit, and then
3. determine the new tenure payments the borrower will be able to receive under the new modified tenure payment plan by multiplying this new net principal limit by the tenure conversion factor.
The borrower’s line of credit under the new payment plan will be the amount the borrower specified.</td></tr>
<tr><td>tenure payments of a specified size</td><td>1. divide the desired payment amount by the tenure conversion factor, then
2. determine the new net principal limit by reducing the original net principal limit by the sum of the result of this division and the total payments that have been made to the borrower and then increasing it by any partial repayments of mortgage loan advances that the borrower has made.
This new net principal limit will be the line of credit that is available to the borrower under the new modified tenure payment plan. The borrower’s new tenure payments will be in the amount the borrower specified.</td></tr>
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<tr><th>If a borrower changes…</th><th colspan="2">Then the servicer must…</th></tr>
<tr><td rowspan="4">the terms of a modified tenure plan</td><td colspan="2">reallocate the net principal limit that exists between the line of credit and the tenure payments.
The following table describes the method used to reallocate the net principal limit, which will differ, depending on whether the borrower wants to increase the size of the line of credit or the size of the tenure payments.</td></tr>
<tr><th>If the borrower requests to increase the size of…</th><th>Then the servicer must…</th></tr>
<tr><td>the line of credit</td><td>1. determine the new net principal limit by reducing the original net principal limit by the sum of all payments that have been made to the borrower and the amount of the desired new line of credit,
2. increase it by any partial repayments of mortgage loan advances that the borrower has made, and then
3. determine the new tenure payments the borrower will be able to receive under the revised modified tenure payment plan by multiplying this new net principal limit by the tenure conversion factor.
The borrower’s line of credit under the revised payment plan will be the amount the borrower specified.</td></tr>
<tr><td>the tenure payment</td><td>1. divide the desired payment amount by the tenure conversion factor,
2. determine the new net principal limit by
3. reducing the original net principal limit by the sum of the result of this division and the total payments that have been made to the borrower and then
4. increasing it by any partial repayments of mortgage loan advances that the borrower has made.
This new net principal limit will be the line of credit that is available to the borrower under the revised modified tenure payment plan.
The borrower’s revised tenure payments will be in the amount the borrower specified.</td></tr>
</table>

When the Borrower Makes Payments

When the borrower decides to make the payments for T&I premiums, proof that a payment has been made must be sent to the servicer no later than 30 days after the due date of the payment. If the borrower does not provide this proof of payment, fails to respond to the servicer's written request for proof of payment within 30 days, or if the servicer receives a delinquency notice from the taxing authority or insurer, then the servicer must contact the applicable taxing authority or insurer to determine whether the payment has been paid. If payment has not been made, the servicer must make the payment plus any applicable late charges or penalties and add the amount paid to the borrower's monthly mortgage loan balance at the end of the month in which the payment is made.

The servicer must contact the borrower after verifying the delinquency with the taxing authority or insurance agent, but no more than 30 days after the date of the delinquency notice. The contact with the borrower with respect to a delinquency in making property tax payments should be made both by telephone and by mail. Only written contact with the borrower is required for a delinquency in paying insurance premiums; however, the servicer should follow up with the insurance agent to make sure that the borrower's payment is received. The written communication with the borrower must

- emphasize the seriousness of the borrower's failure to pay the taxes and/or insurance premium and the need to work with the servicer to avoid future delinquencies in making these payments;
- refer the borrower to a counselor who can give the borrower information about agencies in the area that may be able to assist the borrower (the counselor may be the counselor that advised the borrower about the Home Keeper mortgage loan at loan closing or a HUD-approved counseling agency); and
- describe the next action the servicer intends to take, which will depend on the terms and status of the borrower's payment plan.

In all cases, the servicer must remind the borrower that the failure to make timely payment of these property-related charges can be considered a default under the terms of the mortgage loan. The servicer also should indicate to the borrower that it can handle the payment of these expenses on the borrower's behalf in the future if funds are available in the borrower's net principal limit.

When the borrower does not provide proof of payment or respond to the servicer's letter within 20 days, the servicer must make the payment (including any late charges or penalties) and add the amount it paid to the borrower's mortgage loan balance at the end of the month in which the payment is made. The servicer should then request Fannie Mae to reimburse it for the unscheduled payment under Fannie Mae's standard disbursement procedures.

If, after 30 days from the date of the servicer's initial letter, the borrower still has not responded to either the letter or repeated follow-up telephone calls, the servicer must send the borrower an occupancy verification request. At the same time, the servicer must attempt to contact the borrower's nearest relative or third-party contact person (making sure that such communications are in compliance with the requirements of the Fair Debt Collections Practices Act). Then, if the servicer still does not hear from the borrower or the borrower's representative within 30 days of the date of the occupancy verification request, it must contact its Reverse Mortgage Loan Servicing Representative to request approval to call the mortgage loan due and payable.

For HECM loans, the servicer must follow all applicable HUD requirements for tax and insurance payments.

The following table describes required actions by the servicer depending on the payment plan type.

Payment Plan Type	Servicer Action
Term or tenure payment plan	The servicer must notify the borrower that the payment plan will have to be changed to a payment plan that provides a line of credit sufficient to fund the servicer's unscheduled payment. For HECMs specifically, if the servicer elects to make future payments on the borrower's behalf, it must also advise the borrower that it will deduct an estimated accrual for those payments from the borrower's scheduled payments each month.
Line of credit or modified term or tenure plan	When there are sufficient funds remaining in the credit line to cover the servicer's advance, the servicer must inform the borrower that it will initiate a draw against the credit line for the amount it advanced to pay the tax or insurance bill.
	When the balance remaining in the credit line is not sufficient to cover the servicer's advance, the servicer must issue a demand for repayment of the advance. The servicer must advise the borrower that, if the advance is not repaid within 30 days, the servicer will use whatever funds that are still available to the borrower (either in the credit line or through scheduled tenure payments) to repay the advance and, if appropriate, will change the terms of the repayment plan to reallocate any remaining funds. Should there be no additional funds available to the borrower under the payment plan, the servicer must advise the borrower that he or she will be declared "in default under the terms of the mortgage loan" if the advance is not promptly repaid. Also see 4-02, Acceleration of the Debt.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018

3-05, Managing Partial Repayments or Payments in Full (05/28/2014)

The servicer must accept partial repayments or payments-in-full from the borrower at any time during the month, without imposing a prepayment premium. Such payments must be applied to the mortgage loan balance on the date they are received so that any interest accrued for the month will be based on the reduced mortgage loan balance. The amount required to satisfy the mortgage loan in Fannie Mae's records is the total outstanding debt at the time of the mortgage loan payoff. The servicer must remit to Fannie Mae any payments received within 24 hours.

The mortgage loan balance for a reverse mortgage loan has three components: principal, interest, and fees. The servicer must track and account for each of these components separately. Partial repayments must be applied to the mortgage loan balance in the following order: first to interest, then to fees, and finally to principal.

Partial repayments increase the borrower's net principal limit. Partial repayments made by a borrower with a line of credit or modified tenure payment plan must be applied to the existing line of credit to increase the amount of funds available for the borrower's future use. Partial repayments made by a borrower with a tenure, modified term, or modified tenure payment plan must specify whether the payment should be applied to the credit line or to the term or tenure payment account. The servicer must create a line of credit in the amount of the partial repayment (which, in effect, changes the plan to a modified tenure payment plan). However, a borrower who has a term or tenure payment plan may request that, instead of creating a line of credit, the servicer recalculate his or her tenure payments to take into consideration the partial repayment. See 6-01-02, Payment Change Transactions for additional information.

When a mortgage loan is paid in full, the servicer must submit a release request to Fannie Mae's DDC. If Fannie Mae needs to release a separate satisfaction document, the servicer must submit that document to Fannie Mae's SF CPM Division (see 7-03, List of Contacts).

3-06, Providing Account Statements to the Borrower (05/28/2014)

This topic contains information on the following:

- Annual Mortgage Loan Account Statements
- Periodic Account Statements

Annual Mortgage Loan Account Statements

By January 31 of each year, the servicer must send the borrower a statement of mortgage loan account activity during the past year. This statement may be used to satisfy the IRS requirement for notifying borrowers of the total interest received from them and reported to the IRS for the preceding year. The servicer is not authorized to charge the borrower for the annual statement or the detailed analysis.

The annual statement that the servicer sends to a borrower who has a reverse mortgage loan must advise the borrower to seek advice about the tax consequences of a reverse mortgage loan. The statement must provide detailed information regarding the elements described in the following table.

✓	The annual statement must include detailed information regarding…
	all payments made to the borrower (whether they were scheduled payments or unscheduled draws from a line of credit).
	all payments for taxes, property insurance, mortgage insurance (if applicable), and repair charges the servicer made on the borrower's behalf.
	the total servicing fees paid to the servicer and any other fees the borrower paid or financed for payment plan changes.
	any payments made by the borrower.
	the total accrued interest (and, if the borrower made any payments, the total interest he or she actually paid).
	the mortgage loan balance at the end of the year.
	the original principal limit and the current net principal limit at year-end.
	the original line of credit, the current net line of credit at year-end, and any outstanding cash balance due the borrower.

Periodic Account Statements

The servicer also must provide a detailed analysis of all transactions relating to the borrower's payments or set-aside account whenever the borrower requests it.

For Home Keeper mortgage loans: Within 15 days after the end of each calendar quarter, the servicer must send a borrower who has a Home Keeper mortgage loan a statement summarizing all of the interest rates that were in effect during that quarter, as well as information about all other activity that occurred during the quarter. If required by applicable law, the servicer must send these statements more often.

The quarterly statement must provide detailed information regarding the mortgage loan activity as described in the following table.

✓	The quarterly statement must include detailed information regarding…
	all monthly payments and draws against a line of credit that were sent to the borrower.
	an itemized list of all payments that were made on the borrower's behalf for taxes, insurance premiums, repairs, fees for payment plan changes, and appraisal charges.
	total servicing fees paid to the servicer.
	total amount of interest that accrued.
	the balance of the mortgage loan at the end of the statement period.

✓	The quarterly statement must include detailed information regarding…
	the original principal limit and the current net principal limit.
	the original line of credit, the current net line of credit, and the remaining balance available for withdrawal.

For HECM loans: The servicer must follow all applicable HUD requirements for providing account statements to borrowers.

3-07, Annual Occupancy Certification Requirements (05/28/2014)

The borrower does not have to repay the outstanding mortgage loan balance as long as the security property is owner-occupied as a principal residence; for Home Keeper mortgage loans, the borrower also must not be absent from the property for more than 12 consecutive months. To verify that a borrower is complying with the terms of the mortgage loan, a servicer must send the borrower an occupancy certification annually as long as the debt remains outstanding.

The servicer must send an occupancy certification to the borrower no later than 30 days after the anniversary date of the first month after loan closing and annually thereafter. The certification must include the requirements outlined in the following table.

If the servicer uses a third-party tax vendor to advise it about when a borrower is delinquent in making a property tax payment, the servicer must include a question as part of its annual occupancy verification form to ascertain whether the borrower has entered into a tax deferral program and also must include the same or a similar question on other documents it sends to the borrower—such as a notification of a change to the mortgage loan interest rate or an account activity statement—along with a reminder that the borrower should contact the servicer if he or she ever enters into a tax deferral program.

✓	The annual occupancy certification must include…
	a statement that the property continues to be the borrower's principal residence.
	a reminder that the borrower must give the servicer written notice about any absences from the property that are greater than two consecutive months (and provide a temporary mailing address).
	a request for confirmation of the borrower's designated third-party contact.
	a question to ascertain whether the borrower has entered into a tax deferral program and a reminder to inform the servicer if that is so.
	a borrower's signature line that provides the following attestation: "WARNING: Section 1001 of Title 18 of the United States Code makes it a criminal offense to make a willfully false statement or misrepresentation to any department or agency of the United States government as to any matter within its jurisdiction."

The servicer must advise the borrower that the certification must be signed and returned within 30 days.

3-08, Property Inspection Requirements (05/28/2014)

The servicer must follow all applicable HUD requirements for property inspections for HECM loans.

3-09, Requirements upon Completion of Property Repairs (05/28/2014)

A repair set-aside is available for a Home Keeper mortgage loan that has a line of credit payment plan or a modified tenure payment plan, if the completion of certain repairs is required as a condition of the borrower's obtaining the mortgage loan and the borrower prefers not to pay for the repairs from his or her funds.

When a repair set-aside was established at mortgage loan closing, the servicer must monitor the progress of the repairs. The required repairs must be completed within 12 months of the date of mortgage loan closing. The servicer must have in place an early warning system to notify a borrower when the time frame for completing repairs is about to elapse, as well as "post-warning" procedures to encourage a borrower who falls behind in making repairs to begin complying with the repair schedule as soon as possible so that the work can be completed as required.

For HECM loans, the servicer must follow all applicable HUD requirements for the completion of property repairs.

This topic contains information on the following:

- When Repairs Are Delayed
- Requirements Upon Completion of Repairs

When Repairs Are Delayed

If repairs are not completed within the required time frame, the servicer generally should not make any scheduled or unscheduled payments to the borrower until the repairs are satisfactorily completed. The servicer must assess each borrower's situation individually and make every effort not only to avoid causing the borrower undue hardship, but also to ensure that Fannie Mae is not exposed to losses as the result of the borrower's failure to have the necessary repairs completed. The servicer has the discretion to take the following actions:

- continue making the payments if the servicer believes that the repairs will be completed in the near future—and cessation of the payments would create a severe hardship for the borrower, or
- discontinue making payments to the borrower and reserve the line of credit for funding repairs and other mandatory items (such as property charges, tax and insurance payments, etc.).

The servicer must provide the borrower with a written notice that explains the deficiencies, includes a statement that the mortgage loan may be called due and payable if the repairs are not completed.

If the borrower does not begin the repairs within 30 days of the date of this notice, the servicer must contact Fannie Mae to obtain its approval to declare the mortgage loan due and payable. Within 45 days after the end of the time period allowed for completing the repairs, the servicer must have the property inspected (and may charge the borrower an inspection fee of $50 or less, which the borrower may pay from personal funds or by adding the expense to the mortgage loan balance in connection with a change in the payment plan).

Requirements Upon Completion of Repairs

Once the servicer receives a certificate of completion or equivalent documentation indicating that the repairs have been completed as agreed (such as a punch list, contractor's sheet, or an inspection report), it must disburse the funds to pay for the completed work jointly to the borrower and the contractor(s). Payments may be made either as specific repairs are completed or after all of the required repairs have been completed. When the servicer disburses the funds to pay for completed work, it should use Fannie Mae's standard disbursement procedures to request an unscheduled payment from the repair set-aside and increase the mortgage loan balance accordingly.

Surplus Funds in the Repair Set-Aside: If the repair set-aside has funds remaining after all of the contractors have been paid, the amount in the set-aside will be transferred to the borrower's net line of credit. The borrower may then choose either to receive a direct cash payment or to have the balance added to his or her net principal limit (thus gaining additional borrowing power). If a borrower who has a modified tenure payment plan chooses to increase the net principal limit, the borrower's payment plan will need to be changed if he or she wants to increase the amount of the scheduled tenure payments. The servicer is not authorized to charge the borrower for this payment plan change.

For HECMs, if the repair set-aside has funds remaining after all of the contractors have been paid, the amount in the set-aside will be transferred to the borrower's net line of credit. If the borrower does not have a line of credit, the borrower's payment plan will need to be changed to one of the plans that includes a credit line.

Refer to 6-01-02, Payment Change Transactions.

Insufficient Funds in the Repair Set-Aside: If the repair set-aside does not have sufficient funds to pay for the entire cost of the repairs, the servicer must advance funds to pay the additional amount and inform the borrower that it will initiate a draw against the borrower's line of credit for the amount of its advance. If the borrower's line of credit balance is not sufficient to cover the servicer's advance, the servicer must notify the borrower that his or her payment plan will have to be changed to a plan that provides for a line of credit that is sufficient to fund the amount of the servicer's advance for the additional repair costs, unless the borrower chooses to use his or her own funds to reimburse the servicer for the additional amount it advanced.

Refer to *Declaring the Debt Due and Payable* in 4-02, Acceleration of the Debt, and 6-01-02, Payment Change Transactions.

3-10, Home Equity Conversion Mortgage Loan-Specific Requirements for the Assignment of the Mortgage Loan to HUD (04/11/2018)

The servicer must follow all applicable HUD requirements for the assignment of a mortgage loan to HUD for HECM loans.

The servicer must assign a HECM loan eligible for assignment to HUD once the outstanding mortgage loan balance—including all payments made to or on behalf of the borrower, all mortgage insurance premium accruals, servicing fees, and accrued interest—equals 98% (but is not more than 100%) of the maximum claim amount shown on the Mortgage Insurance Certificate.

Requests to assign HECM loans when the outstanding mortgage loan balance is greater than 100% of the maximum claim amount must be sent to the servicer's Reverse Mortgage Loan Servicing Representative (see 7-03, List of Contacts) for approval prior to assigning to HUD.

As soon as the servicer receives the custodial documents, it must prepare and execute the appropriate legal instruments to assign the mortgage loan to HUD. The servicer must file a claim for insurance benefits in Fannie Mae's name. FHA Mortgagee Number 9500109998 must be used if the claim forms require Fannie Mae's FHA Mortgagee Number. To ensure that HUD sends the claim settlement directly to Fannie Mae, the servicer must show Fannie Mae's name and address on the claim form as described in 7-03, List of Contacts.

To notify Fannie Mae of the forthcoming claim settlement, the servicer must send a copy of the applicable claim form filed with HUD along with documentation supporting the claim, to Fannie Mae's SF CPM division (see 7-03, List of Contacts) within two business days after it files the claim. The claim form must be identified by the

- applicable Fannie Mae and servicer mortgage loan numbers,
- servicer's name, and
- seller/servicer identification number.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018

Chapter 4, Assisting Borrowers at Risk of Default or in Default

In this Chapter

This chapter contains the following topics:

4-01, Effect of Bankruptcy Filing (05/28/2014)

A Fannie Mae mortgage loan may be the subject of a bankruptcy proceeding initiated by the borrower or someone other than the borrower (especially if the original borrower has died and the ownership of the property passed under a will or by intestacy). When a Fannie Mae mortgage loan is the subject of bankruptcy proceedings, the servicer must refer the mortgage loan to the selected law firm and seek guidance on whether to immediately stop making payments in accordance with the provisions of the reverse mortgage loan agreement and, if not, on the next course of action that it should take.

Regardless of the type of bankruptcy filed, the servicer must work with the law firm to ensure that the requirements of *Servicing Guide* E-1.1-01, General Requirements for Referring a Mortgage Loan to a Law Firm are followed.

For HECM loans, the servicer must follow all applicable HUD requirements for bankruptcy filings.

This topic contains information on the following:

- Chapter 7 Filings
- Chapter 13 Filings

Chapter 7 Filings

The reverse mortgage loan agreement permits the servicer to cease making payments to, or advances on behalf of, the borrower when a bankruptcy is filed under Chapter 7. However, the agreement does not provide for a declaration of bankruptcy to be a default event that allows the servicer to declare the mortgage loan due and payable.

If the servicer suspended periodic payments or advances as the result of the bankruptcy filing and the mortgage loan is subsequently discharged from the bankruptcy, the servicer must contact its Reverse Mortgage Loan Servicing

Representative (see 7-03, List of Contacts) to determine whether and in what manner payments or advances can be resumed.

Chapter 13 Filings

The reverse loan agreement does not provide for a declaration of bankruptcy to be a default event that allows the servicer to declare the mortgage loan due and payable when a bankruptcy is filed under Chapter 13. However, the agreement does authorize the servicer to suspend payments made to, or on behalf of, the borrower while the bankruptcy reorganization plan is in effect. In fact, making such payments is prohibited unless they are specifically authorized by the bankruptcy court.

Since a Chapter 13 reorganization plan can last for several years, the servicer must immediately advise the law firm on the occurrence of any event that would otherwise be grounds for accelerating the debt.

4-02, Acceleration of the Debt (04/11/2018)

This topic contains information on the following:

- Declaring the Debt Due and Payable
- Home Keeper Specific Requirements

Declaring the Debt Due and Payable

The determination of whether to declare the debt due and payable is dependent upon the reverse mortgage loan product. The servicer must request Fannie Mae's permission to call a Home Keeper mortgage loan due and payable if the default balance exceeds $2,000. If the default balance of the Home Keeper mortgage loan is less than or equal to $2,000, before calling the loan due and payable the servicer should first contact its Reverse Mortgage Loan Servicing Representative (see 7-03, List of Contacts) to determine whether Fannie Mae supports some other alternative.

Once a mortgage loan has been called due and payable, the borrower (which also includes the borrower's estate) may not receive any further scheduled or unscheduled payments for as long as the mortgage loan remains due and payable. The servicer may continue to make required T&I payments and add them to the borrower's mortgage loan balance (if it is responsible for making such payments or the borrower fails to meet his or her responsibility for making them). In addition, the servicer must continue to add servicing fees and accrued interest to the outstanding balance of the mortgage loan until the debt is satisfied or the default is otherwise cured.

For HECM loans, the servicer must follow all applicable HUD requirements for declaring the debt due and payable.

Home Keeper Specific Requirements

The debt for a Home Keeper mortgage loan may be accelerated by calling it due and payable under the terms of the mortgage loan when any of the following circumstances occur:

- the last surviving borrower dies or sells the property,
- interest in the property is transferred to another person, or
- the borrower defaults, including the borrower's

- no longer occupying the property as the primary residence,
- inability or unwillingness to maintain the property,
- failure to make T&I payments as they come due, or
- violation of any other covenant of the mortgage loan.

The servicer declares a mortgage loan due and payable by sending the borrower (which includes the borrower's estate) a Notice of Immediate Payment. The content of this notice will vary depending on the reason the mortgage loan debt is being accelerated and is described in the following table.

When the mortgage loan is being called due and payable because…	Then the servicer must send a Notice of Immediate Payment that…
the last surviving borrower has died or sold the property,	• specifies the outstanding mortgage loan balance, and the amount that must be repaid to satisfy the debt, and • states that full repayment is due and payable immediately and that, if the payment is not received within 30 days, foreclosure proceedings will be initiated. If the borrower still owns the property, the servicer may indicate that it may be willing to extend the time allowed for the repayment if a good faith effort is currently being made to sell the property.
the borrower has failed to occupy the property, has failed to make T&I payments (or to reimburse the servicer for advances it made to pay them), or has otherwise violated one of the mortgage loan covenants,	• specifies the nature of the default, • describes the action(s) required to cure the default, • provides a period of not less than 30 days (from the date the notice is delivered or mailed) within which the borrower may cure the default, • indicates that, if the borrower fails to cure the default within the allowed time period, all sums the borrower owes will become due and payable, and • specifies the amount that would have to be repaid to satisfy the debt. **NOTE:** *Any advances the servicer made on the borrower's behalf that have not already been added to the borrower's outstanding mortgage loan balance or repaid by the borrower should be included in the mortgage loan balance that is used to determine the amount required to satisfy the debt*

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018

4-03, Curing the Default (04/11/2018)

After receiving the Notice of Immediate Payment, the borrower may correct any covenant violations that led to the notice of acceleration or the borrower may sell the property to pay off the outstanding debt.

The borrower may cure a default of one of the mortgage loan covenants by taking appropriate corrective action—reoccupying the property, providing proof of adequate insurance coverage, paying outstanding tax bills or assessments, repairing the property, etc. Following the curing of a default, the servicer must update the eBoutique status code in order to notify Fannie Mae that it can resume disbursing payments to the borrower. See 6-01-03, General Servicing Transactions for additional information.

If the borrower sells the property, the servicer must accept as the amount required to satisfy the indebtedness proceeds equal to the lesser of the outstanding debt or the current appraised value of the property, if Fannie Mae required an appraisal. If the property is sold after the initiation of foreclosure proceedings, any foreclosure expenses that were incurred should be included in the outstanding debt amount.

If the current appraised value is the less than the outstanding debt (including foreclosure expenses incurred), Fannie Mae may reduce the amount required to satisfy the debt by the sales commission that the real estate broker received for selling the property. The servicer must contact the Deed-In-Lieu Short Sale mailbox at dil-shortsale_reverse@fanniemae.com if it believes that such a reduction in the amount required to satisfy the debt is appropriate.

When the debt is satisfied, the servicer must report the payoff to Fannie Mae and request the release of any custodial documents to Fannie Mae's DDC.

Fannie Mae will draft the funds for satisfaction of the mortgage loan from the servicer's designated custodial account within 24 hours after the servicer notifies Fannie Mae that it has received the payoff proceeds. See 6-01-03, General Servicing Transactions for additional information.

For HECM loans, the servicer must follow all applicable HUD requirements for curing the default.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018

4-04, Acceptance of the Deed-in-Lieu (05/28/2014)

After the Notice of Immediate Payment is received, the borrower may offer the servicer a deed to the property in exchange for full satisfaction of the debt. Fannie Mae will consider accepting a deed-in-lieu as long as good and marketable title to the property can be conveyed. For Home Keeper mortgage loans only, the servicer must refer any offer of a deed-in-lieu to the Deed-In-Lieu Short Sale mailbox at dil-shortsale_reverse@fanniemae.com. If Fannie Mae agrees to accept the offer, the servicer must advise the borrower that a deed conveying title of the property to Fannie Mae must be executed. Also see *Servicing Guide* D2-3.3-02, Fannie Mae Mortgage Release for additional information.

Within 24 hours after a borrower (or his or her estate) executes a deed-in-lieu, the servicer must submit an REOgram™ to notify Fannie Mae's SF Credit Ops division or its delegate of the property acquisition. When the servicer receives the executed deed, it must immediately submit it for recordation. The servicer must inspect the property within 15 days after the conveyance deed is executed. See 5-01, Submitting the REOgram for additional information.

For HECM loans, the servicer must follow all applicable HUD requirements for the acceptance of a deed-in-lieu.

4-05, Initiation of Foreclosure Proceedings (04/11/2018)

If the borrower does not respond to the Notice of Immediate Payment by paying off the mortgage loan, offering a deed-in-lieu, or otherwise curing the default, the servicer must begin foreclosure proceedings by no later than the 180th day after the Notice of Immediate Payment.

Generally, the servicer should instruct the law firm to enter a foreclosure sale bid that is equal to the lesser of the borrower's outstanding mortgage loan balance (which should include any outstanding servicer advances) or the appraised value of the property. The servicer may instruct the law firm to bid the borrower's outstanding mortgage loan balance unless it believes that the property value is less than the borrower's outstanding balance. If that is the case, the servicer must contact its Reverse Mortgage Loan Servicing Representative to determine whether Fannie Mae is willing to enter a "short" bid.

If a third-party acquires the property at the foreclosure sale, the servicer must report the acquisition of the property by removing the mortgage loan from Fannie Mae's accounting records, collect the sales proceeds, and remit the amount Fannie Mae is due within 5 business days. See 5-05, Submitting Special

Remittances and 6-01-03, General Servicing Transactions for additional information.

When the servicer's foreclosure bid is successful, the servicer must notify Fannie Mae of the property acquisition by submitting an REOgram within 24 hours of the foreclosure sale. Fannie Mae will then develop an appropriate marketing strategy for disposing of the property. See 5-01, Submitting the REOgram for additional information.

The servicer must record Fannie Mae's title to the property in the appropriate land records at the earliest allowable time. Fannie Mae also may request that the servicer perform certain other administrative functions in connection with Fannie Mae's disposition of the acquired property. See *Servicing Guide* C-4.1-01, Notifying Credit Repositories and *Chapter E-4, Managing Acquired Properties* for additional information.

The servicer may request reimbursement for any expenses incurred in connection with the foreclosure proceedings (including law firm's fees) or for expenses associated with any administrative functions it performs for an acquired property. To do this, the servicer should submit an expense reimbursement claim via the appropriate system. See 2-06, Submitting Expense Reimbursement Claims and *Servicing Guide* E-5-01, Requesting Reimbursement for Expenses for additional information.

For HECM loans, the servicer must follow all applicable HUD requirements for the initiation of foreclosure proceedings.

This topic contains information on Home Keeper-Specific Requirements Related to the Initiation of Foreclosure Proceedings.

Home Keeper-Specific Requirements Related to the Initiation of Foreclosure Proceedings

The servicer may initiate foreclosure proceedings:

- by the 60th day after the Notice of Immediate Payment was issued if the mortgage loan was called due and payable as the result of the borrower's death, sale of the property, or failure to occupy the property as a principal residence; or
- between the 30th and 60th days after the Notice of Immediate Payment was issued if the mortgage loan was called due and payable for any other reason and the borrower did not cure the default within the specified 30-day time period.

If appropriate, a servicer may tailor a foreclosure prevention workout plan to cure the default and avoid a foreclosure. The granting of an extension is often enough to cure the default. On the other hand, if a permanent solution is called for, the servicer must consider proposing a short sale or deed-in-lieu before it initiates foreclosure proceedings.

The servicer is authorized to submit a request for a short sale when the surviving spouse or heirs desire to purchase the property and the transaction is not arms-length. Parties involved in a short sale transaction are required to provide a signed Short Sale Affidavit (Form 191) at the closing; however, for transactions involving the surviving spouse or heirs as the purchaser, the servicer must revise the form to delete the arms-length requirement between the seller(s) and buyer(s).

When there is no practical alternative to foreclosure, Fannie Mae expects the servicer to foreclose the mortgage loan expeditiously by using competent and diligent law firms who are highly experienced in handling foreclosure proceedings. See *Servicing Guide* E-1.1-01, General Requirements for Referring a Mortgage Loan to a Law Firm for additional information.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018
Announcement RVS-2015-02	June 10, 2015

4-06, Determination of Payoff Proceeds Due From Borrower-Specific to Home Keeper Mortgage Loans (05/28/2014)

To determine the amount required to satisfy a Home Keeper mortgage loan, use the following formula:

+ 0	Ending Loan Balance from Prior Period
+ 0	Interest on Ending Loan Balance from Prior Period[1]
+ 0	Scheduled Payment Amount for Current Period (if applicable)
+ 0	Interest on Scheduled Payment Amount for Current Period (if applicable)[2]
+ 0	Unscheduled Payments for Current Period (if applicable)
+ 0	Interest on Unscheduled Payments for Current Period (if applicable)[3]
- 0	Partial Repayments for Current Period (if applicable)
- 0	Interest on Partial Repayments for Current Period (if applicable)[4]
+ 0	Servicing Fee for Current Period
= 0	Total Payoff Due Fannie Mae

NOTE: *If this amount is greater than the current appraised value of the property, the borrower is required to pay Fannie Mae only the current appraised value of the property.*

NOTE:

1. *Beginning Balance × Current Interest Rate / 365) × (Elapsed Days Between End of Prior Reporting Period and Payoff Date)*
2. *(Scheduled Payment Amount × Current Interest Rate / 365) × (Elapsed Days Between Date of Scheduled Payment and Payoff Date)*
3. *(Unscheduled Payment Amount × Current Interest Rate / 365) × (Elapsed Days Between Date of Unscheduled Payment and Payoff Date)*
4. *(Partial Repayment Amount × Current Interest Rate / 365) × (Elapsed Days Between Date of Partial Repayment and Payoff Date)*

4-07, Determination of Payoff Proceeds Due From Borrower-Specific to Home Equity Conversion Mortgage Loans (05/28/2014)

To determine the amount required to satisfy a HECM loan, use the following formula:

+ 0	Loan Balance from Prior Period
+ 0	Interest on Loan Balance from Prior Period[1]
+ 0	FHA Mortgage Insurance Premium (MIP) on Loan Balance from Prior Period[2]
+ 0	Scheduled Payment Amount for Current Period (if applicable)
+ 0	Interest on Scheduled Payment Amount for Current Period (if applicable)[3]
+ 0	MIP on Scheduled Payment Amount for Current Period[4]
+ 0	Unscheduled Payments for Current Period (if applicable)
+ 0	Interest on Unscheduled Payments for Current Period (if applicable)[5]
+ 0	MIP on Unscheduled Payments for Current Period (if applicable)[6]
- 0	Partial Repayments for Current Period (if applicable)
- 0	Interest on Partial Repayments for Current Period (if applicable)[7]
- 0	MIP on Partial Repayments for Current Period (if applicable)[8]
+ 0	Servicing Fee for Current Period
= 0	Total Payoff Due Fannie Mae

NOTE:

1. *Beginning Balance x Current Interest Rate / 365) x (Elapsed Days Between End of Prior Reporting Period and Payoff Date)*

2. *(Beginning Balance x Annual MIP Rate) / 365) x (Elapsed Days Between End of Prior Reporting Period and Payoff Date)*
3. *(Scheduled Payment Amount x Current Interest Rate / 365) x (Elapsed Days Between Date of Scheduled Payment and Payoff Date)*
4. *(Scheduled Payment Amount x Annual MIP Rate / 365) x (Elapsed Days Between Date of Scheduled Payment and Payoff Date)*
5. *(Unscheduled Payment Amount x Current Interest Rate / 365) x (Elapsed Days Between Date of Unscheduled Payment and Payoff Date)*
6. *(Unscheduled Payment Amount x Annual MIP Rate / 365) x (Elapsed Days Between Date of Unscheduled Payment and Payoff Date)*
7. *(Partial Repayment Amount x Current Interest Rate / 365) x (Elapsed Days Between Date of Partial Repayment and Payoff Date)*
8. *(Partial Repayment Amount x Annual MIP Rate / 365) x (Elapsed Days Between Date of Partial Repayment and Payoff Date*

Chapter 5, Processing Claims and Managing Acquired Properties

In this Chapter

This chapter contains the following topics:

5-01, Submitting the REOgram (04/11/2018)

The servicer must submit an REOgram to the SF Credit Ops division or its delegate (see 7-03, List of Contacts) and report a valid eBoutique Action Code within 24 hours after the date of a foreclosure sale or the execution of a deed-in-lieu of foreclosure for all reverse mortgage loans.

> **NOTE:** *Fannie Mae will not accept the servicer's REOgram until a valid eBoutique Action Code liquidating the mortgage loan is reported.*

Failure to timely submit the REOgram and report the related eBoutique Action Code may result in Fannie Mae's

- assessment of a $100 compensatory fee for each day it is late, and/or
- application of any other available and appropriate remedies.

Fannie Mae will not impose a compensatory fee if it determines there is a reasonable explanation for the delay.

After the servicer submits an REOgram, it must monitor the property's status to ensure that it files the final expense reimbursement claim in a timely manner. The servicer must refer to 2-06, Submitting Expense Reimbursement Claims for detailed requirements to submit its final expense reimbursement claim to Fannie Mae.

This topic contains information on the following:

- Exception to Timing Requirement for Properties Located in Connecticut
- When the Property is Subject to Resale Restrictions

Exception to Timing Requirement for Properties Located in Connecticut

If the security property is located in Connecticut and the court orders a Foreclosure by Sale, the foreclosure sale may not be approved and the conveyance deed issued until 60 or more days after the actual foreclosure sale date. Fannie Mae cannot dispose of the property until after the sale is approved, so the servicer should wait until the court approves the sale and issues the deed to Fannie Mae, and then submit the REOgram to notify Fannie Mae about the property acquisition. The REOgram must then be sent within 24 hours after the servicer learns the foreclosure sale has been approved.

When the Property Is Subject to Resale Restrictions

With respect to all resale restrictions, the servicer represents and warrants that upon transfer of the property to Fannie Mae,

- all required notices have been given in an appropriate manner, and
- the foreclosure (or deed-in-lieu of foreclosure) complies with the requirements of the applicable resale restrictions.

The servicer must indicate on the REOgram if the property is subject to resale restrictions that survive foreclosure or the acceptance of a deed-in-lieu of foreclosure.

If the resale restrictions do not survive foreclosure (or the expiration of any applicable redemption period) or acceptance of a deed-in-lieu of foreclosure, the servicer represents and warrants that all actions necessary for the resale restrictions to terminate have been taken.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018
Announcement RVS-2015-01	March 25, 2015

5-02, Home Equity Conversion Mortgage Loan-Specific Mortgage Insurance Claim Requirements (04/11/2018)

Generally, Fannie Mae is able to source reverse mortgage loan claim documentation directly from HUD's HERMIT system in an effort to reduce the amount of documentation the servicer must provide when submitting reimbursement claims. However, there are specific situations in which the servicer is required to provide all of the claim documentation to Fannie Mae.

If the HUD claim…	Then the servicer must submit a copy of the…
is paper-based (i.e., not filed in HERMIT)	original HUD claim and any supplemental claim forms to Fannie Mae within five business days of filing the claim.
is determined to be an assignment claim (also known as a type 22 claim)	HUD claim and AOP to Fannie Mae within five business days of filing the claim.
is determined to be a profit claim (also known as a negative claim)	HECM claims worksheet within five business days of a negative claim identification.

The servicer must provide any other documentation to Fannie Mae upon request.

All claim documentation must be remitted to Fannie Mae utilizing the FTP link in Fannie Mae's servicing solutions system.

> **NOTE:** *Servicers that are not yet set up to utilize the FTP must contact HECM Billing (see 7-03, List of Contacts) for assistance.*

Refer to the *Servicing Guide* E-4.5-02, Filing MI Claims for FHA Mortgage Loans for additional information on filing claims for FHA mortgage loans.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018

5-03, Acquired Properties (05/28/2014)

When a property that secures any reverse mortgage loan is acquired by foreclosure or acceptance of a deed-in-lieu and it cannot be conveyed to the insurer or guarantor, Fannie Mae will be responsible for all functions related to the disposition of the property once the servicer notifies Fannie Mae of the property acquisition.

Fannie Mae also may require the servicer to purchase an acquired property that is not marketable because the servicer failed to detect and correct a title deficiency—particularly when Fannie Mae has lost a sale, Fannie Mae is experiencing significant delays in marketing the property, or Fannie Mae has identified that the servicer's performance shows a pattern of deficiencies.

5-04, Property Management (09/18/2018)

Once Fannie Mae receives the REOgram notifying Fannie Mae about a property acquisition, Fannie Mae will designate a broker, agent, or property management company to oversee certain property management responsibilities and assume responsibility for the payment of HOA, condo association or co-op corporation fees and assessments, ground rents and property taxes.

The servicer must ensure the deed is recorded so that the tax rolls will be changed to reflect Fannie Mae's ownership of the property. However, the servicer is not responsible for the payment of any additional HOA, condo association or co-op corporation fees and assessments, ground rents or real property taxes after Fannie Mae acquires the property, unless otherwise instructed by Fannie Mae.

Under certain circumstances, Fannie Mae also may request the servicer to perform some property management functions that usually would be assigned to a broker, agent, or property management company. However, all repair and marketing costs involved in the disposition of the property must be approved by Fannie Mae.

The following table describes the property insurance requirements for Home Keeper and HECM loans following foreclosure or execution of a deed-in-lieu of foreclosure.

For…	The servicer must…
Home Keeper mortgage loans	• ensure Fannie Mae is named on the property insurance policy • continue to advance funds to pay for insurance premiums, and maintain property insurance coverage until the property appears on the Vacancy Report in Home Tracker®.
HECMs	• cancel the property insurance policy upon foreclosure sale or execution of a deed-in-lieu of foreclosure, **NOTE:** *If the insurance carrier is not willing to cancel the policy because Fannie Mae is not the named insured, the servicer must first request cancellation of Fannie Mae's mortgagee interest and removal of its name from the policy before requesting cancellation of the property insurance policy.* • place a property insurance policy on the acquired property ("REO hazard insurance") in accordance with HUD guidelines and up to the HUD foreclosure appraisal or deed-in-lieu property valuation amount, as applicable, **NOTE:** *In the event the servicer is unable to obtain a property valuation due to circumstances outside its control, it must place a property insurance policy on the acquired property in accordance with HUD guidelines and up to the UPB amount.* • provide all requested documentation and copies of property insurance proceed checks to Fannie Mae or its delegate for filing of property insurance claims, • request reimbursement from Fannie Mae for REO property insurance premiums via LoanSphere, • ensure that REO property insurance premium invoices are included in the HUD claim package in accordance with HUD guidelines, and • cancel the REO property insurance policy within 14 days of receipt of the HUD claim package from Fannie Mae or its delegate. **NOTE:** *The servicer is authorized to add HECM REO property insurance to its existing REO insurance policy as long as such policy is consistent with HUD guidelines. Additionally, Fannie Mae will maintain liability insurance on acquired properties.*

Fannie Mae or its delegate may contact the servicer to obtain information about any applicable property insurance policy and carrier(s) and any recent property inspections completed by the servicer. The servicer must provide all requested information or documentation to Fannie Mae or its delegate within three business days.

If the servicer cancels the insurance policy prematurely and damages are later found, the servicer must make Fannie Mae whole for any losses or fees relating to the property damages.

> **NOTE:** *The servicer cannot issue any insurance loss proceeds to pay fees to its property recovery firm or any other servicer expenses, and Fannie Mae will not reimburse fees for any property recovery firm engaged by the servicer or for any other related servicer expenses.*

The servicer must not submit a request for reimbursement of the REO property insurance premium until expiration or cancellation of the policy, as applicable.

The servicer must refer to 5-05, Submitting Special Remittances (04/11/2018) for detailed requirements to remit insurance loss proceeds to Fannie Mae.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-03	September 18, 2018
Announcement RVS-2018-02	July 11, 2018
Announcement RVS-2018-01	April 11, 2018
Announcement RVS-2015-03	October 14, 2015
Announcement RVS-2015-01	March 25, 2015

5-05, Submitting Special Remittances (04/11/2018)

The servicer must report special remittances for reverse mortgage loans to Fannie Mae through the CRS.

The following table describes the servicer's responsibilities related to remitting any insurance loss proceeds it receives.

✓	The servicer must...
	Remit to Fannie Mae the remaining balance of any insurance loss proceeds that the servicer is maintaining on a mortgage loan that is liquidated through foreclosure or execution of a deed-in-lieu within 30 days of issuing the REOgram.

✓	The servicer must...
	Wire any funds received from any insurance loss proceeds that was a result of a claim filed by Fannie Mae's property recovery firm to Fannie Mae within 10 business days of receipt.

When the servicer receives the refund of the unearned REO property insurance premium from the property insurer, it must immediately remit the funds to Fannie Mae as a special remittance via CRS. However, if Fannie Mae has not reimbursed the servicer for all of its outstanding foreclosure expenses, the servicer may keep the REO property insurance premium refund and show it as a credit on the request for expense reimbursement that it submits to request reimbursement of its outstanding expenses for the mortgage loan.

> **NOTE:** *This does not pertain to property insurance proceeds, but only premium refunds.*

In the event of a third-party sale, the servicer must remit the amount Fannie Mae is due as a special remittance via CRS within five business days of receipt of the proceeds, using remittance code 311. The servicer must not net expenses from the third-party proceeds prior to remittance via CRS.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018

Chapter 6, Reporting through eBoutique

In this Chapter

This chapter contains the following sections:

6-01, Reporting Specific Transactions to Fannie Mae

This section contains the following topics:

6-01-01, Reporting Specific Transactions (03/25/2015)

Fannie Mae's reverse mortgage loan reporting system, eBoutique, is a web-based application that provides access to the Fannie Mae reverse mortgage loan database, which includes information about each reverse mortgage loan in a servicer's portfolio. Fannie Mae carries multiple balances for each mortgage loan:

- total mortgage loan balance,
- amount in any repair set-aside,
- amount in any T&I set-aside,
- amount in any line of credit, and
- amount of any draws made at closing.

When the servicer transmits transaction records to Fannie Mae, eBoutique will evaluate the data and respond to the servicer with the results. The system will update the database for each error-free transaction by debiting or crediting the appropriate balance or by transferring an amount from one balance to another. If the system notifies the servicer about an erroneous transaction, the servicer can correct the error and resubmit the rejected transaction.

eBoutique enables Fannie Mae to process servicing transactions on the same day the servicer transmits them to Fannie Mae—up until 2:00 p.m. (eastern time) on the last calendar day of each month. Any transaction that Fannie Mae receives after this cut-off time will be processed with the following month's activity as a "prior-period" adjustment. As a result of the daily processing, Fannie Mae is able to have its records updated at the close of business on the last day of the month and to disburse servicing fees and mortgage insurance to the servicer by the third business day of the following month.

The servicer must report mortgage loan-level detail for reverse mortgage loans to Fannie Mae as each specific activity occurs (see 5-01, Submitting the REOgram for additional information). The types of activity that must be reported for an individual mortgage loan are summarized under five different transaction types:

- payment plans,
- partial prepayments,
- "unscheduled" payments to the borrower,
- mortgage loan status maintenance, and
- payoffs.

Each transaction type has its own action reporting codes to describe specific activities associated with that type of transaction. The servicer must also submit trial balance information for its reverse mortgage loan portfolio and report transfers of servicing involving reverse mortgage loans to Fannie Mae.

Related Announcements

The table below provides references to the Announcements that have been issues that are related to this topic.

Announcements	Issue Date
Announcement RVS-2015-01	March 25, 2015

6-01-02, Payment Change Transactions (05/28/2014)

As soon as the servicer receives the borrower's acknowledgment of the terms of a requested payment plan change, the change must be reported to Fannie Mae. A payment plan change may involve a change from one payment plan to another or a change in the terms of the borrower's payment plan.

The servicer must report both the new payment plan or terms and the reason for the change in the following manner:

- Payment plans must be identified as one of the following:
  1) a term payment plan (for HECM loans only),
  2) a tenure payment plan,
  3) a modified term payment plan (for HECM loans only),
  4) a modified tenure payment plan, or
  5) a line of credit payment plan.
- The reason for the change must be identified as one of the following:
  1) access growth for T&I,
  2) access growth for repairs,
  3) access growth for purchase adjustment, or
  4) borrower's request.

This topic contains information on the following:

- Change from One Plan to Another
- Change in Terms of Existing Plans
- Change in Withholding Amount

Change from One Plan to Another

If the borrower is changing from one payment plan to another, the servicer must indicate the new payment plan and the reason for the change when it reports the payment plan change transaction. The additional information that the servicer will need to report will depend on the type of new payment plan the borrower selected, and on whether the servicer is making T&I payments on the borrower's behalf.

If the new payment plan is a…	Then the servicer must indicate…
term payment plan	• the number of remaining months during which the borrower should receive scheduled payments; • the amount of the scheduled payments; • the effective date of the plan change; and • the amount (or percentage) to be withheld and the beginning and ending dates for the withholding if the servicer is withholding funds from the scheduled payments to make T&I payments.
tenure payment plan	• the amount of the scheduled monthly payment to the borrower; • the effective date of the plan change; and • the amount (or percentage) to be withheld and the beginning and ending dates for the withholding if the servicer is withholding funds from the scheduled payments to make T&I payments.
modified term payment plan	• the number of remaining months during which the borrower should receive scheduled payments; • the amount of the borrower's line of credit reserve; • the amount of the scheduled payments; • the effective date of the plan change; and • the amount (or percentage) to be withheld and the beginning and ending dates for the withholding if the servicer is withholding funds from the scheduled payments to make T&I payments.
modified tenure payment plan	• the amount of the scheduled monthly payment to the borrower; • the amount of the borrower's line of credit reserve; • the effective date of the plan change; and • the amount (or percentage) to be withheld and the beginning and ending dates for the withholding if the servicer is withholding funds from the scheduled payments to make T&I payments.
line of credit payment plan	• the amount of the borrower's line of credit reserve, and • the effective date of the plan change.

Change in Terms of Existing Plans

There may be instances in which a borrower requests a change in the terms of his or her existing payment plan or the servicer initiates a change to recover advances it made or to give the borrower credit for monies he or she is due. Generally, these payment changes should be reported in the same way that the servicer reports a change from one plan to another, except that the servicer should indicate the borrower's existing payment plan when it reports the payment plan change transaction (since the same plan will remain in effect, albeit with modified terms).

Change in Withholding Amount

The servicer generally withholds an amount from the borrower's scheduled monthly payment only if the borrower requests the servicer to make T&I

payments on his or her behalf. The servicer may also assume responsibility for making these payments—and withhold the appropriate amount from the borrower's scheduled payments—if the borrower fails to pay T&I payments that he or she agreed to pay. There will also be occasions in which a servicer that has been withholding funds from the borrower's scheduled payment to make T&I payments on the borrower's behalf will no longer need to do so.

To begin withholding funds from a borrower's scheduled payments, the servicer should report a payment plan change to reflect the amount (or percentage) to be withheld and the beginning and ending dates for the withholding, following the general procedures for reporting changes from one payment plan to another. Should the servicer need to discontinue its withholding for T&I payments, it should report a payment plan change, showing the appropriate scheduled monthly payment and indicating a "zero" withholding amount.

6-01-03, General Servicing Transactions (04/11/2018)

There are four types of general servicing transactions that the servicer must report to Fannie Mae:

- A partial prepayment occurs when the borrower submits funds to be applied toward repayment of the mortgage loan debt.
- An "unscheduled" payment occurs when the borrower requests a draw against the line of credit or when the servicer removes funds from a set-aside account.
- Mortgage loan status maintenance occurs when there has been a change in the mortgage loan status, which may mean that payments to the borrower will need to be stopped or resumed, that action has been taken to liquidate the mortgage loan, that the borrower has declared bankruptcy, etc.
- A payoff occurs when the borrower (or his or her estate) repays the mortgage loan debt in full; a repurchase occurs when the servicer fulfills a contractual obligation by repurchasing the mortgage loan from Fannie Mae.

This topic contains information on the following:

- Partial Prepayment Transactions
- Unscheduled Payment Transactions
- Mortgage Loan Status Maintenance Transactions
- Payoff and Repurchase Transactions

Partial Prepayment Transactions

The servicer must perform the actions required in the following table when any partial prepayments are received from the borrower.

✓	The servicer must…
	Report the prepayments received to Fannie Mae.
	Remit the funds to Fannie Mae within 24 hours of receipt.
	Provide the following information to Fannie Mae: • the amount of the prepayment, • the eBoutique action code that is associated with the transaction, and • the effective date of the repayment.

Any partial prepayment received from the borrower will decrease the balance of the mortgage loan (and increase the borrower's net principal limit). The servicer must select from the eBoutique action codes described in the following table to instruct Fannie Mae about the application of the repayment.

eBoutique Action Code…	Is used to indicate that the prepayment must be…
80	• applied to reduce the mortgage loan balance for an FHA HECM unless the borrower has a line of credit payment plan (in which case, Code 81 should be used), or • used to reduce the mortgage loan balance for a Home Keeper mortgage loan if the borrower has a tenure payment plan.
81	• applied to increase the borrower's net line of credit.
82	• applied to increase the repair set-aside account.
83	• applied to increase the T&I set-aside account.
84	• applied to increase the first year's property charges set-aside account.

Unscheduled Payment Transactions

The servicer must report any unscheduled payments it makes to the borrower or to another party on the borrower's behalf. The servicer must also provide the following additional information to Fannie Mae:

- the amount of the unscheduled payment,
- the eBoutique action code that is associated with the transaction, and
- the effective date of the unscheduled payment.

An unscheduled payment will increase the borrower's mortgage loan balance (and decrease the borrower's net principal limit). The servicer must select from the eBoutique action codes described in the following table to instruct Fannie Mae about the purpose of the unscheduled payment.

eBoutique Action Code…	Is used to indicate that the unscheduled payment is related to…
41	an interim payment for repair work, which the servicer is authorized to use to reduce the repair set-aside account. This action code cannot reduce the set-aside to zero. A different action code is used for the final payment.
42	an interim payment of the first year's property charges, which the servicer is authorized to use to reduce the first year's property charges set-aside account. This action code cannot reduce the set-aside to zero. A different action code is used for the final payment.
43	taxes or insurance premiums the servicer is paying on the borrower's behalf, which the servicer is authorized to use to reduce the T&I set-aside account.
44	a draw the borrower requested from his or her net line of credit, which the servicer is authorized to use to reduce the borrower's credit line.
45	the final payment for repair work, which the servicer is authorized to use to reduce the repair set-aside account. The system will apply any remaining funds to the net line of credit.
46	the final payment of the first year's property charges, which the servicer is authorized to use to reduce the first year's property charges set-aside account. The system will apply any remaining funds to the net line of credit.
47	the fee for any appraisal report the borrower is required to obtain in connection with the acceleration of the debt, which the servicer is authorized to use to establish an appraisal fee set-aside account, and thus will be added to the borrower's mortgage loan balance.
48	an advance to prevent a tax lien from being placed because the borrower failed to pay the real estate taxes for the security property, which the servicer is authorized to use to reduce the borrower's line of credit if it includes enough funds to make the payment.

eBoutique Action Code…	Is used to indicate that the unscheduled payment is related to…
49	a fee that is charged to the borrower for processing a payment plan change request, which the servicer is authorized to use to reduce the borrower's line of credit.

The servicer must select from the eBoutique action codes described in the following table to instruct Fannie Mae about the purpose of the unscheduled payment used for servicer reimbursements.

eBoutique Action Code…	Is used to reimburse the servicer for an unscheduled payment that relates to a fee that is charged to the borrower for processing…
90	unscheduled taxes, which the servicer is authorized to use to reduce the borrower's line of credit.
91	unscheduled insurance, which the servicer is authorized to use to reduce the borrower's line of credit.
92	an unscheduled inspection, which the servicer is authorized to use to reduce the borrower's line of credit.
93	an unscheduled appraisal, which the servicer is authorized to use to reduce the borrower's line of credit.
94	unscheduled property preservation, which the servicer is authorized to use to reduce the borrower's line of credit.

Mortgage Loan Status Maintenance Transactions

The servicer must report mortgage loan status maintenance transactions to Fannie Mae as they occur. Mortgage loan status maintenance transactions relate to the

- suspension or resumption of the borrower's scheduled payments,
- initiation of bankruptcy or other litigation,
- referrals to a law firm for foreclosure action or acceptance of a deed-in-lieu,
- referrals to HUD for a determination of whether to accelerate the debt,
- issuance of a demand for repayment, or
- liquidation of the mortgage loan.

When reporting a mortgage loan status maintenance transaction, the servicer must report one of the eBoutique action codes described in the following table to provide a more detailed explanation of the exact status of the mortgage loan. The servicer may report different action codes eBoutique for the mortgage loan from time to time.

eBoutique Action Code…	Is used to notify Fannie Mae that the…
01	borrower has requested suspension of his or her scheduled payments for a period of time and that Fannie Mae should cease its automatic disbursement of these payments as of the effective date the servicer specifies.
02	borrower has requested the resumption of previously suspended scheduled payments and that Fannie Mae should once again begin its automatic disbursement of these payments as of the effective date the servicer specifies. This code can also be used to notify Fannie Mae that it can once again make any scheduled payments to a borrower that it had suspended when the demand for repayment was issued, because the borrower has cured his or her default.
11	mortgage loan has been referred to foreclosure due to the borrower's death.
12	mortgage loan has been referred to foreclosure due to the borrower's non-occupancy of the property.
13	mortgage loan has been referred to foreclosure due to unpaid T&I.
14	mortgage loan has been referred to foreclosure due to other reasons.
15	borrower declared bankruptcy or that other litigation involving the borrower or the security property was initiated on the date the servicer specifies.
20	deed-in-lieu is in process.

eBoutique Action Code…	Is used to notify Fannie Mae that the…
50	Home Keeper mortgage loan has been accelerated or a HECM loan was referred to HUD for a decision to accelerate the debt, as the result of any default other than the nonpayment of T&I on the date the servicer specifies.
51	Home Keeper mortgage loan has been accelerated or a HECM loan was referred to HUD for a decision to accelerate the debt as the result of the borrower's failure to make T&I payments on the date the servicer specifies.
52	HECM loan was referred to HUD for a decision to accelerate the debt as the result of other reasons on the date the servicer specifies.
53	HECM loan was referred to HUD for a decision to accelerate the debt; however, the servicer is setting up a repayment plan to clear the default.
55	Loan was called due and payable. Payment was issued for a Home Keeper mortgage loan or that a Repayment Notice was issued for a HECM loan on the date the servicer specifies.
56	HECM loan was referred to HUD for a decision to accelerate the debt as result of borrower's non-occupancy of the property on the date the servicer specifies.
57	HECM loan was referred to HUD for a decision to accelerate the debt as the result of borrower's non-payment of T&I on the date the servicer specifies. **NOTE:** *If the servicer subsequently enters into a repayment plan that meets HUD guidelines, then action code 53 (repayment plan) should be reported to eBoutique.*
58	HECM loan was referred to HUD for a decision to accelerate the debt as the result of other reasons on the date the servicer specifies.
70	property was acquired at a foreclosure sale or through the recording of a deed-in-lieu of foreclosure on the date the servicer specifies.
71	third party acquired the property at a foreclosure sale on the date the servicer specifies, as well as to notify Fannie Mae that a "short" payoff was finalized on the date the servicer specifies.
72	HECM loan has been liquidated and assignment to HUD has occurred on the date the servicer specifies.

Payoff and Repurchase Transactions

The servicer must report the borrower's payment of the mortgage loan in full or the servicer's repurchase of the mortgage loan from Fannie Mae on the same day it transmits the funds to Fannie Mae.

> **NOTE:** *Payoff proceeds cannot be processed after the 2:00 p.m. (eastern) system cutoff time on the last day of the month; therefore, Fannie Mae will process any payoff proceeds received after the cutoff on that day as a "prior-period" adjustment in the following month.*

The servicer must provide the following additional information to Fannie Mae:

- the amount received from the borrower for a payoff transaction,
- the amount of repurchase proceeds that will be drafted from the servicer's custodial account,
- the reason for a payoff, and
- the effective date of the payoff or repurchase.

The borrower's payment in full of the debt will set both the borrower's mortgage loan balance and net principal limit to zero.

The servicer must select from the eBoutique action codes described in the following table to describe a mortgage loan payoff or repurchase.

eBoutique Action Code…	Is used to indicate that the…
31	mortgage loan was paid off on the effective date the servicer specifies as the result of the borrower's death.
32	mortgage loan was paid off on the effective date the servicer specifies as the result of the borrower's move to a different residence.
33	mortgage loan was paid off on the effective date the servicer specifies and that the borrower will continue to reside in the property.
34	mortgage loan was paid off on the effective date the servicer specifies for any other reason for termination.
35	mortgage loan was paid off on the effective date the servicer specifies, but the servicer is not aware of the reason for the payoff.
65	servicer is repurchasing the mortgage loan from Fannie Mae as of the effective date the servicer specifies.
66	mortgage loan has been refinanced as of the effective date the servicer specifies.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018

6-01-04, Servicing Transfer Transactions (05/28/2014)

Once a transfer of servicing for some or all of the servicer's reverse mortgage loans is approved by Fannie Mae, the servicer must notify Fannie Mae to transfer the mortgage loans from the transferor to the transferee servicer in eBoutique. This notification can relate to all of the servicer's reverse mortgage loans, all of the servicer's Home Keeper mortgage loans, all of the servicer's HECM loans, or selected reverse mortgage loans of either type.

The servicer's notification (which is the file format) for a servicing transfer transaction must include the following, which can be found within eBoutique under the "help" option:

- Transaction designator – 05 (which identifies the transaction as Servicer Transfer).
- The nine-digit Fannie Mae transferor and transferee servicer numbers.
- Transfer option (which identifies the mortgage loans to be transferred). 1=All, 2=All HECM, 3=All Home Keeper (HKM), or 4=Specific Loan.
- Fannie Mae loan number (for each loan to be transferred if transfer option).
- Effective date of the servicing transfer. (YYYYMMDD).
- Delete loan indicator.

6-01-05, Trial Balance Transactions (04/11/2018)

The servicer is required to complete and submit its trial balance transaction files to Fannie Mae via eBoutique by the sixth calendar day of each month. eBoutique will perform a reconciliation of mortgage loan balance record differences in the trial balance transaction file and produce two reports:

- Report 28 – Trial Balance Reconciliation Exception, and
- Report 29 – Trial Balance UPB Compare.

The trial balance comparison transaction must identify

- the servicer's nine-digit Fannie Mae seller/servicer identification number,
- the subservicer's nine-digit Fannie Mae seller/servicer identification number (if applicable),
- the Fannie Mae mortgage loan number of each mortgage loan, and

- the reporting period (or effective date) of the trial balance.

For each mortgage loan identified on the trial balance, the following information must be provided:

- type of payment plan,
- mortgage loan balance,
- current interest rate,
- net principal limit,
- line of credit reserve (if applicable),
- net line of credit (if applicable),
- first year property charge set-aside (if applicable),
- T&I set-aside (if applicable),
- repair set-aside (if applicable),
- servicing fee set-aside,
- scheduled payment (if applicable),
- indicator (C = Complete or P = Partial), and
- tolerance level.

After the servicer submits its trial balance transaction, the system will perform reconciliation and respond with the results. The results will be displayed on Report 28 – Trial Balance Reconciliation Exception. The following table describes results of the eBoutique analysis.

If…	Then…
there are no differences between Fannie Mae's records and the information the servicer submitted,	the following message will appear: "Of the loan attributes entered, none were found to differ."
there are differences between Fannie Mae's records and the information the servicer submitted,	the reconciliation report will show the difference between the data the servicer showed in its trial balance and that in Fannie Mae's database, identifying the individual components that need to be reconciled.

In addition, the servicer must reconcile the mortgage loan balances under a separate report, Report 29 – Trial Balance UPB Compare. The servicer is also required to provide additional data fields for mortgage loans with balance differences on this report. To facilitate this, two new reports—the Reverse Mortgage Detail Report and the Reverse Mortgage Summary Report—have been created and must be completed by the servicer. These new reports, along with the Reverse Mortgage Reports Category Definitions, a defined list of fields used in the reports, are available on eBoutique on Fannie Mae's website. The servicer must e-mail the completed encrypted reports by the 20th calendar day of the month to its Reverse Mortgage Loan Servicing Representative (see 7-03, List of Contacts).

This topic contains information on the following:

- Reconciliation Requirements
- Assessments for Non-Compliance with Reporting

Reconciliation Requirements

Any mortgage loan identified and reported with a balance difference greater than $250 must be reconciled within 90 days from the date the difference was identified and reported. Fannie Mae may issue repurchase letters for mortgage loans that remain unreconciled at the expiration of the 90-day resolution period.

The servicer must, on a monthly basis, reconcile the month-end mortgage loan status from its servicing system of record to the mortgage loan status reported on the Data Extract Download Report (Report 35), and immediately correct any discrepancies between the two systems.

The servicer must submit a copy of the report indicating the mortgage loan status from its system of record, along with any discrepancies, to Fannie Mae by the 7th business day of each month.

Assessments for Non-Compliance with Reporting

If a servicer fails to comply with any of the above reporting requirements, or if an incomplete report is received, the following fees may be assessed:

- $500 for the first occurrence in a 12-month period.
- $750 for the second occurrence in a 12-month period.
- $1,000 for the third occurrence in a 12-month period.
- A fourth occurrence in a 12-month period may result in a transfer of servicing by Fannie Mae.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement RVS-2018-01	April 11, 2018

6-02, eBoutique Reports

This section contains the following topic:

- 6.2-01, Fannie Mae-Generated Reports

6-02-01, Fannie Mae-Generated Reports (05/28/2014)

A servicer of reverse mortgage loans must have servicing systems in place that enable it to track reverse mortgage loan activity and report that activity to Fannie Mae each month. Fannie Mae expects the servicer to reconcile its records to the reports Fannie Mae provides each month; therefore, at a minimum, the servicer's system must be able to track

- mortgage loan balances,
- disbursements to borrowers,
- servicing fee payments,
- interest accruals, and
- line of credit activity.

eBoutique produces a number of reports to assist a servicer in tracking its mortgage loan activity and reconciling its records to Fannie Mae's. On a daily basis, a servicer is able to obtain a cash report that it can use to reconcile its custodial accounts. Then, on the morning after Fannie Mae's month-end processing is completed, the servicer can obtain a series of reports that summarize the status of the servicer's reverse mortgage loan portfolio.

This topic contains information on the following:

- Daily Disbursement Reconciliation Reports
- Monthly Reports

Daily Disbursement Reconciliation Reports

The Disbursement Reconciliation Reports show disbursements of scheduled payments, unscheduled payments, partial prepayments/payoffs, servicing fees, and mortgage insurance premiums, as well as adjustments to additional scheduled payments. It is available after the ACH process is completed each day. This enables the servicer to view the ACH activity Fannie Mae disbursed and use it in reconciling bank statements.

Monthly Reports

A number of reports are available to the servicer on a scheduled basis each month, generally immediately following the completion of Fannie Mae's month-end processing. The following table describes some of the reports that are available.

Report Name	Description
Monthly Disbursement Reconciliation Reports	These reports summarize the disbursements of scheduled payments, unscheduled payments, servicing fees, mortgage insurance premiums, total reimbursements, partial prepayments/payoffs, and adjustments to additional scheduled payments that appear on all of the daily Disbursement Reconciliation Reports.
Net Principal Limit (Report 3) and Line of Credit Report (Report 4)	These reports show all monthly activity that affects the net principal limit or line of credit balances for all of the reverse mortgage loans in the servicer's portfolio. The servicer may also request this report for specific mortgage loans or for a specific date range only by contacting Fannie Mae's SF Ops Master Servicing (see 7-03, List of Contacts).
Loan Adjustment Report (Report 5)	This report shows all of the adjustments and reversals for the required reporting period. The report is generated if adjustments to the servicer's monthly activities have been processed.
Portfolio Loan Balance Report (Report 6 and Report 7)	This report, which is available in a detailed or summary format, shows mortgage loan-level detail for all of the components of the mortgage loan balances for the servicer's reverse mortgage loan portfolio for any given month, any action codes that affected the balances in that month, the beginning mortgage loan balance, any activities made during the reporting period, and the ending balance. The servicer should use this report for detail to review the beginning balance, interest on the beginning balance, mortgage insurance premiums on beginning balance, scheduled payment, interest on scheduled payment, mortgage insurance premiums on scheduled payment, unscheduled payment(s), interest on unscheduled payments, mortgage insurance premiums on unscheduled payment, partial prepayment, interest on partial prepayment, mortgage insurance premiums on partial prepayment, service fee, interest on adjustment to mortgage loan balance, mortgage insurance premiums on adjustment to mortgage loan balance, and ending balance.

Report Name	Description
	The servicer should use the Loan Balance Report Summary to review the activities posted for each mortgage loan during the month and to identify those for which the servicer's and Fannie Mae's records have ending balance deficiencies. The servicer must perform this reconciliation each month and research (and resolve) the identified discrepancies in a timely manner. Specifically, the servicer should compare the data for these mortgage loan-level components—mortgage loan interest rate; beginning balance; adjustments made during the reporting period; amount of unscheduled payments; a prepayment, payoff, or repurchase credited to the account; amount of scheduled payment; interest accrued prior to purchase; amount of mortgage insurance premium (for a HECM loan only); interest accrued during the reporting period; servicing fee; and ending balance—as well as the total portfolio mortgage loan count.
Servicer Portfolio Summary Report (Report 19)	This report shows the beginning balance, mortgage loan count, mortgage loans added, mortgage loans removed, monthly activity, ending balances, and other statistics for the servicer's reverse mortgage loan portfolio.
Reconciliation Exception Report (Report 28)	This report shows the differences in mortgage loan balances that are identified by the monthly comparison between the trial balance the servicer submits and the balances in Fannie Mae's database. Only those mortgage loans that have a component that needs to be reconciled are included in the report.
Reverse Mortgage Rate Changes Report (Report 8)	This report shows the new interest rate calculation for all mortgage loans that have scheduled interest rate changes in the next reporting period. This report is available to the servicer on the second business day of each month. If the servicer disagrees with Fannie Mae's calculated rates, it should use this report as a turnaround document, making appropriate changes and transmitting it to Fannie Mae on the next business day after the servicer obtained the report.
Reverse Mortgage Rate Changes Report – Newly Purchased Loans (Report 8B)	This report shows the new interest rate calculation for all mortgage loans that have scheduled interest rate changes in the next reporting period. The report for newly purchased mortgage loans is generated on the last business day at the end of the month-end process and will be available starting the subsequent first business day.
Early Warning Report (Report 21)	This report identifies problems or items that may need attention before they are updated. This report will display all mortgage loans that have one of the following: • UPB equal to or greater than 95% of the maximum claim amount, • net principal limit equal to or less than zero, or • line of credit balance less than or equal to $50.00.

Report Name	Description
First Year Property Charge Rollover Report (Report 20)	This report lists the mortgage loans that will reach their one-year anniversary in the following reporting month, and still have a balance in their First Year Property Charge Set-aside.
Servicing Transactions Upload Report (Report 26)	This report displays the status transactions submitted daily through the upload process on the Servicing Transactions file upload format.
Servicing Transfer Data Log Report (Report 27)	This report displays the status of the transaction submitted, through the upload process, as part of a servicing transfer request.
Trial Balance UPB Compare Report (Report 29)	This report lists all mortgage loans by servicer number that were found to be out of balance during a specific reporting period in the Trial Balance Reconciliation Exception Report for the Loan Balance amount.
Trial Balance Upload Report (Report 31)	This report lists the rejected mortgage loans that are submitted through the upload process in the Trial Balance File.
Monthly Servicer Data Extract Download Report (Report 35)	This extract is a file of all mortgage loans belonging to each servicer.
Scheduled Payment Rejection Report (Report 39)	This report lists all scheduled payments that were rejected for exceeding the maximum claim amount.

Chapter 7, Quick Reference Materials

In this Chapter

This chapter contains the following topics:

7-01, Glossary (04/11/2018)

Term	Definition
eBoutique™	A web-based application that provides access to the Fannie Mae reverse mortgage loan database, which includes information about each reverse mortgage loan in a servicer's portfolio.
First year property charges set-aside	Funds that are "netted out" of the borrower's principal limit for a reverse mortgage loan if the borrower asks the servicer to pay tax or insurance premiums on his or her behalf and the amount to be assessed during the first year cannot be withheld from payments that are made to the borrower.
Home Equity Conversion Mortgage (HECM)	An FHA-insured reverse mortgage loan that permits homeowners who are at least 62 years of age to withdraw their cash equity from their home.
Home Keeper Mortgage Loan	Fannie Mae's conventional reverse mortgage loan product.
Line of credit payment plan	A reverse mortgage loan payment plan available for FHA HECM loans that provides for payments to be made to the borrower whenever he or she requests a disbursement. The borrower specifies the amount of the disbursement (or draw) each time he or she requests a payment.
LoanSphere Invoicing™	A web-based application that allows servicers of reverse mortgage loans to submit qualified expenses for reimbursement.
Maximum claim amount	The lesser of the appraised value of a property and the maximum loan amount that FHA can insure for a one-family residence in the area where the property is located; a component that is used in determining a borrower's principal limit for an FHA HECM loan.
Modified tenure payment plan	A reverse mortgage loan payment plan available for FHA HECM loans that provides for the borrower to set aside part of his or her principal limit at origination to establish a line of credit that can be drawn on at any time and to receive the rest of the principal limit in the form of scheduled equal monthly installments over a fixed term.
Modified term payment plan	A reverse mortgage loan payment plan available for FHA HECM loans that provides for the borrower to set aside part of his or her principal limit at origination to establish a line of credit that can be drawn on at any time and to receive the rest of the principal limit in the form of scheduled equal monthly installments over a fixed term.

Term	Definition
Net line of credit	The amount of a borrower’s line of credit for a reverse mortgage loan that is available to be withdrawn at any specific point in time. At origination, it will be equal to the original line of credit less any set-asides for repairs or first year property charges. At other times, it will be equal to the original line of credit less any set-asides or previous draws the borrower has made.
Net principal limit	The amount of money available to a borrower who has a reverse mortgage loan at any specific point in time. It will be equal to the principal limit less the sum of any payments made to the borrower, any financed closing costs, the servicing fee allocation, and any set-asides, plus the amount of any repayments the borrower has made.
Notice of immediate payment	The notice that the servicer sends to a borrower who has a Home Keeper reverse mortgage loan to call the mortgage loan due and payable because the borrower no longer occupies the property as a principal residence or has otherwise defaulted under the terms of the mortgage loan.
Original line of credit	A borrower’s total line of credit for a reverse mortgage loan, including any funds that must be used for specific purposes. It is equal to the principal limit plus any set-asides for repairs or first year property charges.
Payment plan	The manner in which the loan proceeds for a reverse mortgage loan are paid out to the borrower.
Principal limit (Report 31)	The total borrowing power that is available to a borrower when a reverse mortgage loan is originated. The amount of cash that is available when a Home Keeper mortgage loan is originated (which is called the “principal limit”) is a function of the age and number of borrowers, the value of the property, and (for some older mortgage loans originated before August 10, 2000) whether the borrower chose an equity share feature.
Regularly amortizing mortgage loan	A collective term that Fannie Mae uses to differentiate “forward” mortgage loans from reverse mortgage loans. Mortgage loans that fall into this category include fully amortizing mortgage loans, partially amortizing mortgage loans (such as balloon mortgage loans or mortgage loans with an interest-only feature), and mortgage loans that provide for the deferment of interest accruals during any portion of the mortgage term (by allowing negative amortization).
REOgram	An automated notice that a property has been acquired by foreclosure or acceptance of a deed-in-lieu of foreclosure, which serves as an early warning system for potential property dispositions.
Repair set-aside	An amount that is “netted out” of a borrower’s principal limit for a reverse mortgage loan, which is then set aside to pay for required repair work as it is completed.
Repayment notice	The notice that the servicer sends to a borrower who has an FHA HECM to call the mortgage loan due and payable because the borrower no longer occupies the property as a principal residence or has otherwise defaulted under the terms of the mortgage loan.
Repayment Plan	An arrangement made to repay delinquent installments or advances; formal repayment plans are called relief provisions.

Term	Definition
Reverse mortgage loan	A mortgage loan for which the borrower receives the proceeds based on the terms of a payment plan that he or she selects, rather than as a lump sum at loan closing. The mortgage loan usually is repaid in one payment (from the proceeds of the sale of the house or from the settlement of the borrower's estate), rather than through periodic payments. The mortgage loan is not due and payable as long as the borrower occupies the property as a principal residence and does not violate any of the mortgage loan covenants.
Scheduled payment	A reverse mortgage loan payment that is made to a borrower under the terms of a payment plan that calls for payments to be made at stated intervals over a defined term or until the borrower no longer occupies the property as a principal residence or otherwise defaults under the terms of the mortgage loan; the payment that is due for any given month (or any given biweekly payment period) for a regularly amortizing mortgage loan.
Set-aside	Funds for a specified use that are "netted out" when determining a borrower's principal limit for a reverse mortgage loan. Uses for a set-aside include the payment of expenses for repairs that were required as a condition of originating the mortgage loan and accruals to pay first year property charges (if the borrower wants the servicer to pay them and they cannot be withheld from payments made to the borrower).
Special Remittances	Additional monies that are due to Fannie Mae for a specific purpose related to an individual mortgage loan. Some examples are the sales or redemption proceeds related to acquired properties, repurchase or loss reimbursement proceeds, insurance premium refunds, rental payments for an acquired property, deficiency settlements, and property insurance recoveries.
Tenure conversion factor	A factor that is used to determine the new payments for a Home Keeper reverse mortgage loan when a borrower changes to a payment plan that provides for scheduled payments. It is the ratio of the maximum monthly tenure payment available to the borrower at origination to the maximum line of credit available to that same borrower at origination.
Tenure payment plan	A reverse mortgage loan payment plan available for FHA HECM loans that provides for the borrower to receive scheduled equal monthly installments beginning on the first day of the month after loan closing and continuing over time.
Term payment plan	A reverse mortgage loan plan available for FHA HECM loans that provides for the borrower to receive scheduled equal monthly installments over a fixed term.
Unscheduled payment	A reverse mortgage loan payment that is made to a borrower under a line of credit payment plan, which is determined by the borrower's request for a specific payment amount to be paid on a specific date; any payment that the servicer deducts from the borrower's line of credit for a reverse mortgage loan to make payments on the borrower's behalf (for example, to pay for repairs or T&I payments); a payment that Fannie Mae receives from a borrower who has a regularly amortizing mortgage loan, which represents funds being paid for a reason other than to make the scheduled payment that is due.

7-02, Table of Abbreviations and Acronyms (04/11/2018)

Term	Definition
ACH	Automated Clearing House
AOP	Advice of Payment
ARM	adjustable-rate mortgage loan
CMT	Constant Maturity Treasury
CRS	Cash Remittance System
DDC	designated document custodian
FHA	Federal Housing Administration
FTP	File Transfer Portal
HECM	Home Equity Conversion Mortgage
HERMIT	Home Equity Reverse Mortgage Information Technology
HOA	Homeowner’s Association
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
LIBOR	London Interbank Offered Rate
MBS	mortgage-backed security
MRC	Mortgage Resource Center, Inc.
P&I	principal and interest
PUD	planned unit development
REO	real estate owned
SF CPM	Fannie Mae’s Single-Family Credit Portfolio Management
SF Credit Ops	Fannie Mae’s Single-Family Credit Operations
SF Ops Master Servicing	Fannie Mae’s Single-Family Operations Master Servicing
T&I	taxes and insurance
UPB	unpaid principal balance

7-03, List of Contacts (06/13/2018)

Name	Contact Information	Purpose
Cash Management Unit	e-mail: cash_processing@fanniemae.com	For inquiries and to submit Form 360 and Form 1072
HECM Billing	e-mail: HECM_Billing@fanniemae.com	For filing HECM-specific MI Claims that are not yet set up to use the FTP.
HECM Refunds	e-mail: HECM_Refunds@fanniemae.com	For submitting refund requests on HECM loans.
Reverse Mortgage Loan Servicing Representative	Servicer Support Center 1-800-2FANNIE (1-800-232-6643) Enter your 5-digit Seller/Servicer Number, # and then select option 2. e-mail: dil-shortsale_reverse@fanniemae.com	For general servicer questions; case specific inquiries; servicing-related issues; and loss mitigation inquiries.
SF Credit Ops	e-mail: reverse_reogram@fanniemae.com	For questions regarding REOgram submissions for reverse mortgage loans.
SF CPM	Fannie Mae Attn: SF CPM, Documents P.O. Box 809007 or P.O. Box 650043 Dallas, TX 75265 e-mail: CPM_Servicing_Documents@fanniemae.com	For all document submissions including HECM-specific requirements for the assignment of mortgage loans.
SF Ops Master Servicing	e-mail: master_servicing@fanniemae.com e-mail must include: Attn: Fannie Mae Analyst Extension 2601 Seller-Servicer Number Seller-Servicer Name	For requests to receive the Net Principal Limit Report and/or the Line of Credit Report for specific mortgage loans, or for a specific date range only.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement SVC-2018-04	June 13, 2018