

Foreclosure Resistance Handbook for Litigators
Based on FNMA Mortgage Servicing Handbook
Similar to other Pooling and Servicing Agreements

I am not an attorney. I accept no money. All of my information comes from open sources, and is openly published for no particular use by others. Any misspellings are intentional and serve me as edition markings or authenticity identifiers.

Jurisdiction of these rules of the FNMA is the State of New York Securities Commission, with superior compliance to Texas Constitution , Art XVI, 50(a)(6)for property in Texas noted. These are the investor guidelines for securitized loans to FNMA, either singly or pooled in MBS.

Basic property laws are from Blackstone, Holmes Common Law, county property agent customs remain in effect prior to property entering this covenant or on property exit from this covenant. The covenant will never assert ownership of property, and will only issue quitclaim to county recorder when covenant is satisfied.

Lawful jurisdiction for dispute would appear to be 1) Texas; or 2) Southern/Eastern/Western Federal District Court of New York. Accept no substitute. These are financial rules only. These rules have no relation to proprietorship or local taxation. Collateral rights to deed of trust are excluded from these rules.

These lawsuits are complex undertakings and if in excess of \$20 the facts and issues will generally be more well considered by a jury of your peers. Judges in these cases are prone to error, as the law is still gestational and precedents are not well founded.

On complaint or cross complaint by borrower in response to foreclosure-

File lis pendens notice with county property agent and post to public notice.

- 1) Declare proprietary right to your property. Declare abandonment of collateral rights to deed of trust by your counterparty. Declare your intent to repurchase old mortgage at a fixed price when litigation is resolved. Renounce named trustee as interested party of your opponent. Expel him from the court. Get an impartial trustee.
- 2) Pay taxes to tax authority, and notify court and county property agent;
- 3) Preserve property from waste by nature or vandalism, either by insurance or vigilance;

NB: If your property contains asbestos or lead paint it may not be salable. You should inform your counterparty, as a courtesy.

Checklist for mortgage backed security-

- 1- Does it still exist? Some servicers are continuing to collect for nonexistent securities. It's just so damned profitable.
- 2- Do the trustees still exist? Who are they? As they are diminished by bankruptcy, the earnings from servicing are also diminished. Underlying property is diminished.
- 3- Other properties are inserted into vacancies at the direction of bankruptcy trustees, at greatly diminished values and yields. The whole industry continues to shrink. Getting blood from the turnip is becoming increasingly creative, and encouraging thievery.

4.- Check the consent judgments to see if your counterparty has already consented to the behavior you are about to allege. He may have already consented, and the trustee may also have funds available to address your claim. They may be already looking for you to make you whole again. They have already collected >600Bn in commitments, and can't find enough damaged parties for the money.
5.- If the security is still sound and the parties are still existent, know that these MBS structures are generally structured with an allowance for 10-25% nonperforming components. Your declaration above puts you squarely in the nonperforming category. Welcome them to The Suck. Let's go litigate.

If you've read this far, open another window and read my handbook for pro se litigators at www.phhmortgagemustbedestroyed.weebly.com/the-rules.html I started this project on 1 November 2012. We are incomplete. I earn one bitcoin per day. I haven't been paid. Yet. :)

Extracts from the Mortgage Servicing Handbook, or Things to Discover.

Printed copies may not be the most current version. For the most current version, go to the online version at <https://www.fanniemae.com/singlefamily/servicing>

Just because someone signed a paper, doesn't mean he exists. Google everyone. Depose them if they exist. The financial world is full of unhappy or irate or demented ex-employees. They are all sources of information. Some of them are already in jail, and you can visit them at certain times. Others you have to hunt down.

Your property may have traveled through several mortgage backed securities, generally being diminished at each step as an incentive for the next MBS to find a place of acceptance. It's like the ten-pound yearling at the cattle auction. As it will probably die before maturity, it's worth less. And it needs a vet.

Introduction

A. 1. 1.

The seller/servicer must originate and service mortgage loans in a sound, businesslike manner, in accordance with applicable law and good judgment. Engaging in business practices that have the apparent intent of avoiding Fannie Mae requirements that would ordinarily apply violates the Lender Contract.

- When Fannie Mae consents to a transfer of servicing, it relies on the integration and non-divisibility of the Lender Contract. Unless explicitly agreed to the contrary in writing by Fannie Mae, Fannie Mae requires that
 - the transferor servicer remain obligated for all selling and servicing representations and warranties and recourse obligations upon the transfer of servicing, and
 - the transferee servicer, whether the original seller, responsible party, or a transferee servicer, undertake and assume joint and several liability for all selling representations and warranties, all servicing responsibilities and liabilities, and all recourse obligations related to the mortgage loans it services.

The seller/servicer makes each representation and warranty set forth in the Lender Contract separately and independently from every other warranty it makes for a specific mortgage loan. Representations and warranties are not limited to matters of which the seller/servicer had knowledge, except for the warranties numbered 10, 11, and 17 of Section IV, A: Specific Warranties, of the MSSC, which are violated only if the seller/servicer had knowledge of the untruth or, acting as a prudent seller/servicer, should have known about it through the exercise of due diligence. Although warranty number 17 is limited to matters of which the seller/servicer has knowledge or, as a prudent seller/servicer, should have discovered, this limitation does not in any way limit the seller/servicer's warranty number 1 that the mortgage loan meets all applicable requirements in the Lender Contract, nor does it affect any other warranty. The seller/servicer is deemed to know matters that are of public record.

Because the selling warranties are not limited to matters within a seller/servicer's knowledge, except as noted above, the action or inaction (including misrepresentation or fraud) of the borrower, or a third party, as well as the action or inaction (including misrepresentation or fraud) of the seller/servicer will constitute the seller/servicer's breach of a selling warranty.

Servicing Performance Categories

Operational assessments and servicer reviews measure the servicer's performance based on key criteria in certain servicer performance categories, which may include, but are not limited to the following:

- customer service;
- escrow administration;
- property, flood, and MI;
- collections;
- loss mitigation;
- investor relations/reporting;
- mortgage loan payment processing;
- bankruptcy, foreclosure, and REO management;
- data integrity;
- delinquency and annual financial and management reporting;
- document custody and record retention;
- remitting; and
- accounting and reporting.

A-1-2

Fannie Mae may terminate the servicer's Lender Contract on the 15th day following the end of the 90-day period if, at the end of the 90-day period following Fannie Mae's termination notice without cause

- the servicer has not arranged to sell its servicing and given Fannie Mae the required notice, or
- Fannie Mae does not approve the proposed transfer.

Fannie Mae may then transfer the servicing to the servicer of its choice. If Fannie Mae decides to do so, it may publicly announce that it is soliciting bids for the purchase of the servicing rights from Fannie Mae-approved servicers that are in good standing. Within ten days after any public announcement, Fannie Mae may negotiate and effect the sale of the servicing rights to the highest satisfactory bidder.

Regardless of whether Fannie Mae publicly solicits bids, it must pay the transferor servicer a termination fee (reduced by reasonable and customary costs and expenses related to the transfer

of servicing).

Termination Fee for Mortgage Loans Delivered Prior to January 1, 2013: For mortgage loans delivered prior to January 1, 2013, the termination fee is the amount equal to two times the servicer's annualized servicing compensation—base servicing fee plus any excess yield—for the mortgage loan as of the termination date.

Termination Fee for Mortgage Loans Delivered On or After January 1, 2013: For mortgage loans delivered on or after January 1, 2013, the termination fee for a without cause termination is based on conditions existing as of the transfer date. The termination fee is an amount equal to the lesser of the following:

- Two times the Net Servicing Rate multiplied by the UPB as of the date of transfer of those mortgage loans subject to termination that are not delinquent. For purposes of this calculation, a mortgage loan will be deemed to be delinquent if, as of a month end transfer date, any payment is outstanding. In the event of a servicing transfer date that takes place other than at month end, a mortgage loan will be deemed to be delinquent if there is any payment outstanding as of the month end immediately preceding the transfer date. No termination fee will be paid for a delinquent mortgage loan.
- The market value of the contractual right to service the mortgage loans as established by a qualified market leader in servicing valuations using costs reflective of Fannie Mae's cost to engage a subservicer, applying protocols appropriate for the risk of the portfolio as determined by Fannie Mae in its sole discretion.

For purposes of calculating the termination fee, the "Net Servicing Rate" means the note rate of the mortgage loan less all of the following: a) the PTR due Fannie Mae, b) any guaranty fee due Fannie Mae, c) any excess servicing not retained by the servicer, d) any lender paid MI, and e) any other component of the note rate the servicer is not entitled to retain for servicing the loan, expressed as an annualized fractional percentage.

A-1-3

Additionally, Fannie Mae requires some repurchases because the terms under which the mortgage loans were purchased or securitized call for a repurchase under certain conditions or circumstances. Repurchases that fall into this category generally include, but are not limited to, Charter violations, an ARM loan in an MBS pool that has converted to a fixed rate mortgage loan per the borrower's exercise of its option in the mortgage loan documents, or an MBS mortgage loan that has 24 payments past due.

[Check out Servicer Demand Table]

Servicer Responses to a Demand

Subject to the Servicing Defect Remedies Framework, Fannie Mae may issue a repurchase or make whole payment request or pursue another remedy with the entity that is responsible for the selling representations or warranties or for the servicing responsibilities or liabilities (the "seller/servicer" or the "responsible party") and Fannie Mae may require the immediate repurchase of a mortgage loan or an acquired property or the remittance of make whole payments in accordance with the Guides.

For servicing defects attributable to servicing violations in connection with MBS mortgage loans, the mortgage loan must have been properly removed from an MBS pool on a separate basis consistent with the Servicing Guide before a demand for a servicing repurchase remedy is issued based on a servicing defect. A servicing defect, by itself, does not form a basis for removing a

loan from an MBS Pool.

The seller/servicer must submit the requested documentation for an underwriting or servicing review so that Fannie Mae receives the file within 30 days after Fannie Mae notifies the seller/servicer that it has selected a mortgage loan for review, unless Fannie Mae advises that it needs the files in a different time frame. Fannie Mae, in its sole discretion, may request the documentation in a shorter or longer period of time based upon circumstances at the time. The seller/servicer must pay Fannie Mae the funds that are due in connection with a request for repurchase, indemnification, or make whole payment within 60 days after receipt of the request or within such other time frame as specified by Fannie Mae unless an appeal is made. For repurchase requests made on active mortgage loans (mortgage loans that have not been foreclosed upon or liquidated), the payment of the repurchase price may be made by the seller/servicer with its next scheduled remittance following the completion of the 60-day period

[Time goes By]

Compliance with a Demand for a Repurchase Servicing Remedy

A seller/servicer or other responsible party has 15 days in which to initiate the next stage of the first or second appeal, impasse, management escalation, or IDR process, as applicable. If the seller/servicer or other responsible party fails to challenge the existence of the defect by letting the applicable 15-day initiation period expire, or if Fannie Mae reaffirms the demand for a repurchase servicing remedy at the conclusion of the appeal, impasse, management escalation, or IDR process, the seller/servicer or other responsible party must comply with the demand for a repurchase servicing remedy. For repurchases made on an active mortgage loan, the payment of the repurchase price may be made by the servicer with its next scheduled remittance following the completion of the 15-day initiation period.

[Servicing defected calculated over 24 month period]

A-1-3

[FNMA is made whole at each servicer transfer. Any excess money required are printed by USA. This is discoverable information to Borrower.]

Calculation of Indemnification Claim for Loss of Mortgage Insurance Benefits

As a result of an indemnification claim for the loss of the MI benefit due to a servicing breach, Fannie Mae may demand that the servicer indemnify Fannie Mae with respect to the insurance benefit that would have been paid by the mortgage insurer if the claim had been allowed. If the indemnification claim for the loss of the MI benefit due to a servicing breach involves a DPO mortgage insurer, Fannie Mae will calculate the indemnification claim as the amount it would have received in MI benefits from the DPO mortgage insurer if the claim had been allowed and if the servicer had not committed a servicing breach. As the DPO mortgage insurer's regulator approves additional payments on the claims outstanding, Fannie Mae will bill the servicer for any increases in the amount payable on such claims after the initial indemnification claim is filed.

For example, if the DPO mortgage insurer is paying allowed claims at a rate of 60%, and a \$30,000 claim is denied in full or coverage is cancelled due to a servicing breach, Fannie Mae's current indemnification claim to the servicer for the loss of the MI benefit would be for 60% of the \$30,000 claim, or \$18,000 ($\$30,000 \times 60\%$). If the DPO mortgage insurer is later permitted to increase the cash payment (and as a result, decrease the DPO) on such allowed claims from

60% to 70%, Fannie Mae will bill the servicer for an additional 10% of the amount Fannie Mae estimated would have constituted the MI benefit if the claim had been allowed, or \$3,000 (\$30,000 x 10%). The servicer is reminded that Fannie Mae is not limited to indemnification as a remedy when the servicer breaches the Lender Contract.

The servicer should contact mailto:mi_mail@fanniemae.com with questions regarding the DPO billings.

A1-3-03

A bifurcated mortgage loan is a mortgage loan or property for which the current servicer is not the responsible party for the selling representations and warranties and/or for the prior servicing responsibilities or liabilities. A bifurcated mortgage loan that has not been foreclosed upon is referred to as an active bifurcated mortgage loan. A bifurcated mortgage loan that has been through foreclosure or Mortgage Release but has not been sold by Fannie Mae is referred to as an acquired bifurcated property.

This topic contains the following:

- Issuance of Repurchase Request, Request for a Make Whole Payment, or Request for Indemnification
- Issuance of Repurchase Statement
- Remittance of Bifurcated Repurchase Price and Appeal Process
- Servicer's Failure to Comply
- Hiring of Servicer
- Fannie Mae Custodial Collection Account
- Processing of Funds Following Remittance of the Bifurcated Repurchase Price
- Sharing of Information
- Documentation Retention
- Release of Records
- Conflict of Interest
- Disputes Between the Responsible Party and Servicer

[All of this is electronically stored information available to any outside litigation. These are readily available facts for consideration by jury]

Subject to the origination defect remedies framework outlined in the Selling Guide and Servicing Defect Remedies Framework in A1-3-02, Fannie Mae-Initiated Repurchases, Indemnifications, Make Whole Payment Requests and Deferred Payment Obligations, when Fannie Mae identifies

a selling or servicing defect on a bifurcated mortgage loan that results in Fannie Mae electing a repurchase, a make whole payment, or an indemnification payment as the remedy for the breach, Fannie Mae will issue the notice of servicing defect or a demand for a servicing remedy to the party Fannie Mae believes is the breaching responsible party.

Issuance of Repurchase Statement

All servicers of bifurcated mortgage loans must establish and communicate a unique email address that is designated for responsible parties to use to request a repurchase statement. **Make Whole Payment or Acquired Bifurcated Property Transactions:** Prior to paying the bifurcated repurchase price, as defined below, the responsible party must obtain a loss statement from Fannie Mae. The loss statement issued on a bifurcated mortgage loan is a statement of the partial amount due to Fannie Mae for a make whole payment or purchase of an acquired bifurcated property, since it does not include the servicer repurchase portion, as defined below. The loss statement is obtained by accessing Fannie Mae's QAS. If the loss statement is not available on QAS or the responsible party does not have QAS access, it may be obtained by submitting a request to the Centralized Repurchase Team (see F-4-03, List of Contacts). The responsible party must promptly contact the servicer at its designated email address to request a statement of the full amount due to Fannie Mae (a repurchase statement). When it requests the repurchase statement from the servicer, the responsible party must provide the servicer with a copy of a current loss statement.

When the current servicer will not continue to service the bifurcated mortgage loan following the repurchase, the responsible party must notify Fannie Mae as described in A2-7-03, Post-Delivery Servicing Transfers that there will be a servicing transfer on an active bifurcated mortgage loan. The responsible party must work with the new servicer to provide all necessary legal notices to the borrower. All servicing transfers due to the repurchase of an active bifurcated mortgage loan must occur at month end as quickly as reasonably possible following Fannie Mae's repurchase request or reaffirmation of the repurchase request.

When the bifurcated repurchase price is remitted by the responsible party to the servicer on an active bifurcated mortgage loan with a scheduled/scheduled or scheduled/actual remittance schedule, the responsible party is required to remit the bifurcated repurchase price to the servicer no less than two business days prior to the end of the month.

[This may be less than the original borrower commitment due to revaluation of portfolio and government participation and price support]

Hiring of Servicer

It is the obligation of the responsible party as the new owner of the bifurcated mortgage loan or acquired bifurcated property to either service the mortgage loan or bifurcated property itself following the effective date of repurchase, or to hire an entity to service the mortgage loan.

The current servicer is not permitted to service the active bifurcated mortgage loan or acquired bifurcated property for the responsible party under the terms of the Lender Contract following repurchase, as the servicing contract between Fannie Mae and the servicer for such mortgage loan terminates with the repurchase.

The responsible party must at all times keep the best interests of the borrower in mind when transferring the servicing of a bifurcated mortgage loan. For example, this might include delaying the servicing transfer a month at its own expense in the event all steps necessary to assure a smooth transfer of the servicing have not been completed at the time the RESPA notices are required to be mailed to the borrower, if applicable.

Promptly after asking the servicer for a repurchase statement for an active bifurcated mortgage loan or an acquired bifurcated property, the responsible party must advise the servicer of the name of the legal entity that will be servicing the active bifurcated mortgage loan or acquired bifurcated property following its payment of the amount due. This notification must include the name of a contact at the new servicer that the current servicer can work with to properly complete the servicing transfer.

Sharing of Information

The servicer and responsible party must cooperate with each other in promptly sharing information necessary to substantiate the amounts identified on the repurchase statement. The servicer must provide the responsible party with documentation reasonably necessary to support all amounts included on the repurchase statement within ten business days of the responsible party's written request.

If the repurchase or make whole payment request involving a bifurcated mortgage loan is based exclusively on a breach of a selling representation or warranty, the servicer is not authorized to share with the responsible party any of the servicing records including collection notes, other than data/documents needed to substantiate the bifurcated repurchase price. For example, payment histories to validate the LPI or copies of mortgage loan modification documents needed to validate the mortgage loan modification terms or preliminary servicing transfer data reasonably necessary to transfer servicing if the servicing is to be transferred may be shared.

Once the parties have agreed to the servicing transfer date for an active bifurcated mortgage loan, the current servicer is authorized to provide the responsible party, or its designee, the information it needs to meet all time-critical deadlines such as the dates of scheduled mediation or litigation hearings, tax sales, foreclosure sale dates, etc., that are scheduled to take place shortly after the transfer date.

A1-4.1-01

Any of the following events constitute a breach of the servicer's contractual obligations:

- The servicer's failure to comply with any provision of the Lender Contract including, but not limited to, the following:
 - a failure to establish and maintain satisfactory accounts for the deposit of Fannie Mae's and borrowers' funds;
 - the use of Fannie Mae's or borrowers' funds in any manner other than as permitted by this Servicing Guide including, but not limited to
 - the failure to deposit all funds collected for the mortgage loans into the proper custodial account not later than the first business day following their receipt, or
 - the failure to remit all funds due Fannie Mae within the required time frames;
 - the failure to ensure that the servicing-related policies for servicing all Fannie Mae-issued MBS mortgage loan pools (including those PFP) are in compliance with this Servicing Guide and that the mortgage loans in the MBS pools are all serviced in a consistent manner;
 - the failure to bear the risk of loss from borrower defaults for MBS pools serviced under the regular servicing option;
 - the failure to maintain adequate and accurate accounting records and mortgage loan servicing records, in accordance with Fannie Mae's requirements;
 - the failure to take prompt and diligent action consistent with applicable law to collect sums past due on the mortgage loans or to take any other diligent action that Fannie Mae or acceptable industry practice reasonably requires with respect to mortgage loans that are in default; or

- the failure to take diligent action consistent with applicable law to foreclose any mortgage loan that is in default, whether or not resulting from the acts or omissions of a law firm or other person or entity the servicer chooses to effect such foreclosure.
- Unacceptable performance as determined by Fannie Mae with regard to the servicer’s compliance with the Lender Contract, including, but not limited, to Servicer Performance Measurements as described in the Servicing Guide, STAR Program results and the requirements of any written performance improvement plan.
- The servicer’s insolvency, the adjudication of the servicer as a bankrupt, the appointment of a receiver, the servicer’s execution of a general assignment for the benefit of its creditors, or any change in the servicer’s financial status that, in Fannie Mae’s opinion, materially and adversely affects its ability to provide satisfactory servicing of the mortgage loans (if any of these events should occur, no interest in any mortgage loan or pool of mortgage loans shall be deemed an asset or liability of the servicer’s successors or assigns, nor shall any interest pass by operation of law without Fannie Mae’s consent).
- The sale of a majority interest in the servicer or a change in the corporate status or structure of a corporate servicer without Fannie Mae’s prior written consent.
- A change in the servicer’s financial or business condition, or in its operations, which, in Fannie Mae’s sole judgment, is material and adverse.
- The servicer’s failure to meet Fannie Mae’s standards and requirements for eligible servicers if, in Fannie Mae’s opinion, the failure materially and adversely affects the servicer’s ability to comply with the provisions of the Lender Contract.
- The finding by a court of competent jurisdiction that the servicer, or any of its principal officers, has committed an act that constitutes civil fraud, or the conviction of the servicer or its officer(s) for any criminal act that is related to the servicer’s mortgage loan servicing activities, if Fannie Mae believes that such act materially and adversely affects the servicer’s reputation or the reputation or interests of Fannie Mae.
- The servicer has a 30-, 60-, or 90+-day delinquency rate or an REO rate more than 50% higher than the average 30-, 60-, or 90+-day delinquency rate or REO rate for any or all mortgage loans owned or guaranteed by Fannie Mae nationally or in the same geographic area (which may include Standard Metropolitan Statistical Area, county, or state) in which the mortgaged premises that secure the mortgage loans either sold by the seller or serviced by the servicer are located and with similar mortgage and borrower characteristics (for example, origination year, LTV ratio, documentation type, etc.).
- The placement of the servicer on probation or restriction of its activities in any manner by a federal or state government agency that would materially and adversely affect the servicer’s ability to comply with the terms or conditions of the Lender Contract.
- Any judgment, order, finding or regulatory action to which the servicer is subject that would materially and adversely affect the servicer’s ability to comply with the terms or conditions of the Lender Contract.

A1-4.2-02

Periodically, Fannie Mae reviews the servicer’s handling of seriously delinquent portfolio mortgage loans or MBS mortgage loans when serviced under the special servicing option to determine whether specific actions, such as referral to foreclosure, foreclosure sale, conveyance or claim filing, are being taken in a timely manner. Fannie Mae reserves the right to review any seriously delinquent mortgage loan and pursue any remedy available to it for delays when it deems appropriate, which may be prior to or after the liquidation of the mortgage loan. If the servicer fails to complete a foreclosure action within the time frame prescribed by Fannie Mae,

one of the remedies that Fannie Mae may pursue is the assessment of compensatory fees. If Fannie Mae selects compensatory fees as the appropriate remedy for delays in connection with a completed foreclosure, compensatory fees will be assessed if the entire period from the date the delinquency began, the LPI date, through the foreclosure sale date is longer than Fannie Mae's allowable foreclosure time frame in the applicable jurisdiction as described in Assessing the Foreclosure Time Frame. This also includes foreclosure sales that result in a third-party sale. Fannie Mae has the right to rely on the delinquent mortgage loan status data submitted by the servicer as definitively and conclusively reflecting the status of a mortgage loan for purposes of the assessment and collection of compensatory fees for delays in liquidating delinquent mortgage loans. Accordingly, Fannie Mae may choose to reject any information provided by the servicer to support a status code that is different from the one reported.

A2 Getting Started!

A2-1

The servicer services Fannie Mae mortgage loans as an independent contractor and not as an agent, assignee, or representative of Fannie Mae. Most of the policies and standards described in the Servicing Guide are intended to set forth the broad parameters under which the servicer must exercise sound and professional judgment as a mortgage loan servicer in the performance of its duties. As a result, in most instances Fannie Mae has not set forth absolute requirements because it believes that the servicer needs to maintain the discretion to apply appropriate judgment in dealing with borrowers and mortgage loans on a case by case basis, consistent with Fannie Mae's servicing policies. Further, even where Fannie Mae has set forth a "requirement," it has not enumerated specifically how the servicer should implement it. Fannie Mae generally will not object to the practices the servicer regularly applies so long as they are carried out in accordance with established written procedures that are consistent with Fannie Mae's servicing policies. The servicer may apply practices used on its own portfolio of mortgage loans to Fannie Mae mortgage loans as long as the practices are in accordance with the servicer's established written procedures and are consistent with Fannie Mae's servicing policies.

[Specific prohibited action or inaction is now being better defined by consent judgments and especially the 29 metrics (such as No SPOC = \$1M) monitored by jasmithmonitoring.com. About 40% of the industry is now under monitoring oversight and we should assume 40% more is under current DOJ investigation. A lot of this is disclosed by public companies in their required SEC reports to stockholders. Only one jury has been empaneled to consider this behavior, Peter Belli qui tam USAG v Allied, Enforcement of FIRREA 1989, under seal until December 2015, \$192M awarded to plaintiff, deceased.]

[In other enforcement action, Dave McCrae qui tam USAG v. PHH Corporation, 424 Texas, Western Texas District Court, USCA 5th Circuit, now before SCOTUS]

The servicer's authorization to receive, handle, or dispose of funds representing mortgage loan payments (for principal, interest, and tax and insurance escrow deposits) or of other funds or assets related to the mortgage loans it services for Fannie Mae or to the properties secured by those mortgage loans is limited to those servicing actions that are expressly authorized in the Servicing Guide or in the Lender Contract.

Because these funds and assets are owned by Fannie Mae and other parties (such as the borrower, a participating seller/servicer, or an MBS holder, if applicable), the servicer, in its handling of these funds, is acting on behalf of and as a fiduciary for, Fannie Mae and other

parties, as their respective interests may appear; the servicer is not acting as a debtor of Fannie Mae.

Because the servicer of scheduled/actual and scheduled/scheduled remittance types must remit funds to Fannie Mae when they are scheduled to be remitted rather than when they are actually collected, there may be times when the funds collected are not sufficient to make the servicer's required payment. In those cases, the servicer must advance its own funds to cover funds due for delinquent mortgage loans if the funds have not been collected. Funds advanced for this purpose are referred to as "delinquency advances." See C-3-01, Responsibilities Related to Remitting P&I Funds to Fannie Mae for additional requirements related to delinquency advances.

Fannie Mae will not reimburse the servicer for unrecovered losses for costs, losses, or other items that the servicer agreed to hold Fannie Mae harmless against under its warranties or indemnification agreements or for advances made in connection with litigation or proceedings that Fannie Mae did not approve (if its approval was specifically required).

In no event may the servicer recover its servicing advances for a specific mortgage loan from the P&I payments for another mortgage loan or from the T&I deposits in another borrower's account.

A2-1-02

The MBS Trust Agreements and the Trust Indentures clarify and document the various roles and capacities of Fannie Mae, including its responsibilities regarding the servicing of MBS mortgage loans. MBS mortgage loans are subject to a Trust Indenture or a Trust Agreement. The MBS trust documents are the governing documents for a Fannie Mae MBS trust and

- include key servicing requirements;
- set forth Fannie Mae's roles as issuer, master servicer, guarantor, and trustee; and
- describe the servicer's role as the direct servicer.

Under the MBS Trust Agreements and the Trust Indentures, mortgage loans and the proceeds of those mortgage loans are held by Fannie Mae as trustee for the benefit of the MBS trusts and their beneficial owners, the MBS investors. The servicer is responsible for servicing MBS mortgage loans for the MBS trusts that own the mortgage loans.

Fannie Mae is also the master servicer for the MBS trusts, and, in that capacity, contracts with the servicer as the direct servicer and has the responsibility for assuring that servicing is performed in accordance with the Trust Agreement or the Trust Indenture, as applicable.

[FNMA owns no property. Servicer owns no property.]

A2-1-03

The servicer ordinarily appears in the land records as the mortgagee to facilitate performance of the servicer's contractual responsibilities, including, but not limited to, the receipt of legal notices that may impact Fannie Mae's lien, such as notices of foreclosure, tax, and other liens. However, Fannie Mae may take any and all action with respect to the mortgage loan it deems necessary to protect its or an MBS trust's ownership of the mortgage loan, including recordation of a mortgage assignment, or its legal equivalent, from the servicer to Fannie Mae or its designee. In the event that Fannie Mae determines it necessary to record such an instrument, the servicer must assist Fannie Mae by

- preparing and recording any required documentation, such as mortgage assignments, powers

of attorney, or affidavits; and

- providing recordation information for the affected mortgage loans.

The servicer is authorized to execute legal documents related to payoffs, foreclosures, releases of liability, releases of security, mortgage loan modifications, subordinations, assignments, and conveyances (or reconveyances) for any mortgage loan for which it (or MERS®) is the owner of record. When an instrument of record requires the use of an address for Fannie Mae, including assignments of mortgage loans, foreclosure deeds, REO deeds, and lien releases, the servicer must follow the procedures in F-1-12, Obtaining and Executing Legal Documents to locate the appropriate address.

[This is in conflict with Texas constitution. This may be in conflict with other 49 state customs for property transfer. Proprietary rights and tax payments are strongly supported in common law. MERS and most Pooling and Servicing Agreements specifically renounce collateral rights to any individual property.]

Correcting Conveyances to Fannie Mae

The servicer must execute a quitclaim deed for properties that have been conveyed in error to Fannie Mae. The servicer must follow all procedures in F-1-12, Obtaining and Executing Legal Documents when preparing the reconveyance quitclaim deed. A quitclaim deed is an instrument of conveyance of real property that passes whatever title, claim, or interest that the grantor has in the property, but does not make any representations as to the validity of such title. A quitclaim deed is not a guarantee that the grantor has clear title to the property; rather it is a relinquishment of the grantor's rights, if any, in the property. The holder of a quitclaim deed receives only the interest owned by the person conveying the deed.

Fannie Mae will execute the quitclaim deed only if the servicer has prepared the document to quitclaim or assign back to the previous grantor or assignor. Within five business days of receipt of the fully executed quitclaim deed from Fannie Mae, the servicer must submit the quitclaim deed for recording.

A2.1-08

The seller/servicer (and any subservicer or third-party originator it uses) must be aware of, and in full compliance with, all federal, state, and local laws (e.g., statutes, regulations, ordinances, administrative rules and orders that have the effect of law, and judicial rulings and opinions) that apply to any of its origination, selling, or servicing practices or other business practices (including the use of technology) that may have a material effect on Fannie Mae. Among other things, this means that the seller/servicer must comply with any applicable law that addresses fair housing, fair lending, equal credit opportunity, truth-in-lending, wrongful discrimination, appraisals, real estate settlement procedures, borrower privacy, data security, escrow account administration, MI cancellation, debt collection, credit reporting, electronic signatures or transactions, predatory lending, anti-money laundering, terrorist activity, ability to repay or the enforcement of any of the terms of the mortgage loan. The seller/servicer also must ensure that appraisals conducted in connection with single-family mortgage loans delivered to Fannie Mae conform to the Appraiser Independence Requirements.

A2-2-01

Fannie Mae analyzes MBS pools that have high levels of prepayments. If these analyses raise serious concerns about the seller/servicer's practices, Fannie Mae will conduct a review of the

seller/servicer's origination and refinancing activities to ensure that they are in compliance with Fannie Mae's requirements. Fannie Mae will take appropriate disciplinary action if it finds that the seller/servicer has violated its policies and requirements including, but not limited to, requiring the seller/servicer to make it whole for any losses resulting from claims made by MBS certificate holders.

A2-3-01

Calculating and Collecting Servicing Fees

The exact servicing fee that applies to any given mortgage loan appears on the trial balance report that is produced by Fannie Mae's investor reporting system (see the Investor Reporting Manual).

Because servicing fees are computed on the same UPB and for the same period as the interest portion of the monthly installment, the servicer generally can base its servicing fee calculation on the interest collected. However, when a mortgage loan is undergoing negative amortization, servicing fees must be based on the interest amount that is accrued, rather than on the amount that was actually collected.

For mortgage loans where military indulgence is warranted or required under the SCRA, see D2-3.4-01, Military Indulgence, for the calculation of servicing fees.

[Misapplication of borrower payments is a common error of servicer. Payment misapplications are generally in favor of servicer, then trust, then borrower. This is the exact opposite of good business practice. This payment application is typically not mathematically rule based, but hand calculator to clipboard entry by a person. Theft is rampant. This is why the payment records of the servicer will very likely differ from the payment records of the borrower, and must be furnished and any differences resolved by joint stipulation before courtroom litigation is commenced.]

A2.3-02

The servicer's total servicing fee for a mortgage loan generally is the difference between the mortgage interest rate and the rate at which the servicer passes through interest to Fannie Mae. However, the servicer of an MBS mortgage loan must pay Fannie Mae a guaranty fee, so its total servicing fee compensation is reduced by the amount of the guaranty fee. In addition, the total servicing compensation for a conventional mortgage that has lender-purchased MI is reduced by the accrual for the applicable renewal premium for this coverage. The total servicing fee (after deduction of the applicable guaranty fee for an MBS mortgage and/or the applicable renewal premium accrual for a mortgage with lender-purchased MI) must at least equal Fannie Mae's required minimum servicing fee for the particular type of mortgage loan.

[Another fertile field for audit]

A2.3-03

When the interest rate of an actual/actual remittance type fixed-rate mortgage loan is greater than Fannie Mae's required yield, it allows the servicer to retain all or part of this difference. A similar concept applies for actual/actual remittance type ARM loans when the mortgage margin — or net mortgage margin for net yield commitments — exceeds Fannie Mae's required commitment margin. The exact amount of the difference that the servicer may retain —which is called a yield differential adjustment —is determined by the policy Fannie Mae had in effect when it issued its commitment to purchase the mortgage loan. In addition, ARM loans may have

a short-term yield differential until the first interest rate change if the “base interest rate” or “net mortgage rate” exceeds Fannie Mae’s required yield.

A2.3-04

The servicer may collect any late charges that are provided for in the mortgage instrument as long as they are consistent with federal and state laws. Also, see C-1.1-01, Servicer Responsibilities for Processing Mortgage Loan Payments for Fannie Mae requirements regarding late charges.

[Declare termination of old covenant in your lis pendens or bankruptcy filing.]

A2-3.05

Prohibited Fees for Special Services

The servicer is not authorized to charge the borrower fees relating to the following activities:

- handling borrower disputes;
 - facilitating routine borrower collections;
 - arranging repayment or forbearance plans;
 - sending borrowers notices (sometimes called “demand” or “breach” letters) relating to nonpayment of principal, interest, taxes, or insurance in advance of a formal acceleration notice that matures the mortgage loan principal balance and begins the foreclosure process; and
 - updating the servicer’s records to “reinstate” a mortgage loan that has been brought current.
- Also, the servicing fee generally is not intended to encompass certain additional work that the servicer performs at Fannie Mae’s request, e.g.
- performing certain property inspections on mortgage loans in default,
 - handling certain workout options for which Fannie Mae has agreed to compensate the servicer,
- or
- engaging in property preservation activities.

[Yet we continually see these fees attempted. This is fraud.]

A2.4

Fannie Mae’s Quality Control Review

Fannie Mae has QC policies and procedures in place for its review of performing and non-performing mortgage loans. Fannie Mae uses a statistically valid approach in selecting a random sample of new mortgage loan deliveries for review. The random sample is augmented with targeted, discretionary sampling, which aids in the measurement of the overall quality of mortgage loan deliveries. The QC process evaluates individual mortgage loan files on a comprehensive basis with the primary focus of confirming that mortgage loans meet Fannie Mae’s underwriting and eligibility requirements. Fannie Mae will continue to review any servicing files requested with the primary focus of confirming that the mortgage loan has been serviced in accordance with the Lender Contract.

A2.5.1-02

General Provisions of Individual Mortgage Loan Files and Records

The individual mortgage loan file consists of the mortgage loan origination file, mortgage loan custodial file, and mortgage loan servicing file held by a seller, servicer, or prior servicer arising from or related to the origination, sale, securitization, or servicing of an individual mortgage loan or acquired property, as applicable.

The mortgage loan origination file consists of all documents, records, and reports used to support the underwriting decision required by the Lender Contract or any documentation required by

Fannie Mae or by law relating to the mortgage loan arising from or related to the origination, closing, sale, securitization, and/or delivery of a mortgage loan, including, but not limited to, those that are required as part of the post-closing mortgage loan file documentation requirements in the Selling Guide.

The mortgage loan custodial file consists of the custodial documents and any and all documents, books, records, and reports, in any format, required to be retained by the document custodian pursuant to the Servicing Guide or other Fannie Mae requirements.

The mortgage loan servicing file (including the file maintained with respect to an acquired property) consists of all documents, books, records, reports, and payment and escrow histories, in any format, arising from or related to the servicing of the mortgage loan or acquired property by the current servicer or any prior servicer, including, but not limited to, those required at any time by the Lender Contract or an insurer, including, but not limited to, those set forth in the Servicing Guide.

[DEMAND THIS FILE]

[NOTE ABOUT BIFURCATED LOANS: THE CURRENT SERVICER HAS ALL FILES BACK TO INCEPTION AND ALL BIFURCATION AGREEMENTS]

A2-7-03

The servicer or subservicer must not transfer its responsibility for servicing or subservicing any mortgage loans and/or acquired properties unless Fannie Mae approves the transfer. See When Post-Delivery Transfers of Servicing Involve Subservicers in A2-1-06, Subservicing for additional information.

The transferee servicer must assume all of the responsibilities, duties, and selling warranties that were agreed to whether made when the mortgage loan was originally sold to Fannie Mae or subsequent to that date. This includes responsibility for the performance of obligations that predate the transfer, including special servicing obligations. However, the transferee servicer's assumption of these responsibilities, duties, and warranties will in no way release the transferor servicer from its contractual obligations related to the transferred mortgage loans. The two servicers will be jointly and severally liable to Fannie Mae for all warranties and for repurchase, all special obligations under agreements previously made by the transferor servicer or any previous seller or servicer (including actions that arose prior to the transfer). When a servicer transfers its contractual right to service some or all of its Fannie Mae single-family servicing to another Fannie Mae-approved servicer, any variance or waiver granted to a transferor servicer does not automatically transfer to the transferee servicer. In addition, the transferor servicer and transferee servicer must ensure that all existing special servicing obligations associated with the transferred mortgage loan are disclosed.

Fannie Mae will make no representations or warranties about the value, condition, or any other aspects of the mortgage loans, servicing rights, and/or acquired properties for which servicing is to be transferred. Because the transferee servicer will be liable to Fannie Mae for all obligations of the transferor servicer, Fannie Mae expects that the transferee servicer will perform a due diligence review of the servicing portfolio that it is acquiring. However, the transferee servicer's obligations to Fannie Mae are not contingent on the performance of such a due diligence review. To assist the servicer in processing and reconciling the transfer of servicing, Fannie Mae has designed a series of reports that should significantly reduce the likelihood of errors or delays in the transfer process. The information in these reports can be used to reconcile and correct

loan-level information related to the mortgage loans for which servicing is to be transferred. Any information in the reports Fannie Mae provides will be compiled from data in its records (including information it received from third parties, but did not independently verify). However, Fannie Mae does not attest to the accuracy, completeness, or suitability of the information for the servicers' use for any particular purpose(s). For any given transfer of servicing, Fannie Mae uses appropriate business practices to permit the transferor servicer and the transferee servicer and subservicer (but no other parties) to have access to the data on which the reports are based. Fannie Mae does not represent or warrant that any unauthorized party will not be able to gain access to the data (particularly when it is transmitted electronically), nor will Fannie Mae be responsible for any damages arising out of, or related to, such parties gaining access to the data and using the information it provides.

A2-8

MERS will have no beneficial interest in the mortgage loan, even if it is named as the nominee for the beneficiary in the security instrument. In addition, the failure of MERS to perform any obligation with respect to a MERS-registered mortgage loan does not relieve the seller/servicer from its responsibility for performing any obligation required by the terms of its Lender Contract.

A4-1.01

Fannie Mae encourages the servicer to develop a borrower delinquency management model that allows the borrower to contact one individual or a dedicated team of individuals in the servicer's organization to obtain accurate information on the various workout options available to him or her. If the servicer develops such a model, the individual or dedicated team of individuals should also be able to handle and resolve borrower issues throughout the delinquency management process and provide updates on the status of any request for a workout option and the status of pending foreclosure proceedings. The goal of the model is to ensure the servicer presents all workout options and more effectively moves the borrower through the default prevention process to resolution.

Managing Texas Section 50(a)(6) Mortgage Loans

The servicer of a Texas Section 50(a)(6) mortgage loan must comply with the requirements in the following table.

✓

The servicer must...

Have adequate procedures to receive and timely respond to borrower inquiries, claims of defects, and other complaints.

Have processes and procedures in place to timely cure any failures to comply with applicable law.

If the servicer receives notification of failure to comply with respect to a Fannie Mae Texas Section 50(a)(6) mortgage loan, it must immediately notify Fannie Mae's Legal department by submitting a Non-Routine Litigation Form (Form 20) and, if the notification is in writing, provide Fannie Mae with a copy of the notification.

The servicer's failure to cure within 60 days after being notified of a failure to comply may, under Texas law, result in the forfeiture of all P&I due under the Texas Section 50(a)(6) mortgage loan.

A4.2.1-04

Call Center Coverage Requirements

The average speed to answer an inbound call must be 60 seconds or less.

The monthly Call Blockage Rate must be less than or equal to 1%.

The Call Abandonment Rate must be less than or equal to 5%.

For live chats (that is, electronic question and answer sessions), responses must be initiated in less than or equal to 5 minutes from a chat inquiry.

On average, emails from borrowers must be responded to within 48 hours of receipt.

The foreclosure prevention department staff must be available during inbound and outbound collection activity unless collections staff are also well-versed in workout options.

B-6-01

Insurance blah, blah, blah, but-

The servicer must...

Not use a lender-placed insurance carrier that is an affiliated entity, as defined below, for a lender-placed insurance policy, including any captive insurance or reinsurance arrangements with an affiliated entity.

Exclude any lender-placed insurance commissions or payments (including any incentive based compensation regardless of its designation as commission, bonus, fees, or other types of payments from the servicer's lender-placed insurance carrier; for example, underwriting bonuses or other payments based on insurance loss ratios) earned on a lender-placed insurance policy by the servicer, broker, or any affiliated entity, as defined below, from the lender-placed insurance premiums charged to the borrower or submitted for reimbursement from Fannie Mae.

C-1.1-01 [FERTILE GROUND FOR ERROR - One must obtain the servicer's payment processing files, along with all decoding keys required]

The following table outlines the servicer's responsibilities for processing payments for any mortgage loan that Fannie Mae owns or securitizes.

✓

The servicer must...

Notify the borrower of upcoming payment changes in accordance with the mortgage loan documents, applicable law, or as specifically required by this Servicing Guide.

Apply scheduled payments, including late charges (if applicable), in the order specified in the security instrument.

Note: When multiple payments are received, each payment must be applied separately.

Ensure payments for all mortgage loans are credited upon receipt and that each portion of the payment is accounted for in its records.

Apply all funds as intended by the borrower, when applicable.

Note: Funds intended by the borrower for first lien mortgage loans must not be reallocated as payment towards any subordinate lien.

Deposit all funds into a custodial account in a financial institution that meets Fannie Mae's rating requirements for custodial depositories (or within its own institution if it

qualifies) within 24 hours of receipt.

Follow any specific requirements of FHA, HUD, or VA, when applicable.

Follow any specific requirements of the SCRA, when applicable. The servicer must follow the procedures in F-1-28, Processing Military Indulgence.

C-1.2-01 - Amazingly enough, I have litigated this paragraph for >four years, and am currently before SCOTUS

Reapplying Principal Payments to Cure a Delinquency

At the borrower's request, the servicer is authorized to reapply principal prepayments to cure a delinquency if the mortgage loan is either

- a portfolio mortgage loan; or
- a participation pool mortgage loan (which is not a mortgage loan that has been pooled to back an MBS issue, including PFP mortgage loans); and as long as all of the following conditions apply:

- the borrower submits a written request;
- the reapplication of the principal prepayment does not result in the mortgage loan balance being higher than it would have been had the original amortization schedule for the mortgage loan been followed;
- the borrower has not previously received modification assistance program funds from an HFA. See D2-3.1-05, Interacting with Housing Finance Agencies and Hardest Hit Fund Programs for additional information; and
- the borrower agrees to submit any additional funds that are needed to supplement the prepayment so that the total delinquency can be cured. If the borrower cannot raise the

C3-01

Remitting to Fannie Mae for Delinquent MBS Mortgage Loans

The servicer must remit interest to Fannie Mae on scheduled/actual remittance type mortgage loans and must remit P&I on scheduled/scheduled remittance type mortgage loans regardless of whether it actually receives payments from the borrower. For a delinquent mortgage loan, the servicer must advance the remittance until the delinquent mortgage loan is reclassified as actual/actual remittance or removed from the MBS pool.

Remitting to Fannie Mae for Delinquent Portfolio Mortgage Loans

The servicer of portfolio mortgage loans and most participation pool mortgage loans that Fannie Mae holds in its portfolio must advance interest on delinquent mortgage loans only through the third month of delinquency.

D-1-6.03

Introduction

This topic contains information on handling property forfeitures and seizures.

With respect to property forfeitures and seizures, the servicer must take the actions described in the following table.

✓

The servicer must...

Control and monitor all proceedings and actions related to property forfeitures and

seizures.

Maintain a detailed record of all contacts, requests, and actions taken with respect to each property.

Ensure that all information regarding any forfeiture contacts are kept confidential and limit the number of persons having access to the information.

Keep its Fannie Mae Servicing Representative (see F-4-03, List of Contacts) informed about the status of the mortgage loan and the property by reporting, at a minimum, the following items:

- the source of any mortgage loan payments,
- any default under the payment terms of the mortgage loan,
- a sale or other disposition of the property, and
- the amount of any property disposition proceeds.

The servicer must follow the procedures in F-1-08, Handling Property Forfeitures and Seizures for responding when contacted in regards to a property forfeiture or seizure depending on the timing of the contact.

D2.2-01

QRPC is a uniform standard for communicating with the borrower, co-borrower, or a trusted advisor (collectively referred to as “borrower”) about resolution of the mortgage loan delinquency. The servicer must make every attempt to achieve QRPC. The purpose of QRPC is to

- determine the reason for the delinquency and whether it is temporary or permanent in nature,
- determine whether or not the borrower has the ability to repay the mortgage loan debt,
- educate the borrower on the availability of workout options, as appropriate, and
- obtain a commitment from the borrower to resolve the delinquency.

D2-3.1-06

For any mortgage loan secured by a one-unit investment property or a two- to four-unit property for which the servicer is considering a workout option, the servicer must notify Fannie Mae if it

- learns of the issuance of a lead-based paint citation,
- obtains other evidence of lead-based paint law violations, or
- becomes aware of threatened or pending lead-based paint litigation.

If the security property is located in Massachusetts, the servicer must conduct an actual search to determine whether there are any outstanding lead-based paint citations against the property or the property owner.

The servicer must follow the procedures in Notifying Fannie Mae of Lead-Based Paint Citations in F-1-14, Preparing to Implement a Workout Option to report the action to Fannie Mae.

D2-3.2-01

The servicer is authorized to evaluate the borrower for a forbearance plan with a term of up to six months without receiving a BRP. However, if the borrower submitted a BRP, the servicer must evaluate the borrower in accordance with Fannie Mae’s evaluation requirements as indicated in D2-2-05, Receiving a Borrower Response Package.

A forbearance plan must be offered when the borrower has demonstrated one of the following hardships and needs additional time to resolve the temporary hardship:

- a natural disaster (see Chapter D1-3, Providing Assistance to a Borrower Impacted by a

Disaster for additional information),

- the death of a borrower or co-borrower,
- the death of a family member who contributed to the monthly payment,
- a divorce or separation that will result in the borrower being legally awarded the property,
- the inability to pay due to the pending settlement of a disability or major medical claim,
- a unique hardship (see D2-3.2-03, Forbearance Plan for a Unique Hardship for information on forbearance plans for unique hardships),
- a borrower becomes unemployed (see D2-3.2-02, Forbearance Plan for an Unemployed Borrower for information on forbearance plans for an unemployed borrower),
- a substantial reduction in income that could not be prevented,
- an involuntary distant employment transfer that will result in a hardship attributed to the borrower being transferred or relocated to a distant job location, or
- some other unusual circumstance that warrants the use of a forbearance.

Once the forbearance plan is complete, one of the following must occur:

- the mortgage loan must be brought current via a reinstatement,
- the borrower is approved for another workout option,
- the mortgage loan is paid in full, or
- the servicer refers the mortgage loan to foreclosure.

Eligibility criteria for an Unemployment Forbearance plan

The borrower must have a hardship due to unemployment.

The servicer has determined that the borrower's monthly payment is in imminent default (see D2-1-01, Evaluating a Borrower Whose Mortgage Payment is in Imminent Default) or the mortgage loan is less than or equal to 12 months delinquent.

The property securing the mortgage loan must be a principal residence.

The property securing the mortgage loan must not be vacant, condemned, or abandoned.

The mortgage loan must not be a FHA, VA, or RD mortgage loan.

The servicer is authorized to evaluate the borrower for an initial Unemployment Forbearance plan without receiving a BRP. However, if the borrower submitted a BRP, the servicer must evaluate the borrower for the initial Unemployment Forbearance plan in accordance with Fannie Mae's evaluation requirements as indicated in D2-2-05, Receiving a Borrower Response Package.

A borrower that is offered and declines an Unemployment Forbearance plan is not eligible for another Fannie Mae forbearance plan.

U.S. Servicemember Injured The borrower must be a U.S. servicemember unable to continue making the monthly payment due to an injury sustained while on while on Active Duty active duty.

The servicer must receive documentation of the injury sustained while on active duty that is impacting his or her ability to pay the mortgage loan.

Determining the Fannie Mae HAMP Modification Terms

The servicer must determine the borrower's new modified mortgage loan terms by taking the steps in the following table in the order provided in an effort to achieve a target monthly mortgage payment ratio as close as possible to, without going below, 31%:

Step Action

1 Capitalize arrearages.

- 2 Reduce the interest rate.
- 3 Extend the term up to 480 months from the modification effective date, if necessary.
- 4 Forbear principal, if necessary.

INTERMISSION-----

Texas Article XVI Sec. 50 (a) (6), superior to New York Security Regulations, and evidence of Most Favorable Terms Readily Available, that may be claimed by citizens of other states. Ask your jury.

Sec. 50. HOMESTEAD; PROTECTION FROM FORCED SALE; MORTGAGES, TRUST DEEDS, AND LIENS. (a) The homestead of a family, or of a single adult person, shall be, and is hereby protected from forced sale, for the payment of all debts except for:

- (1) the purchase money thereof, or a part of such purchase money;
- (2) the taxes due thereon;
- (3) an owelty of partition imposed against the entirety of the property by a court order or by a written agreement of the parties to the partition, including a debt of one spouse in favor of the other spouse resulting from a division or an award of a family homestead in a divorce proceeding;
- (4) the refinance of a lien against a homestead, including a federal tax lien resulting from the tax debt of both spouses, if the homestead is a family homestead, or from the tax debt of the owner;
- (5) work and material used in constructing new improvements thereon, if contracted for in writing, or work and material used to repair or renovate existing improvements thereon if:
 - (A) the work and material are contracted for in writing, with the consent of both spouses, in the case of a family homestead, given in the same manner as is required in making a sale and conveyance of the homestead;
 - (B) the contract for the work and material is not executed by the owner or the owner's spouse before the fifth day after the owner makes written application for any extension of credit for the work and material, unless the work and material are necessary to complete immediate repairs to conditions on the homestead property that materially affect the health or safety of the owner or person residing in the homestead and the owner of the homestead acknowledges such in writing;
 - (C) the contract for the work and material expressly provides that the owner may rescind the contract without penalty or charge within three days after the execution of the contract by all parties, unless the work and material are necessary to complete immediate repairs to conditions on the homestead property that materially affect the health or safety of the owner or person residing in the homestead and the owner of the homestead acknowledges such in writing; and
 - (D) the contract for the work and material is executed by the owner and the owner's spouse only at the office of a third-party lender making an extension of credit for the work and material, an attorney at law, or a title company;
- (6) an extension of credit that:
 - (A) is secured by a voluntary lien on the homestead created under a written agreement with the consent of each owner and each owner's spouse;
 - (B) is of a principal amount that when added to the aggregate total of the outstanding principal balances of all other indebtedness secured by valid encumbrances of record against the homestead does not exceed 80 percent of the fair market value of the homestead on the date the extension of credit is made;
 - (C) is without recourse for personal liability against each owner and the spouse of each owner, unless the owner or spouse obtained the extension of credit by actual fraud;
 - (D) is secured by a lien that may be foreclosed upon only by a court order;

- (E) does not require the owner or the owner's spouse to pay, in addition to any interest, fees to any person that are necessary to originate, evaluate, maintain, record, insure, or service the extension of credit that exceed, in the aggregate, three percent of the original principal amount of the extension of credit;
- (F) is not a form of open-end account that may be debited from time to time or under which credit may be extended from time to time unless the open-end account is a home equity line of credit;
- (G) is payable in advance without penalty or other charge;
- (H) is not secured by any additional real or personal property other than the homestead;
- (I) is not secured by homestead property that on the date of closing is designated for agricultural use as provided by statutes governing property tax, unless such homestead property is used primarily for the production of milk;
- (J) may not be accelerated because of a decrease in the market value of the homestead or because of the owner's default under other indebtedness not secured by a prior valid encumbrance against the homestead;
- (K) is the only debt secured by the homestead at the time the extension of credit is made unless the other debt was made for a purpose described by Subsections (a)(1)-(a)(5) or Subsection (a)(8) of this section;
- (L) is scheduled to be repaid:
 - (i) in substantially equal successive periodic installments, not more often than every 14 days and not less often than monthly, beginning no later than two months from the date the extension of credit is made, each of which equals or exceeds the amount of accrued interest as of the date of the scheduled installment; or
 - (ii) if the extension of credit is a home equity line of credit, in periodic payments described under Subsection (t)(8) of this section;
- (M) is closed not before:
 - (i) the 12th day after the later of the date that the owner of the homestead submits a loan application to the lender for the extension of credit or the date that the lender provides the owner a copy of the notice prescribed by Subsection (g) of this section;
 - (ii) one business day after the date that the owner of the homestead receives a copy of the loan application if not previously provided and a final itemized disclosure of the actual fees, points, interest, costs, and charges that will be charged at closing. If a bona fide emergency or another good cause exists and the lender obtains the written consent of the owner, the lender may provide the documentation to the owner or the lender may modify previously provided documentation on the date of closing; and
 - (iii) the first anniversary of the closing date of any other extension of credit described by Subsection (a)(6) of this section secured by the same homestead property, except a refinance described by Paragraph (Q)(x)(f) of this subdivision, unless the owner on oath requests an earlier closing due to a state of emergency that:
 - (a) has been declared by the president of the United States or the governor as provided by law; and
 - (b) applies to the area where the homestead is located;
- (N) is closed only at the office of the lender, an attorney at law, or a title company;
- (O) permits a lender to contract for and receive any fixed or variable rate of interest authorized under statute;
- (P) is made by one of the following that has not been found by a federal regulatory agency to have engaged in the practice of refusing to make loans because the applicants for the loans reside or the property proposed to secure the loans is located in a certain area:
 - (i) a bank, savings and loan association, savings bank, or credit union doing business under the laws of this state or the United States;
 - (ii) a federally chartered lending instrumentality or a person approved as a mortgagee by the United States government to make federally insured loans;

- (iii) a person licensed to make regulated loans, as provided by statute of this state;
 - (iv) a person who sold the homestead property to the current owner and who provided all or part of the financing for the purchase;
 - (v) a person who is related to the homestead property owner within the second degree of affinity or consanguinity; or
 - (vi) a person regulated by this state as a mortgage broker; and
- (Q) is made on the condition that:
- (i) the owner of the homestead is not required to apply the proceeds of the extension of credit to repay another debt except debt secured by the homestead or debt to another lender;
 - (ii) the owner of the homestead not assign wages as security for the extension of credit;
 - (iii) the owner of the homestead not sign any instrument in which blanks relating to substantive terms of agreement are left to be filled in;
 - (iv) the owner of the homestead not sign a confession of judgment or power of attorney to the lender or to a third person to confess judgment or to appear for the owner in a judicial proceeding;
 - (v) at the time the extension of credit is made, the owner of the homestead shall receive a copy of the final loan application and all executed documents signed by the owner at closing related to the extension of credit;
 - (vi) the security instruments securing the extension of credit contain a disclosure that the extension of credit is the type of credit defined by Section 50(a)(6), Article XVI, Texas Constitution;
 - (vii) within a reasonable time after termination and full payment of the extension of credit, the lender cancel and return the promissory note to the owner of the homestead and give the owner, in recordable form, a release of the lien securing the extension of credit or a copy of an endorsement and assignment of the lien to a lender that is refinancing the extension of credit;
 - (viii) the owner of the homestead and any spouse of the owner may, within three days after the extension of credit is made, rescind the extension of credit without penalty or charge;
 - (ix) the owner of the homestead and the lender sign a written acknowledgment as to the fair market value of the homestead property on the date the extension of credit is made;
 - (x) except as provided by Subparagraph (xi) of this paragraph, the lender or any holder of the note for the extension of credit shall forfeit all principal and interest of the extension of credit if the lender or holder fails to comply with the lender's or holder's obligations under the extension of credit and fails to correct the failure to comply not later than the 60th day after the date the lender or holder is notified by the borrower of the lender's failure to comply by:
 - (a) paying to the owner an amount equal to any overcharge paid by the owner under or related to the extension of credit if the owner has paid an amount that exceeds an amount stated in the applicable Paragraph (E), (G), or (O) of this subdivision;
 - (b) sending the owner a written acknowledgement that the lien is valid only in the amount that the extension of credit does not exceed the percentage described by Paragraph (B) of this subdivision, if applicable, or is not secured by property described under Paragraph (H) or (I) of this subdivision, if applicable;
 - (c) sending the owner a written notice modifying any other amount, percentage, term, or other provision prohibited by this section to a permitted amount, percentage, term, or other provision and adjusting the account of the borrower to ensure that the borrower is not required to pay more than an amount permitted by this section and is not subject to any other term or provision prohibited by this section;
 - (d) delivering the required documents to the borrower if the lender fails to comply with Subparagraph (v) of this paragraph or obtaining the appropriate signatures if the lender fails to comply with Subparagraph (ix) of this paragraph;
 - (e) sending the owner a written acknowledgement, if the failure to comply is prohibited by Paragraph (K) of this subdivision, that the accrual of interest and all of the owner's obligations under the extension

of credit are abated while any prior lien prohibited under Paragraph (K) remains secured by the homestead; or

(f) if the failure to comply cannot be cured under Subparagraphs (x)(a)-(e) of this paragraph, curing the failure to comply by a refund or credit to the owner of \$1,000 and offering the owner the right to refinance the extension of credit with the lender or holder for the remaining term of the loan at no cost to the owner on the same terms, including interest, as the original extension of credit with any modifications necessary to comply with this section or on terms on which the owner and the lender or holder otherwise agree that comply with this section; and

(xi) the lender or any holder of the note for the extension of credit shall forfeit all principal and interest of the extension of credit if the extension of credit is made by a person other than a person described under Paragraph (P) of this subdivision or if the lien was not created under a written agreement with the consent of each owner and each owner's spouse, unless each owner and each owner's spouse who did not initially consent subsequently consents;

(7) a reverse mortgage; or

(8) the conversion and refinance of a personal property lien secured by a manufactured home to a lien on real property, including the refinance of the purchase price of the manufactured home, the cost of installing the manufactured home on the real property, and the refinance of the purchase price of the real property.

(b) An owner or claimant of the property claimed as homestead may not sell or abandon the homestead without the consent of each owner and the spouse of each owner, given in such manner as may be prescribed by law.

(c) No mortgage, trust deed, or other lien on the homestead shall ever be valid unless it secures a debt described by this section, whether such mortgage, trust deed, or other lien, shall have been created by the owner alone, or together with his or her spouse, in case the owner is married. All pretended sales of the homestead involving any condition of defeasance shall be void.

(d) A purchaser or lender for value without actual knowledge may conclusively rely on an affidavit that designates other property as the homestead of the affiant and that states that the property to be conveyed or encumbered is not the homestead of the affiant.

(e) A refinance of debt secured by a homestead and described by any subsection under Subsections (a)(1)-(a)(5) that includes the advance of additional funds may not be secured by a valid lien against the homestead unless:

(1) the refinance of the debt is an extension of credit described by Subsection (a)(6) of this section; or
(2) the advance of all the additional funds is for reasonable costs necessary to refinance such debt or for a purpose described by Subsection (a)(2), (a)(3), or (a)(5) of this section.

(f) A refinance of debt secured by the homestead, any portion of which is an extension of credit described by Subsection (a)(6) of this section, may not be secured by a valid lien against the homestead unless the refinance of the debt is an extension of credit described by Subsection (a)(6) or (a)(7) of this section.

(g) An extension of credit described by Subsection (a)(6) of this section may be secured by a valid lien against homestead property if the extension of credit is not closed before the 12th day after the lender provides the owner with the following written notice on a separate instrument:

"NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION:

"SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION ALLOWS CERTAIN LOANS TO BE SECURED AGAINST THE EQUITY IN YOUR HOME. SUCH LOANS ARE COMMONLY KNOWN AS EQUITY LOANS. IF YOU DO NOT REPAY THE LOAN OR IF YOU FAIL TO MEET THE TERMS OF THE LOAN, THE LENDER MAY FORECLOSE AND SELL YOUR HOME. THE CONSTITUTION PROVIDES THAT:

"(A) THE LOAN MUST BE VOLUNTARILY CREATED WITH THE CONSENT OF EACH OWNER OF YOUR HOME AND EACH OWNER'S SPOUSE;

"(B) THE PRINCIPAL LOAN AMOUNT AT THE TIME THE LOAN IS MADE MUST NOT EXCEED AN AMOUNT THAT, WHEN ADDED TO THE PRINCIPAL BALANCES OF ALL OTHER LIENS AGAINST YOUR HOME, IS MORE THAN 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME;

"(C) THE LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE UNLESS YOU OR YOUR SPOUSE OBTAINED THIS EXTENSION OF CREDIT BY ACTUAL FRAUD;

"(D) THE LIEN SECURING THE LOAN MAY BE FORECLOSED UPON ONLY WITH A COURT ORDER;

"(E) FEES AND CHARGES TO MAKE THE LOAN MAY NOT EXCEED 3 PERCENT OF THE LOAN AMOUNT;

"(F) THE LOAN MAY NOT BE AN OPEN-END ACCOUNT THAT MAY BE DEBITED FROM TIME TO TIME OR UNDER WHICH CREDIT MAY BE EXTENDED FROM TIME TO TIME UNLESS IT IS A HOME EQUITY LINE OF CREDIT;

"(G) YOU MAY PREPAY THE LOAN WITHOUT PENALTY OR CHARGE;

"(H) NO ADDITIONAL COLLATERAL MAY BE SECURITY FOR THE LOAN;

"(I) THE LOAN MAY NOT BE SECURED BY HOMESTEAD PROPERTY THAT IS DESIGNATED FOR AGRICULTURAL USE AS OF THE DATE OF CLOSING, UNLESS THE AGRICULTURAL HOMESTEAD PROPERTY IS USED PRIMARILY FOR THE PRODUCTION OF MILK;

"(J) YOU ARE NOT REQUIRED TO REPAY THE LOAN EARLIER THAN AGREED SOLELY BECAUSE THE FAIR MARKET VALUE OF YOUR HOME DECREASES OR BECAUSE YOU DEFAULT ON ANOTHER LOAN THAT IS NOT SECURED BY YOUR HOME;

"(K) ONLY ONE LOAN DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MAY BE SECURED WITH YOUR HOME AT ANY GIVEN TIME;

"(L) THE LOAN MUST BE SCHEDULED TO BE REPAYED IN PAYMENTS THAT EQUAL OR EXCEED THE AMOUNT OF ACCRUED INTEREST FOR EACH PAYMENT PERIOD;

"(M) THE LOAN MAY NOT CLOSE BEFORE 12 DAYS AFTER YOU SUBMIT A LOAN APPLICATION TO THE LENDER OR BEFORE 12 DAYS AFTER YOU RECEIVE THIS NOTICE, WHICHEVER DATE IS LATER; AND MAY NOT WITHOUT YOUR CONSENT CLOSE BEFORE ONE BUSINESS DAY AFTER THE DATE ON WHICH YOU RECEIVE A COPY OF YOUR LOAN APPLICATION IF NOT PREVIOUSLY PROVIDED AND A FINAL ITEMIZED DISCLOSURE OF THE ACTUAL FEES, POINTS, INTEREST, COSTS, AND CHARGES THAT WILL BE CHARGED AT CLOSING; AND IF YOUR HOME WAS SECURITY FOR THE SAME TYPE OF LOAN WITHIN THE PAST YEAR, A NEW LOAN SECURED BY THE SAME PROPERTY MAY NOT CLOSE BEFORE ONE YEAR HAS PASSED FROM THE CLOSING DATE OF THE OTHER LOAN, UNLESS ON OATH YOU REQUEST AN EARLIER CLOSING DUE TO A DECLARED STATE OF EMERGENCY;

"(N) THE LOAN MAY CLOSE ONLY AT THE OFFICE OF THE LENDER, TITLE COMPANY, OR AN ATTORNEY AT LAW;

"(O) THE LENDER MAY CHARGE ANY FIXED OR VARIABLE RATE OF INTEREST AUTHORIZED BY STATUTE;

"(P) ONLY A LAWFULLY AUTHORIZED LENDER MAY MAKE LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;

"(Q) LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MUST:

"(1) NOT REQUIRE YOU TO APPLY THE PROCEEDS TO ANOTHER DEBT EXCEPT A DEBT THAT IS SECURED BY YOUR HOME OR OWED TO ANOTHER LENDER;

"(2) NOT REQUIRE THAT YOU ASSIGN WAGES AS SECURITY;

"(3) NOT REQUIRE THAT YOU EXECUTE INSTRUMENTS WHICH HAVE BLANKS FOR SUBSTANTIVE TERMS OF AGREEMENT LEFT TO BE FILLED IN;

"(4) NOT REQUIRE THAT YOU SIGN A CONFESSION OF JUDGMENT OR POWER OF ATTORNEY TO ANOTHER PERSON TO CONFESS JUDGMENT OR APPEAR IN A LEGAL PROCEEDING ON YOUR BEHALF;

"(5) PROVIDE THAT YOU RECEIVE A COPY OF YOUR FINAL LOAN APPLICATION AND ALL EXECUTED DOCUMENTS YOU SIGN AT CLOSING;

"(6) PROVIDE THAT THE SECURITY INSTRUMENTS CONTAIN A DISCLOSURE THAT THIS LOAN IS A LOAN DEFINED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;

"(7) PROVIDE THAT WHEN THE LOAN IS PAID IN FULL, THE LENDER WILL SIGN AND GIVE YOU A RELEASE OF LIEN OR AN ASSIGNMENT OF THE LIEN, WHICHEVER IS APPROPRIATE;

"(8) PROVIDE THAT YOU MAY, WITHIN 3 DAYS AFTER CLOSING, RESCIND THE LOAN WITHOUT PENALTY OR CHARGE;

"(9) PROVIDE THAT YOU AND THE LENDER ACKNOWLEDGE THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LOAN CLOSES; AND

"(10) PROVIDE THAT THE LENDER WILL FORFEIT ALL PRINCIPAL AND INTEREST IF THE LENDER FAILS TO COMPLY WITH THE LENDER'S OBLIGATIONS UNLESS THE LENDER CURES THE FAILURE TO COMPLY AS PROVIDED BY SECTION 50(a)(6)(Q)(x), ARTICLE XVI, OF THE TEXAS CONSTITUTION; AND

"(R) IF THE LOAN IS A HOME EQUITY LINE OF CREDIT:

"(1) YOU MAY REQUEST ADVANCES, REPAY MONEY, AND REBORROW MONEY UNDER THE LINE OF CREDIT;

"(2) EACH ADVANCE UNDER THE LINE OF CREDIT MUST BE IN AN AMOUNT OF AT LEAST \$4,000;

"(3) YOU MAY NOT USE A CREDIT CARD, DEBIT CARD, OR SIMILAR DEVICE, OR PREPRINTED CHECK THAT YOU DID NOT SOLICIT, TO OBTAIN ADVANCES UNDER THE LINE OF CREDIT;

"(4) ANY FEES THE LENDER CHARGES MAY BE CHARGED AND COLLECTED ONLY AT THE TIME THE LINE OF CREDIT IS ESTABLISHED AND THE LENDER MAY NOT CHARGE A FEE IN CONNECTION WITH ANY ADVANCE;

"(5) THE MAXIMUM PRINCIPAL AMOUNT THAT MAY BE EXTENDED, WHEN ADDED TO ALL OTHER DEBTS SECURED BY YOUR HOME, MAY NOT EXCEED 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LINE OF CREDIT IS ESTABLISHED;

"(6) IF THE PRINCIPAL BALANCE UNDER THE LINE OF CREDIT AT ANY TIME EXCEEDS 50 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME, AS DETERMINED ON THE DATE THE LINE OF CREDIT IS ESTABLISHED, YOU MAY NOT CONTINUE TO REQUEST ADVANCES UNDER THE LINE OF CREDIT UNTIL THE BALANCE IS LESS THAN 50 PERCENT OF THE FAIR MARKET VALUE; AND

"(7) THE LENDER MAY NOT UNILATERALLY AMEND THE TERMS OF THE LINE OF CREDIT.

"THIS NOTICE IS ONLY A SUMMARY OF YOUR RIGHTS UNDER THE TEXAS CONSTITUTION. YOUR RIGHTS ARE GOVERNED BY SECTION 50, ARTICLE XVI, OF THE TEXAS CONSTITUTION, AND NOT BY THIS NOTICE."

A reasonable negotiation may be surrender of your house in State X, and trade for suitable P&I REO property in TEXAS. We have plenty in Austin. Avoid Houston.

D2-3.2-11

Introduction

2MP works in tandem with HAMP. If the first lien mortgage loan is permanently modified under HAMP and there is a second lien mortgage loan on the same property, 2MP helps eligible borrowers achieve greater affordability by lowering payments on their second lien mortgage loans as well.

D2-3.3-01

General Requirements When Processing a Fannie Mae Short Sale

The following table provides some of the servicer's responsibilities in connection with processing a Fannie Mae short sale.

✓

The servicer must...

Evaluate the borrower's eligibility and contribution requirements, if any, based on the status of the mortgage loan at the time of the respective evaluation.

Advise the borrower of the advantages and disadvantages of agreeing to a short sale.

The servicer must...

Adhere to the time frames for evaluating short sale offers and closing the short sale transaction.

Oversee the sale of the mortgaged property by communicating with and providing instruction to the listing agent.

Review each sales contract in detail to verify that the contract sales price and terms comply with this Guide.

Obtain a property valuation if there's reason to believe the borrower meets the eligibility requirements and the borrower expresses an interest in a short sale.

Review the settlement statement prior to the short sale closing for proper transfer of title.

Work with the title company to resolve any issues that may delay the closing, including assisting in subordinate lien releases.

Provide instructions to the title company regarding closing of the transaction in compliance with this Guide.

Ensure that the borrower has waived reimbursement of any escrow, buydown funds, or prepaid items and assigned any insurance proceeds to Fannie Mae, if applicable.

Ensure the sales proceeds are received on a timely basis.

Report short sales to Fannie Mae. See D2-4-02, Reporting a Workout Option to Fannie Mae and the Investor Reporting Manual.

Appropriately manage liquidation workout options that involve the borrower's relinquishing ownership of the property to ensure that the borrower's rights are appropriately protected.

Provide evidence of the borrower's indication of intent to pursue a short sale to Fannie Mae upon request.

If the servicer is responding to an unsolicited short sale request from a borrower, it is authorized

to proceed directly with evaluating the borrower for a Fannie Mae short sale without first conducting an evaluation for a HAMP modification.

-----ENDOFFPARTONE-----

D-2-3.3

Obtaining a Property Valuation and Evaluating the Condition of the Property

If the servicer determines that the borrower meets the eligibility criteria stated above for a Fannie Mae Mortgage Release, it must place a property valuation order directly with Fannie Mae to determine the market value of the property securing the mortgage loan, if required by Fannie Mae or the mortgage insurer. The servicer must follow the procedures in Obtaining a Property Valuation in F-1-18, Processing a Fannie Mae Mortgage Release (Deed-In-Lieu of Foreclosure) for obtaining a property valuation.

Prior to the borrower executing a Fannie Mae Mortgage Release, the servicer must schedule property inspections to ensure that the property is undamaged, properly maintained, and free from structural problems, environmental contamination, or existing or potential legal concerns. The servicer's action will depend on whether the servicer previously ordered an interior BPO, as described in the following table.

See E-3.3-03, Inspecting Properties Prior to Foreclosure Sale for the requirements related to performing property in inspections.

The servicer must submit the Mortgage Release request to Fannie Mae to receive prior written approval if the property inspection or property valuation reveals any of the following about the subject property and the servicer determines that a Mortgage Release is the appropriate workout option:

- the subject property has been poorly maintained,
- the subject property requires major repairs,
- the subject property has structural property has structural or foundation problems,
- the subject property contains environmental contamination, or
- the subject property poses potential legal risk.

D2-3.4-01

Introduction

SCRA provides protection and relief to civilians who incur a mortgage debt and subsequently enter military service, including members of the National Guard who are called to active duty by federal authorities. Fannie Mae's military indulgence policy covers those servicemembers entitled to relief under SCRA as well as members of the National Guard or other state-supported military unit who are called to active duty by a state governor and entitled to state-mandated relief. The relief generally begins when the individual reports for active duty and ends a period of time after he or she is separated from active duty. The servicer must grant relief in compliance with applicable law under SCRA (see A2-1-08, Compliance with Requirements and Laws). In addition to protections provided by the SCRA, Fannie Mae provides additional protections and reporting requirements.

This topic contains the following:

-

Initiating Relief

-

Reducing the Interest Rate

-

Providing Forbearance

-

Initiating or Proceeding with Foreclosure Proceedings

The servicer must grant an eligible servicemember a reduction in the interest rate to 6% in accordance with the provisions of the SCRA; provided, however, that the servicer must not exercise the option provided by the SCRA to apply to a court for relief from reducing the interest rate to 6% if the servicer is of the opinion that the servicemember's ability to pay interest at a rate in excess of 6% per year is not materially affected by reason of the servicemember's military service. The servicer should make the new interest rate effective with the first payment due after the servicemember (i) enters active duty or (ii) is entitled to the new interest rate under the SCRA.

In addition to reducing the interest rate to 6%, the servicer must reapply any prepaid monthly payments with due dates during the period of active duty at the 6% interest rate. If the servicemember fails to notify the servicer when he or she enters active duty status, but subsequently provides evidence of the active duty status, the servicer must reapply any monthly payments made during the period of active duty at the 6% interest rate. Installments that are delinquent when the servicemember enters active duty status must be paid at the interest rate that was in effect when the payments came due. The servicer must provide the following options to the servicemember regarding the treatment of any remaining funds after any reapplication:

- application as a monthly payment, if sufficient;
- application as a principal curtailment; or
- a refund to the servicemember.

Providing Forbearance

If the servicemember is unable to make the full monthly payment after the interest rate is reduced to 6%, the servicer is authorized to agree to accept lesser payments, which can continue for the entire term of the servicemember's active duty and for any period after active duty ends in which the SCRA requires an interest rate reduction to 6%. If the servicemember is unable to repay all delinquent installments under the mortgage loan within this time, the servicer must work out a repayment plan that cures the delinquency as soon as possible. If circumstances warrant, the servicer must consider modifying the mortgage loan once the servicemember's active duty has been completed.

While the servicer should request the servicemember to pay an amount that is at least equal to the amount needed to cover escrow deposits for T&I payments, it must arrange repayment terms that best suit the individual servicemember's ability to pay, while keeping in mind the need to minimize the accumulated arrearages. The servicer must not require the servicemember to have a court order to obtain this relief. The servicer must waive any late charges that become due after the servicemember was called to active duty.

The servicer must consider the mortgage loan to be current as long as the servicemember remits the amount required per the terms of the military indulgence forbearance agreement. If the mortgage loan becomes 90 days delinquent under the terms of the military indulgence forbearance agreement, the servicer must investigate the reason for the delinquency and arrange additional forbearance, if appropriate, but must not initiate foreclosure proceedings. If the servicemember cannot make any monthly payments, the servicer must instruct him or her to request a stay in enforcement of the mortgage loan terms from the court.

The servicer must stay any foreclosure proceedings that were already in process or postpone the initiation of foreclosure proceedings against a servicemember eligible for military indulgence. The servicer must also provide a 12-month extended stay of foreclosure and other legal proceedings from the date on which military service ends. The servicer must not attempt to obtain the eligible servicemember's written consent or petition the court to continue or commence foreclosure proceedings.

E-1.1-01

The following table describes the servicer's responsibilities for all referrals to law firms for default-related legal services.



The servicer must...

Send the referral to a law firm that has been selected and retained for the jurisdiction under the requirements set forth in A4-2.2-01, Selecting and Retaining Law Firms. Submit a complete referral package to the law firm and work with the law firm to determine

- the documents needed in that particular jurisdiction for the specific proceedings, and
- whether the documents may be photocopies or must be the originals.

You will easily be able to obtain a copy of this complete referral package.

E-1.1-02

The servicer must provide all appropriate documentation and mortgage loan status data for each mortgage loan it refers to a law firm for any default-related legal services. After referral, the servicer must keep the law firm informed about any change in the status of the mortgage loan.

At the time of any referral to a law firm, the servicer must provide the law firm with

- a true, correct, and complete copy of the note, including any allonge, produced from the original held by the document custodian;
- the original note, including any allonge; or
- a lost note affidavit.

Providing a copy of or the original note will depend on whether the applicable law of the jurisdiction requires the original note or merely a copy. Lost note affidavits must only be used after a thorough and diligent search has been made for the original note. Fannie Mae does not reimburse the servicer for the cost to obtain original notes or lost note affidavits.

The servicer must institute a process to request the necessary documents from the document custodian no later than the 95th day of delinquency in order to ensure that these documents are available at the time of referral.

If the servicer fails to provide the appropriate documentation and information as part of the referral package, or does not respond within three business days to requests from the law firm for additional information or documents, Fannie Mae reserves the right to pursue any of its available remedies, which may include, but are not limited to, the following:

- indemnification,
- "make whole,"

- repurchase, or
- compensatory fees.

Three days seems reasonable to furnish missing documents.

Additional Required Bankruptcy Referral Documents

The following table lists the documentation required specifically for bankruptcy referral packages.

✓

Documentation required for the bankruptcy referral package

All legal documents the law firm needs to conduct the bankruptcy proceedings.

All necessary information about the status of

- the property,
- the borrower,
- the mortgage loan, and
- the bankruptcy filing.

Any relevant information on the current and any prior bankruptcy filings, such as plans, pleadings, schedules, and proofs of claims involving the borrower or the subject property.

Information related to any potential workout options.

The mortgage loan collection history.

Any current or previous foreclosure status information.

All information the servicer has regarding the value of the security property, if applicable.

The servicer must...

Ensure that, no later than the time of the foreclosure referral to a law firm, the mortgage has been validly assigned (that is, is legally effective and enforceable) to the party in whose name the foreclosure will be conducted.

In addition to all of the data elements previously mentioned in this topic, a referral to a law firm for bankruptcy proceedings will also require the following information:

- bankruptcy case number;
- bankruptcy jurisdiction;
- date of the bankruptcy filing;
- chapter under which the bankruptcy was filed;
- any property valuation information;
- breakdown of the monthly payment (principal, interest, and escrow deposits);
- mortgage escrow analysis (showing any shortage or surplus); and
- foreclosure case number, jurisdiction, and date the proceedings initiated.

E-1.3-01

“Non-routine” litigation generally consists of an action that, regardless of whether Fannie Mae is a party to the proceeding

- seeks monetary damages against Fannie Mae, its officers, directors, or employees;
- challenges the validity, priority, or enforceability of a Fannie Mae mortgage loan or seeks

to impair Fannie Mae's interest in an acquired property and the handling of which is not otherwise addressed in the Servicing Guide; or

- presents an issue that may pose a significant legal or reputational risk to Fannie Mae.

The following table describes the servicer's responsibilities related to non-routine litigation.

The servicer must...

Appropriately handle legal matters affecting Fannie Mae mortgage loans.

Notify Fannie Mae's Legal department of any non-routine litigation by submitting a Non-Routine Litigation Form (Form 20).

Note: Fannie Mae reserves the right to direct and control all litigation involving a Fannie Mae mortgage loan, and the servicer and any law firm handling the litigation must cooperate fully with Fannie Mae in the prosecution, defense, or handling of the matter.

Obtain Fannie Mae's prior written approval before either

- removing a case to federal court based on Fannie Mae's Charter, or
- appealing or otherwise challenging judgment in any foreclosure or bankruptcy proceeding.

Note: The servicer must also notify Fannie Mae's Legal department by submitting Form 20 if a borrower files an appeal or seeks other post-judgment relief in a foreclosure or bankruptcy proceeding.

Periodically update Fannie Mae on the progress of non-routine litigation as necessary and appropriate.

Provide Fannie Mae with sufficient opportunity in advance of any deadline or due date to review and comment upon proposed substantive pleadings, including:

- motions,
- responses,
- replies, and
- briefs.

Notify retained counsel of its proposal to offer any mortgage loan modification and provide counsel with sufficient opportunity in advance of the solicitation to review and provide comments in connection with any solicitation materials. See also Determining Eligibility for a Fannie Mae Streamlined Modification in D2-3.2-08, Fannie Mae Streamlined Modification, Determining Eligibility for a Fannie Mae Streamlined Modification Post Disaster Forbearance in D2-3.2-09, Fannie Mae Streamlined Modification Post Disaster Forbearance, and Determining Eligibility for a Fannie Mae Cap and Extend Modification for Disaster Relief in D2-3.2-10, Fannie Mae Cap and Extend Modification for Disaster Relief, for eligibility requirements.

Not all contested matters constitute non-routine litigation. The following represent examples that are considered routine litigation and need not be reported to Fannie Mae:

- a contested foreclosure action in which the borrower alleges a case-specific procedural or technical defect in the foreclosure, or
- a contested foreclosure action in which the borrower alleges a case specific payment application claim.

In contrast, a contested foreclosure or bankruptcy action in which a borrower challenges the servicer's ability to conduct a foreclosure or seek relief from stay based on a legal argument that, if upheld, could have broader application to other Fannie Mae mortgage loans is non-routine litigation because of the potential for negative legal precedent to extend beyond the immediate case.

CHECK EXAMPLES OF NONROUTINE LITIGATION
THERE ARE MORE EVERY DAY
THERE ARE SOME PROCEEDING UNDER SEAL - MAKE INQUIRY
CHECK PUBLIC CORPORATE RECORDS AND LEGAL NOTES

Non-routine litigation must be reported to Fannie Mae within two business days of the servicer receiving notice of the litigation, except with respect to the following three categories of loan-level challenges:

- a challenge to the standing of the servicer to conduct foreclosures or bankruptcies that, if successful, could create negative legal precedent with an impact beyond the immediate case;
- a challenge to the methods by which MERS does business or its ability to act as nominee under a mortgage; or
- any claim invoking HAMP as a basis to challenge a foreclosure.

With respect to these three categories of loan-level challenges, it is not necessary for the servicer to notify Fannie Mae until

- the borrower seeks summary judgment on such a challenge,
- briefing is required in response to such a challenge, or
- the issue is expected to be raised at a scheduled trial.

E-2.1-03

The servicer must immediately suspend any and all debt collection efforts (including foreclosure proceedings) upon notification of a bankruptcy filing, unless legal counsel expressly advises it that certain collection efforts may be continued.

If collection efforts or foreclosure proceedings began before the servicer received notice of the bankruptcy filing, the servicer must contact the law firm as soon as possible to determine how to proceed.

E-2.1-09

The following table provides Fannie Mae requirements for the servicer when identifying workout opportunities for mortgage loans in bankruptcy.

✓

The servicer must...

Work together with the law firm to pursue workout opportunities during all phases of the bankruptcy process. Fannie Mae reserves the right to request a report of the documented communication between the servicer and the law firm concerning workout attempts.

Have the law firm contact the borrower's counsel to discuss the different workout options that might be suitable for the borrower, when the borrower is contractually delinquent. If the borrower is not represented by counsel, the law firm may contact the borrower directly.

Work with the law firm and the borrower's counsel to discuss details of the various alternatives and to select the most appropriate option.

Seek approval from Fannie Mae and the bankruptcy court, as required, when a workout opportunity is identified.

The particular workout option to be utilized in a given bankruptcy case will depend upon many

factors, including, but not limited to, the following:

- the type of bankruptcy case,
- the stage of the bankruptcy case,
- local practices and procedures, and
- the particular circumstances of the borrower and the property.

E-3.1-02

The servicer of a portfolio mortgage loan, a participation pool mortgage loan that Fannie Mae holds in its portfolio, or of a special servicing option MBS loan, must protect Fannie Mae's investment by making every reasonable effort to cure the delinquency through Fannie Mae's various workout options before referring a mortgage loan for foreclosure proceedings. The servicer must complete the actions shown in the following table prior to referring a mortgage loan to foreclosure.

The servicer must...

Inspect the property and analyze the individual circumstances of the delinquency.

Diligently investigate mortgage loans originated as investment properties and attempt to determine whether or not the borrower is collecting rental income from the property.

If the servicer suspects that the property or any unit(s) of the property is tenant occupied, it must take appropriate action to ascertain the actual occupancy status of the property. This includes completing detailed property inspections and conducting skip tracing.

Promptly notify the law firm of any change in mortgage loan status, including:

- occupancy status,
- rental income and amounts,
- tenant information, and
- lease information.

DO NOT TOLERATE DUAL TRACKING

DO NOT TOLERATE FEE BASED BEHAVIOR OF MORTGAGE SERVICER

E-3.2-01

The servicer must perform a prereferral review of the mortgage loan within 15 days prior to the date the servicer is required to refer the mortgage loan to foreclosure. Before the review, the breach or acceleration letter and the Borrower Solicitation Package deadline must have expired without affirmative response from the borrower.

For all mortgage loans:

The prereferral review must ensure that all procedures relating to establishing QRPC as outlined in D2-2-01, Achieving Quality Right Party Contact with a Borrower were followed and that:

- an approved payment arrangement is not pending;
- a complete BRP has not been received; or
- if a complete BRP has been received, the servicer has determined that either the borrower is not eligible for a workout option or the servicer has extended an offer for a workout option and the borrower has not accepted the offer within the required time frame specified in the Evaluation Notice.

Note: The servicer must not delay referral to foreclosure if the time frame for the

borrower to respond to an offer for a workout option has expired.

E-3.2-08

Accepting a Full Reinstatement During Foreclosure

The servicer must accept a full reinstatement of a first lien mortgage loan even if foreclosure proceedings have already begun. This is also true for a second lien mortgage loan as long as the first lien mortgage loan is not delinquent or provided the first lien mortgage loan servicer has agreed to arrangements for curing the delinquency.

Here is one I really wish I would have known. I could have declared Ch XIII, then we could have sat down and done the math to fully reinstate the default which had been incorrectly calculated, then closed the bankruptcy and all gone home.

Accepting a Partial Reinstatement During Foreclosure

The servicer is authorized to accept a borrower's request for a partial reinstatement if the borrower would qualify for a workout option after application of the partial reinstatement funds. See Chapter D2-3, Fannie Mae's Home Retention and Liquidation Workout Options for additional information on available workout options.

E-3.3-06

The servicer must pursue a deficiency judgment on an FHA, VA, or RD mortgage loan if instructed to do so by FHA, VA, or RD, respectively.

A deficiency judgment cannot be pursued for a Texas Section 50(a)(6) mortgage loan.

Once again, have you clearly thought about moving to Texas?

E-3.4-01

Introduction

When a delinquent mortgage loan is referred to a law firm, the servicer must continue to work with the borrower to bring the mortgage loan current or finalize a workout arrangement up to the date of the foreclosure sale, unless the servicer has determined that all workout options are not feasible as discussed in Chapter D2-3, Fannie Mae's Home Retention and Liquidation Workout Options.

When a delinquent mortgage loan is referred to a law firm, the servicer must NOT suspend foreclosure proceedings pending Fannie Mae's approval of additional attorney fees.

Handling a BRP Received After Foreclosure Referral But Within 15 to 37 Days Prior to the Foreclosure Sale Date

The following table provides Fannie Mae requirements for suspending foreclosure proceedings when the BRP is received after foreclosure referral but within 15 to 37 days prior to the foreclosure sale date.

When foreclosure sale is looming, the mortgage servicer is under severe pressures of earned or unearned fees and make whoe payments from the US Government, and his head is not really into redemption or modification. This is the time to file a lis pendens, if you have not already, and inform the county clerk and the general public that a fraudulent action is under way, and you will not rest until you regain possession of your stolen property. When the description of your property is read before sale, make sure you take an intermission and read your lis pendens to the gathered assembly. There may be no bids.

E-3.4-02

The servicer must cancel the foreclosure sale once the borrower has successfully completed a workout option.

For a mortgage loan modification, the sale must not be cancelled until

- the Trial Period Plan is successfully completed with all payments having been made, and
- the mortgage loan modification agreement has been signed by the borrower(s).

When the servicer offers the borrower a Mortgage Release, the servicer must not suspend or cancel the foreclosure process until the servicer has accepted the executed deed from the borrower.

E-3.5-01

Unless the mortgage loan is subject to the Fannie Mae automatic reclassification process, Fannie Mae requires that the servicer foreclose while the mortgage loan is in the MBS pool. The servicer then must purchase a regular or modified special servicing option MBS mortgage loan from the MBS pool within 60 days after the foreclosure sale date. For additional information regarding reclassifying or removing MBS mortgage loans in foreclosure, see Mandatory Repurchase of Certain MBS Mortgage Loans in A1-3-02, Fannie Mae-Initiated Repurchases, Indemnifications, Make Whole Payment Requests and Deferred Payment Obligations. The servicer must follow the procedures in Remitting a Settlement Received for an MBS Mortgage Loan in F-1-29, Remitting and Accounting to Fannie Mae, for instructions on remitting claim or sales proceeds received for MBS mortgage loans post-foreclosure sale.

E-4.1-01

Timing of the REOgram

Within 24 hours after the date of a foreclosure sale or the servicer accepts the executed Mortgage Release, the servicer must send an REOgram to Fannie Mae for the following mortgage loans:

- all conventional mortgage loans; and
- any special servicing option RD mortgage loans, even though Fannie Mae may not gain clear title to the property until after expiration of any redemption period.

Send you lis pendens notice to the same purported owner.
Inform him of his fraudulent action.
Demand \$1,000,000 immediately to discharge your lis pendens.
Inform Shirley that you are serious.

E-4.3-01

The servicer must cease property preservation activities following the foreclosure sale, unless otherwise instructed by Fannie Mae, even if title transfer to Fannie Mae has not completed (such as during an applicable redemption period or when the court has not yet confirmed or ratified the sale). Fannie Mae will designate a broker, agent, vendor, or property management company to oversee the property marketing and will assume responsibilities for the payment of HOA or co-op corporation fees and assessments, once the foreclosure sale occurs. Unless otherwise notified by Fannie Mae, the servicer must continue to perform the responsibilities shown in the following table until Fannie Mae notifies it the property has been sold and the final settlement has occurred.

This is why you have filed your lis pendens, to spoil title transfer.
This is why you have paid and continue to pay taxes, even if you have to sell your children.
In accepting your tax payment, the state validates your claim.
Your mortgage servicer has never paid property taxes with their own money.
Your American Jury wants to know.

For Conventional First Lien Mortgage Loans

The following table describes the servicer's responsibilities related to the cancellation of property insurance coverage once the property appears on the Vacancy Report in HomeTracker.

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Within 14 days after the property appears on the Vacancy Report in HomeTracker, the servicer must...

Ask the property insurance carrier to cancel the policy and, unless prohibited by the policy or applicable law, send it any unearned premium refund.

Request cancellation of Fannie Mae's mortgagee interest in the policy and removal of its name from the policy if the insurance carrier is not willing to cancel the policy because Fannie Mae is not the named insured.

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.

Your lis pendens has cancelled the beneficiary rights long ago.
Your insurance company has never accepted policy payments from anyone but you.
Remind Shirley that you are serious.

Some of the services for which the servicer is obligated to pay counsel without reimbursement from Fannie Mae may include, but are not limited to, the following:

- Title curative work, including judicial proceedings to eliminate recorded liens that are prior in time; judicial proceedings to account for missing intervening assignments; and legal analysis and communications with prior lienholders and title companies.
- Litigation activities, including discovery practice, motions, trial, and appeal, caused by borrower defenses related to origination or servicing of the mortgage loan, including payment dispute allegations.

Fannie Mae will not reimburse the servicer for legal fees and expenses related to actions

that are essentially servicing functions or for expenses that are properly allocated to the law firm's overhead expenses, since such expenses are taken into consideration when Fannie Mae establishes its fee schedule.

I'm terrible at accounting. I charge one bit coin per day. Sometimes I multitask.
I audit expenses of other parties. Sometimes I disallow them. Most times, actually.
