

## ***Servicing Guide Announcement SVC-2013-27***

December 18, 2013

(\*With Corrections on Page 1)

### **Lender-Placed Insurance Requirements**

Fannie Mae is updating its requirements for lender-placed insurance (also known as “force-placed” insurance) as defined by the Consumer Financial Protection Bureau in 12 C.F.R. Section 1024.37 for all Fannie Mae mortgage loans including reverse mortgage loans for the following:

- Acceptable lender-placed insurance costs
- Acceptable lender-placed insurance carriers, and
- Lender-placed insurance compliance certification

#### ***Effective Date***

Servicers are encouraged to implement the requirements in this Announcement immediately; however, these changes are effective for new or renewed lender-placed insurance policies issued on a property secured by a Fannie Mae mortgage loan on or after June 1, 2014. Servicers must ensure that their master agreements and/or master policies with their lender-placed insurance provider comply with the requirements in this Announcement by June 1, 2014.

### **Acceptable Lender-Placed Insurance Costs**

#### ***Servicing Guide, Part II, Chapter 6: Lender-Placed Property Insurance***

Fannie Mae is now requiring that the lender-placed insurance premiums charged to the borrower or reimbursed by Fannie Mae must exclude any lender-placed insurance commission or payments earned or received by the servicer, or other entities or individuals affiliated with the servicer (employees, agents, brokers, etc.). (**\*Updated paragraph**).

The prohibited lender-placed insurance commissions or payments include 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.

An affiliated entity is defined as

- an entity owned or controlled, in whole or in part, by the servicer including, but not limited to, a subsidiary or joint venture of the servicer;
- an entity that owns or controls, in whole or in part, the servicer (for example, the parent company of the servicer); or
- an entity that is under common ownership or control with the servicer (for example, two subsidiaries of the same parent company).

An affiliated entity does not include a publicly traded company where the servicer owns less than 5% of its stock.

## Acceptable Lender-Placed Insurance Carriers

### ***Servicing Guide, Part II, Chapter 6: Lender-Placed Property Insurance***

Fannie Mae now requires that the servicer's lender-placed insurance carrier for a lender-placed insurance policy for a Fannie Mae mortgage loan must not be an affiliated entity of the servicer. This requirement includes any captive insurance or reinsurance arrangements with an affiliated entity.

## Lender-Placed Insurance Compliance Certification

### ***Servicing Guide, Part I, Section 305: Lender Record Information***

Fannie Mae will add a new lender-placed insurance servicer certification to the *Lender Record Information* (Form 582). In the certification, the servicer must certify that it complies with Fannie Mae's requirements for acceptable lender-placed insurance costs and carriers. A servicer's failure to complete the certification may result in Fannie Mae taking appropriate action as permitted under the servicer's *Mortgage Selling and Servicing Contract* and the *Fannie Mae Servicing Guide* including, but not limited to:

- exercising its right to offset, or
- not reimbursing a servicer's advances for lender-placed insurance premiums submitted through Fannie Mae's *Cash Disbursement Request* ([Form 571](#)).

Fannie Mae is in the process of updating Form 582 and will notify servicers once the updated Form 582 is available. In the interim, servicers must certify by submitting the *Lender-Placed Insurance Compliance Certification* ([Form 202](#)) to Fannie Mae via email to [Lender-placed\\_insurance@fanniemae.com](mailto:Lender-placed_insurance@fanniemae.com).

Upon Fannie Mae's request, the servicer must provide copies of its lender-placed insurance policy, including any other contractual arrangements between the servicer and a lender-placed insurance carrier. The servicer will also be required to respond to requests for data for its lender placed insurance activities from time to time. Requested documentation and/or data relating to lender-placed insurance coverage must be provided to Fannie Mae within 30 days of Fannie Mae's request.

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Servicers should contact their Servicing Consultant, Portfolio Manager, or Fannie Mae's National Servicing Organization's Servicer Support Center at 1-888-FANNIE5 (1-888-326-6435) with any questions regarding this Announcement.

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