



URGENT BULLETIN!

FannieMae Servicing Guide Amendments: Lender-Placed Property Insurance

In November 2004, FannieMae issued Announcement 04-07 making policy changes to its Servicing Guide that affect lender-placed property insurance. We would assume that most of these guidelines are already being followed by most servicers. Some important points are...

1. Proper notification must be given the borrower, with at least one written communication to the borrower.
2. The borrower must be given a reasonable amount of time to comply typically at least 60 days, before a charge for lender-placed insurance is assessed.
3. The letter to the borrower must inform him of the high cost and limited coverage provided by the lender placed insurance.
4. The servicer must provide adequate resources and facilities for receiving and processing evidence of insurance from borrowers.
5. The letter to the borrower must inform him if the servicer or one of its affiliates may be paid a commission for its placement of lender-placed insurance.
6. When the borrower provides evidence of property insurance all charges for lender placed insurance after the effective date of the borrower-placed coverage must be refunded or credited to the borrowers.
7. Servicers have until February 1, 2005 to comply.

In all cases the servicer is responsible for ensuring that there is no lapse in coverage. See pages 11 and 12 of Announcement 04-07, which can be obtained from FannieMae or Loan Protector's website www.loanprotector.com. We feel these requirements serve as good guidelines for any servicer's lender-placed insurance program.

Loan Protector provides a complete borrower notification and lender-placed insurance solution that is in full compliance with these FannieMae requirements, and is very cost effective for our clients. Please feel free to discuss any aspects of these new rules with us.