

Geez. Strategic defaulting must be becoming more of a problem than we presently know. Fannie plans to really stick it to those intentionally walking away from their mortgage by 1) not allowing them to get a Fannie loan for seven years following a strategic default 2) using deficiency judgments to go after the borrower's post-liquidation.

If after this people still think the GSE's aren't serious on the put-back front, think again. Bleeding the big banks for years to come is where the real money is.

+-----  
---+

Fannie Mae Increases Penalties for Borrowers Who Walk Away  
2010-06-23 18:21:47.438 GMT

Fannie Mae Increases Penalties for Borrowers Who Walk Away  
Seven-Year Lockout Policy for Strategic Defaulters

PR Newswire

WASHINGTON, June 23

WASHINGTON, June 23 /PRNewswire-FirstCall/ -- Fannie Mae (NYSE: FNM) announced today policy changes designed to encourage borrowers to work with their servicers and pursue alternatives to foreclosure. Defaulting borrowers who walk-away and had the capacity to pay or did not complete a workout alternative in good faith will be ineligible for a new Fannie Mae-backed mortgage loan for a period of seven years from the date of foreclosure.

Borrowers who have extenuating circumstances may be eligible for new loan in a shorter timeframe.

"We're taking these steps to highlight the importance of working with your servicer," said Terence Edwards, executive vice president for credit portfolio management. "Walking away from a mortgage is bad for borrowers and bad for communities and our approach is meant to deter the disturbing trend toward strategic defaulting. On the flip side, borrowers facing hardship who make a good faith effort to resolve their situation with their servicer will preserve the option to be considered for a future Fannie Mae loan in a shorter period of time."

Fannie Mae will also take legal action to recoup the outstanding mortgage

debt from borrowers who strategically default on their loans in jurisdictions that allow for deficiency judgments. In an announcement next month, the company will be instructing its servicers to monitor delinquent loans facing foreclosure and put forth recommendations for cases that warrant the pursuit of deficiency judgments.

Troubled borrowers who work with their servicers, and provide information to help the servicer assess their situation, can be considered for foreclosure alternatives, such as a loan modification, a short sale, or a deed-in-lieu of foreclosure. A borrower with extenuating circumstances who works out one of these options with their servicer could be eligible for a new mortgage loan in three years and in as little as two years depending on the circumstances.

These policy changes were announced in April, in Fannie Mae's Selling Guide Announcement SEL-2010-05 .

Fannie Mae exists to expand affordable housing and bring global capital to local communities in order to serve the U.S. housing market. Fannie Mae has a federal charter and operates in America's secondary mortgage market to enhance the liquidity of the mortgage market by providing funds to mortgage bankers and other lenders so that they may lend to home buyers. Our job is to help those who house America.

SOURCE Fannie Mae

Website: <http://www.fanniemae.com>  
Contact: Janis Smith, +1-202-752-2078  
-0- Jun/23/2010 18:21 GMT