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Announcement 01-09

November 9, 2001

Amends these Guides: Selling and Servicing

Issues Related to Aftermath of September 11 Terrorist Attacks

In the aftermath of the tragic events of September 11, we have taken a number of steps to assist lenders in addressing problems that have arisen in connection with the sale and servicing of mortgages secured by properties located in areas that may be affected by the attacks. Our initial action was to extend our existing policies and procedures for providing relief to victims of natural disasters to those affected by the terrorist attacks. We subsequently reminded lenders of our long-standing procedures for implementing the Soldiers' and Sailors' Civil Relief Act for reservists who have been called to active duty. Lenders have requested guidance on a number of other issues that have arisen in connection with the September 11 attacks. This Announcement addresses three of those -- property appraisals performed subsequent to September 11 (including those for properties located near the World Trade Center), the need for compliance with Executive Order 13224, and recognition of state-mandated relief for members of the National Guard or state militia.

Property Appraisals Performed Subsequent to September 11, 2001

Some lenders have asked for guidance on how to address appraisers' concerns about their ability to measure the effect that the September 11 events may have on the value of one- to four-family properties. Specifically, they are concerned about statements that some appraisers plan to include in *all* of their appraisal reports. These statements include language similar to the following:

"The date of value in this assignment is subsequent to September 11, 2001, the date of the attack on the World Trade Center in New York City and on the Pentagon in Washington, DC. The scope of this appraisal assignment does not include the measurement of any effect of these events on the real estate market or on the value of the subject property. Therefore, the value opinion and other conclusions expressed in this report are subject to the extraordinary assumption that these events have had no effect on the marketability or market value of the subject property. The client and intended users of this appraisal are cautioned that if this extraordinary assumption is incorrect, the value opinion and other conclusions expressed in this report could be significantly different."

We believe that this type of statement represents a limiting condition to the appraisal, which could result in a misleading appraisal report because the dynamics of the market are ignored. Although we permit an appraiser to add some certifications to an appraisal report, we will not purchase or securitize a mortgage for which the appraiser has added a limiting condition to the appraisal report. However, we recognize that, in the short-term, there may be limited (or no) market data available to measure the effect of the events of September 11. In view of this, we will accept the following additional certification and notice in appraisal reports for mortgages secured by properties located in the affected areas of New York City. (This additional certification must not be used in connection with properties located elsewhere.)

“The date of value in this assignment is subsequent to September 11, 2001, the date of the attack on the World Trade Center in New York City. The appraiser has examined all reasonably available data to arrive at a final value opinion. The reader is cautioned that as additional data become available the value conclusion in this report may or may not be affected.”

The use of this certification and notice does not relieve the appraiser from arriving at a supported opinion of value. We expect the appraiser to make every effort to consider and use all available market data in his or her property valuation, focusing on the neighborhood in which the subject property is located and taking into consideration the influence of social, economic, governmental, and environmental forces on property values. These forces are often interrelated, rather than being distinct or mutually exclusive. We recognize that it will be some time before the general marketplace adjusts to the point that the difficulties in arriving at an opinion of market value for these properties are eliminated. Until then, we will make every effort to offer sound advice and work with lenders that are originating mortgages in the New York City market.

Compliance with Executive Order 13224

On September 23, 2001, President Bush signed Executive Order 13224. This Executive Order (1) prohibits U.S. persons from entering into transactions with specifically identified persons or entities who have committed, pose a significant risk of committing, or support acts of terrorism and (2) requires U.S. persons to block all property (and interests in property) that is in the United States or is within the possession or control of such identified persons who are in the United States. The lists of terrorists, terrorist groups, and supporters to be sanctioned are maintained by the Treasury Department’s Office of Foreign Asset Control. The current lists (and subsequent updates to them) can be found on the Treasury Department’s Web site (<http://www.treas.gov/terrorism.html>).

U.S. persons who must comply with Executive Order 13224 include any U.S. citizen or permanent resident; any entity (which includes partnerships, associations, corporations, or other organizations, groups, or sub-groups organized under the laws of the United States, as well as their foreign branches); or any other person who is in the United States. U.S. persons who provide materials or services to sanctioned persons or entities can also have their assets frozen. For this reason, we are reminding lenders of the importance of complying with the provisions of Executive Order 13224 in their selling and servicing activities. We encourage lenders who have any questions about the provisions of Executive Order 13224 (including the most judicious way of implementing them) to seek advice from their legal counsel.

State-Mandated Relief for National Guard and Militia Members

Some states have laws that provide relief for civilians who are serving or have served as members of the National Guard or state militia. Servicers have asked us whether our policies permit them to postpone or suspend foreclosure proceedings or to offer other forms of relief to National Guard or militia members that a state governor has called to active duty as the result of the terrorist attacks. We expect servicers to comply with all applicable state laws, so any state-mandated relief provisions (including the postponement or suspension of foreclosure proceedings) should be honored. We also provide for the granting of relief for delinquent mortgages under such circumstances in our guidelines for special forbearance (which are discussed in Part VII, Section 302, of the Servicing Guide). Should a state law provide for an interest rate reduction while the borrower is on active duty, the servicer should follow our guidelines for military indulgence (see Part VII, Section 304, of the Servicing Guide).

When adapting our policies and procedures to accommodate the provisions of state-mandated relief, the servicer must comply with all of the provisions of the applicable state law -- such as those related to eligibility criteria, specific forms of relief, the extent of the relief, etc. -- even if the provisions are at variance with our usual requirements for granting special forbearance or military indulgence or conducting foreclosure proceedings.

Lenders should contact their Underwriting Consultant in their lead Fannie Mae regional office if they have any questions about the selling-related issues addressed in this Announcement. Servicers should contact their Servicing Consultant if they have any questions about the servicing-related issues in this Announcement or if they encounter other circumstances in which a borrower is seeking relief beyond the provisions of the Soldiers' and Sailor's Civil Relief Act, state laws providing relief to National Guard or militia members, or our standard policies for granting relief or conducting foreclosure-related actions.

Robert J. Engelstad
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