



Future Cash Simplification Changes to Investor Reporting - FAQs

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A key goal for the future state of Master Servicing involves simplifying the Investor Reporting cash remittance and reconciliation process. As announced in [Lender Letter LL-2019-07](#), Fannie Mae is updating its Single-Family Investor Reporting requirements. [Servicing Guide Announcement SVC-2019-08](#) Fannie Mae announced an August 2020 effective date for these changes and Fannie Mae will initiate the draft for reported July activities in August 2020. Servicers must implement these changes for cash remittance and reconciliation activity by the August 2020 effective date.

This document provides answers to questions frequently asked about the changes.

Q1. What are the important points of the cash simplification changes?

- a. Fannie Mae will begin to initiate the monthly CD18 and CD20 Principal & Interest drafts for S/S and S/A portfolio loans (PFP and cash loans).
- b. All S/S and S/A portfolio loans will appear in the Remittance Detail – P&I Report on [Fannie Mae Connect](#).
- c. For S/S and S/A portfolio loans, the cash reconciliation cycle close is moving to BD2, the same business day as the loan reporting cycle close.
- d. The draft dates for S/S & S/A portfolio loans are not changing.
- e. Eliminates the need for servicers to call-in borrower contributions (unapplied funds) in [Cash Remittance System \(CRS\)](#) for S/S and S/A loans. Fannie Mae will initiate the drafts for these remittance types.
- f. For A/A portfolio loans, the cash reconciliation cycle close is moving to BD3, the business day following the loan reporting cycle close.
- g. Servicers will remit P&I payments for A/A loans as they do now (no change).

Q2. Why is Fannie Mae doing this?

- a. A key goal for the future state of Master Servicing involves simplifying the Investor Reporting cash remittance and reconciliation process. This change will retire manual processes, closely align the cash remittance and reconciliation process for all S/A and S/S loans (Swap & portfolio) & eliminate shortage/surplus for S/S and S/A portfolio loans.
- b. This will also significantly reduce lag time between reporting and cash cycles so servicers will be able to view reconciliation reports by BD4, rather than waiting until CD28 of the following month.

Q3. What are the key benefits?

- a. This new process will reduce touch points and eliminate manual operations for remitting monthly P&I for S/A & S/S portfolio loans while aligning the remittance process with the current process for S/S MBS loans. The Schedule 3 reconciliation will no longer be required for S/A & S/S portfolio loans once the servicers complete the postimplementation shortage/surplus settle-up process.
- b. Additionally, by aligning the loan reporting and cash reconciliation cycles, servicers and Fannie Mae will be able to view reconciliation reports by BD4, rather than waiting until CD28, significantly reducing lag time.
- c. Eliminates the need for servicers to call-in borrower contributions (unapplied funds) in CRS for S/S and S/A loans. Fannie Mae will initiate the drafts for these remittance types.
- d. Reports are streamlined so that total draft amounts are centralized in one report (Remittance Detail P&I report).



Q4. What changes do servicers need to make to be ready for these changes?

- a. Each servicer might need to make different operational changes ahead of this change. It is each servicer's responsibility to be operationally ready for this change once it becomes effective.
- b. Examples of process/operational changes include:
 - i. Retiring the manual process of submitting requests in CRS for amounts to be drafted for monthly P&I for S/A and S/S loans.
 - ii. Retiring the manual process of submitting requests in CRS for amounts to be drafted/reimbursed for monthly borrower contribution amount.
 - iii. Ensuring funds are available in your accounts for drafting by reviewing the remittance detail P&I report. iv. Use reports in line with new publication/refresh timings.
 - iv. Accessing draft adjustments details in [Loan Servicing Data Utility \(LSDU\)](#).
 - v. Discontinuing ongoing schedule 3 reconciliations once post-implementation settle-up is done.
 - vi. Please refer to the [Test Plan](#) and [Fannie Mae Process Requirements](#) to better understand these changes. Servicers wanting to participate in testing must request by 3/31/2020.

Q5. What will happen to the shortage/surplus amounts?

- a. For A/A loans, the current shortage/surplus amounts will not change.
- b. For S/S and S/A portfolio loans, the P&I draft will be based on Fannie Mae expected values based on LAR reporting by the servicers. Shortage/surplus won't exist for these loans.
- c. The outstanding shortage/surplus amounts for S/S & S/A portfolio loans will go through a post-implementation reconciliation & settle-up process. (Coming Soon)

Q6. When are these changes going into effect?

- a. The effective date is August 2020 based off of the prior month's (July 2020) Loan Activity Records. This was announced in [Servicing Guide Announcement SVC-22019-08](#), published on December 11, 2019.
- b. A transition guide with more information will be available shortly.

Q7. How will servicers know how much Fannie Mae plans to draft for S/S and S/A portfolio loans?

- a. Servicers will have the monthly P&I remittance data available by the third business day prior to the scheduled P&I drafts. The data will be available at loan level in the Remittance Detail P&I report on Fannie Mae Connect. Any draft adjustments will be netted against the value in the Interest Due column of Remittance Detail P&I. Additionally, the P&I Draft Notifications report in Fannie Mae Connect will have summary final draft amounts per 9-digit servicer number.
- b. Loan level adjustment details will be available in LSDU's Cash Position Search.

Q8. How will servicers request draft adjustments for S/S and S/A portfolio loans?

- a. Servicers can request cash draft adjustments by contacting Master Servicing and providing supporting documentation.

Q9. How will this affect the IR metrics on STAR Scorecard?

- a. With this change, S/S and S/A portfolio loans will be excluded from the Shortage/Surplus metric values.

Q10. Are P&I draft dates changing?

- a. No, S/S and S/A draft dates aren't changing.

Q11. Will Fannie Mae help servicers to conduct testing?

- a. Yes, please refer to the testing plan [here](#) for more information and dates on testing.



Q12. What if servicers don't have enough money in my account on the draft date?

- a. The draft will be returned. Fannie Mae will contact the servicer to fund the account for the drafts.

Q13. What if servicers don't have correct bank account information?

- a. The draft will be rejected. Fannie Mae will contact the servicer to correct bank account information in CRS.

Q14. Where will servicers see draft adjustment details?

- a. Loan level draft adjustments will be available in LSDU's Cash Position Search.
- b. Please note that all draft adjustments will be netted against the "Interest Due" column in Remittance Detail P&I report in Fannie Mae Connect & via B2B.

Q15. Will Fannie Mae initiate draft for A/A loans as well?

- a. There will be no change to A/A loans. Servicers are expected to submit P&I draft requests to Fannie Mae via CRS as normal.
- b. Any changes to A/A drafting will be communicated to servicers with enough lead time.

Q16. What kind of reports are impacted?

- a. Please see the [Process Requirements document](#) for detailed report specifications, including timing & content changes.

Q17. Will B2B reports reflect these changes? Is the timing changing?

- a. All changes to Fannie Mae Connect reports (e.g. Remittance Detail P&I & Trial Balance) will also apply to B2B reports.

Q18. How will the transition month look?

- a. Cash reconciliation cycle for the transition month (August 2020 based off July 2020 activity) will go from CD28 through BD2 for S/S and S/A portfolio loans and BD3 for A/A of the following month.
- b. Reports will be generated as per the new timing.
- c. Please see transition guide for more information.

Q19. How is LAR Reporting impacted?

- a. Not impacted for any remittance type.

Q20. Are Schedule 1/2/3 recon requirements/timings changing?

- a. No changes to Schedule 1 & 2 reconciliations.
- b. After the post-implementation settle-up, Schedule 3 reconciliation will not be required for S/S and S/A portfolio loans.
- c. Servicers should continue monthly schedule 3 reconciliations for A/A loans.

Q21. How do servicers request soft reject interest adjustments with this change?

- a. For S/S and S/A portfolio loans, servicers can request a P&I Draft Adjustment for the interest difference. Fannie Mae must process the P&I draft adjustment by BD2 if servicers want the adjustment to be applied to the current period.
- b. For A/A loans, servicers can request an AR/AP adjustment. Fannie Mae must process the AR/AP adjustment by BD3 if servicers want the adjustment to be applied to the current period.



Q22. What happens if servicers don't request a cash adjustment before the cash cycle close?

- a. For A/A loans, if Fannie Mae doesn't process a Shortage/Surplus Adjustment by COB BD3, Fannie Mae will apply the shortage/surplus adjustment to the next cycle.
- b. For S/S and S/A portfolio loans, if Fannie Mae doesn't process a P&I Draft Adjustment by COB on BD2, Fannie Mae will apply the draft adjustment to the next month's draft.

Q23. How are A/A loans impacted by the borrower contribution (unapplied funds) change?

- a. Servicers will still be expected to submit remittance requests for A/A via CRS for unapplied funds on delinquency modified loans and can view them using the existing shortage surplus adjustments process.

Q24. How are S/S and S/A portfolio loans impacted by the borrower contribution (unapplied funds) change?

- a. Fannie Mae will draft/reimburse the borrower contribution (unapplied funds) on the scheduled P&I draft date. The amount will be reflected on the remittance detail P&I report netted against the "Interest Due" column.

Q25. Who can servicers reach out for additional information?

- a. Please contact Master Servicing at 1-800-2-FANNIE (Option 1, Option 6) or email future_of_servicing@fanniemae.com if you have any questions about these changes.