



# **Servicer Self-Assessment**

**December 2020**



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## Purpose of this Self-Assessment

This self-assessment is intended to help you (servicer) in your own analysis in managing your Fannie Mae book of business. This document includes required elements as well as best practices for managing the book of business.

The self-assessment corresponds with the [Fannie Mae Servicing Guide](#).

As you read through each process, complete the Check Point at the end of each section to assess areas within your operations that may have gaps. You can also add notes or list questions you have at the end of each section. For assistance with those areas identified, contact the [Servicing Support Center](#).

**NOTE:** *The material contained herein is informational in nature and designed to assist a servicer that is not part of a Fannie Mae assessment or review in evaluating its operational procedures. Servicers are reminded that they are responsible for complying with all aspects of the Lender Contract, including Fannie Mae's Servicing Guide. The statements in this document are not meant to be mandatory and are intended to be helpful. Incorporation of all the suggestions in this document does not assure compliance with the Servicing Guide. In the event of a conflict between information provided in this document and the requirements in the Servicing Guide, the requirements in the Servicing Guide control.*



## Section 1: Custodial Accounting

### 1A. Processing and Posting Daily Receipt of Mortgage Payments, Payoffs, and Liquidations

*Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log*

**The following required procedures explain:**

- Payments posted the same day received.
- The payoff posting process.
- Liquidation posting process.
- Payment parameters.
- Daily cash balancing and end of day processing.
- Daily collections reports generated/used.
- Payment corrections.
- Timely deposit to clearing account/custodial account.
- Control and safeguarding of payments received in-house including how checks are retained e.g., in hard copy, scanned, etc.
- Segregation of duties between payment posting and account reconciliation.

### 1B. Suspense/Unapplied & Unidentified Funds Management

*Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae*

**The following procedures are required:**

- Procedures outline the process for managing suspense/unapplied and unidentified funds.
- Suspense/unapplied funds applied and tracked at a loan level within the servicing system.
- Suspense/unapplied funds are deposited to the Taxes and Insurance (T&I) custodial account.
- Procedures outline the process for handling unidentified funds and explains the parameters for managing these funds e.g., identification of the funds, return of the funds etc.
- Unidentified funds are tracked via the servicing system, a separate database, EXCEL, etc.
- Procedures explain where unidentified funds are held pending identification.
- A reconciliation of suspense/unapplied and unidentified funds is performed monthly, weekly, etc.
- The process addresses the review of suspense/unapplied and unidentified funds via reports weekly, monthly etc.
- The process addresses management review of the weekly, monthly reports.
- The process outlines how a request to move funds is handled.
- The process outlines a validation process prior to moving the funds.
- The process outlines the approval process for moving the funds.



## **1C. Automated Clearing House (ACH) Management**

**Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log**

**The following procedures are required:**

- There is a validation process in place to ensure all ACH forms received contain all the required information to set the account up on ACH.
- There is a reconciliation control to ensure all ACH forms received are processed.
- There is a control to ensure all ACH forms are processed timely before the effective payment is due.
- There is a control/process to ensure all paid-in-full loans are removed from ACH including the timing of the removal.

## **1D. NSF Management**

**Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae**

**Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log**

**The following procedures are required:**

- Documents process for handling Non-Sufficient Funds (NSF) via Lockbox, ACH, Electronic Fund Transfer (EFT), etc. including the reversal of the payment(s).
- Describes the parameters for Fannie Mae mortgage payments.
- Describes a review/reconciliation process including management oversight. Management of paid-in-full (PIF) loans.
- Notification to other departments outside of Cash Processing when an NSF occurs e.g., Paid In Full (PIF), repayment plans, etc.

## **1E. Management of Lockbox Rejects**

**Fannie Mae Servicing Guide Part C: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log**

**The following procedures are required:**

- The process describes the parameters for Fannie Mae mortgage payments.
- The procedure describes the process for managing Lockbox rejects including timelines.

## **1F. Depositing Funds Collected to Appropriate Fannie Mae Custodial Account**

**Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae**

**The following procedures are required:**

- Timing of funds transfer from clearing account to custodial accounts.
- Segregation of duties between preparing deposits and account reconciliation.



## **1G. Remitting Actual/Actual (A/A) Principal and Interest (P&I) Funds to Fannie Mae**

**Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log**

**The following procedures are required:**

- Timing of remittances to Fannie Mae.
- Remittance logs or reports generated.
- Ensures funds are in the drafting account prior to Fannie Mae drafting the funds.
- Segregation of duties between remitting funds and account reconciliation.

## **1H. Remitting / Drafting Procedures**

**Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae**

**The following procedures are required:**

- Outlines Fannie Mae's applicable remittance codes and special remittance codes for Cash Remittance System (CRS).
- Outlines the servicer's process for establishing the drafting account used for CRS and if multiple drafting accounts are used designates the process for each.
- Ensures funds are in the drafting account prior to Fannie Mae drafting the funds.
- Validation of the remittance is performed by someone other than the responsible party for the remittance.
- Outlines corrective action steps when remittance errors occur.

## **1I. Reconciling Fannie Mae P&I Custodial Accounts for All Remittance Types**

**Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae**

**Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log**

**The following procedures are required:**

- Timing of reconciliations after cut-off.
- Comparison of bank statement to cashbook
- Use of custodial account analysis format – [Form 496](#) (refer to [Form 496 Job Aid](#)).
- Identification and aging of reconciling items.
- Timely follow-up and resolution of reconciling items.
- Supervisory review and approval of reconciliations.
- Completion of Test of Expected P&I for Mortgage Backed Securities (MBS) accounts.



## 1J. Reconciling Fannie Mae T & I Custodial Accounts

**Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log and Investor Reporting Manual**

**The following procedures are required:**

- Timing of reconciliations after cut-off.
- Use of custodial account analysis format – [Form 496A](#) (refer to [Form 496A Job Aid](#)).
- Comparison of bank statement to cashbook and/or escrow trial balance.
- Procedures include all funds maintained in the T&I account e.g., suspense, loss drafts etc.
- Identification and aging of reconciling items.
- Timely follow-up and resolution of reconciling items.
- Supervisory review and approval of reconciliations.

## 1K. Account Eligibility

**Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae**

**Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log**

**The following procedures are required:**

- Properly executed Fannie Mae Forms 1013 and 1014. Refer to the [Form 1013](#) & [Form 1014](#) Job Aids.
- Properly titled accounts based on the signature cards, bank statements, or other documentation provided.



## Check Point – Am I missing any of the following?

- Quality review, including feedback and coaching, of cash remittance, custodial account reconciliations, portfolio reconciliations for accuracy.
- Adequate and qualified staff is in place for custodial functions and cash processing.
- Staff responsible for accounting functions are adequately trained and in a consistent manner, including Fannie Mae specific training.
- Reports to manage accounting exceptions.
- Documented steps within procedures how to complete custodial functions including T&I and P&I reconciliations.
- Reconciliations are completed monthly using Forms 496/496A (or an equivalent) as required by the Fannie Mae *Servicing* Guide.
- Discrepancies/differences are cleared or investigated monthly. A follow up process exists to ensure they are cleared.
- Forms 1013 and 1014 are properly executed with proper names that match the bank statements. An authorized representative from the depository institution must sign the form.
- Process to review the “Name of Depository Institution and Account Number” reflected in each Form 496 and Form 496A and compare the institution names and account numbers with custodial accounts to verify that each applicable custodial account and that the institution names and account numbers are represented correctly in each applicable Form 496 and Form 496A.
- Separate custodial accounts are set up for each remittance type (Actual/Actual, Scheduled/Actual, Scheduled/Scheduled MRS Acquired Portfolio Mortgages (S/S Cash) or MBS (MBS Pools)).
- Fannie Mae funds should not be commingled with funds from any other financial institution, and funds are not kept in General Ledger Accounts.
- A process exists to review aging suspense/unapplied funds.

## Questions – What questions do I have about custodial (cash)?

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## Section 2: Investor Reporting

### 2A. Reconciling Portfolio Balances Including Procedures for Following Up and Correcting Reconciling Items

#### *Fannie Mae Servicing Guide Form 512*

##### **The following procedures are required:**

- Timing of reconciliations after cut-off
- Comparison of internal trial balance totals to Fannie Mae totals
- Use of Schedule 1/1A & 2 format. [Schedule 1A \(Form 512\)](#), [Schedule 1 \(Form 473\)](#), and [Schedule 2 \(Form 473A\)](#) Job Aids
- Identification and aging of loan-level reconciling items
- Timely follow-up and resolution of reconciling items
- Supervisory review and approval of reconciliations

### 2B. Reconciling Shortage/Surplus Balances for A/A, S/A, and MRS Portfolio

#### *Fannie Mae Servicing Guide Form 472 and Fannie Mae Investor Reporting Manual, Chapter 5*

##### **The following procedures are required:**

- Timing of reconciliations after cut-off
- Comparison of remittance reports to Fannie Mae Lender Recap Reports
- Use of Schedule 3 format. Refer to [Schedule 3 \(Form 472\) Job Aid](#)
- Identification and aging of loan-level reconciling items
- Timely follow-up and resolution of reconciling items
- Funding of shortages and adjustments for surplus balances
- Supervisory review and approval of reconciliations

### 2C. Management of Hard Rejects

#### *Fannie Mae Investor Reporting Manual, Chapter 6*

##### **The following procedures are required:**

- Using both Fannie Mae and servicer's system generated reports.
- Contains communication strategy with other areas outside of Investor Reporting that impact Investor Reporting's results e.g., creating hard rejects.
- Process for resolving hard rejects.
- Management review performed including the timing of any review to ensure all hard rejects are resolved.
- There is a follow-up process addressed for any unresolved rejects.



## 2D. Management of Soft Rejects

### Fannie Mae Investor Reporting Manual, Chapter 6

#### **The following procedures are required:**

- Using of both Fannie Mae and servicer's system generated reports.
- Reference is made to validation of unpaid principal balance (UPB), last paid interest (LPI), P&I as part of the servicer's process.
- There are steps outlined for correcting soft rejects.
- Management review performed prior to the deadline to ensure all loan level soft rejects have been resolved.
- A follow-up process is addressed for any unresolved rejects.

## 2E. Re-Adding Loans to Fannie Mae Portfolio

#### **The following procedures are required:**

- Reason(s) why a loan would need to be re-added (e.g., removed in error, third party sale fell through).
- The servicer must report removal errors to either its Fannie Mae Investor Reporting Representative or through Fannie Mae's SF CPM division (or both), depending on the nature of the change (see *Servicing Guide F-4-03, [List of Contacts](#)*).
- Steps taken to re-add a loan to the portfolio including applicable revised action code, timing of there-add.
- Using of the Remittance Update Report.
- Written notifications and justifications that are submitted to Fannie Mae.



## Check Point – Am I missing any of the following?

- Highly experienced, knowledgeable, and adequately trained staff is assigned to meet the timeliness and accuracy of investor reporting requirements.
- Staff is cross-trained to ensure there are no key-person dependencies.
- Incorporates use of Fannie Mae’s Loan Servicing Data Utility ([LSDU](#)) application with Investor Reporting processes as a self-service option to manage loan-level data and data exceptions. LSDU enables servicers to continuously reconcile their loan and cash positions with Fannie Mae providing operational efficiencies.
- Quality reviews are performed on all investor reporting and accounting functions including loan- and pool-level reporting, cash remittances, and custodial account, portfolio and shortage/surplus reconciliations.
- Daily oversight by management ensures investor reporting exception items are continuously being worked until resolution.
- Step by step procedures and controls exist to complete reconciliation Forms for all Schedules.
- Reconciliations are completed monthly as required by the Fannie Mae servicing guide.
- All discrepancies/differences cleared/investigated monthly, and a follow up conducted to ensure they are cleared.
- A point of contact within the Fannie Mae Master servicing team to identify and clear Loan Activity Report (LAR) rejects.

## Questions – What questions do I have about investor reporting?

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## Sectional 3: Loan Administration

### 3A. Payoffs

*Fannie Mae Servicing Guide Part C: Mortgage Loan Payment Processing, Remitting, Accounting, and Reporting*

*Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log*

**The following procedures are required:**

- Payoff proceeds are posted to the borrower account within 24 hours of receipt.
- Actual/Actual payoffs are remitted accurately. UPB + interest – servicing fee.
- Interest on payoff loans is calculated per the *Servicing Guide*.
- Actual/Actual payoff funds are remitted within 24 hours of receipt.
- Payoffs are reported timely and accurately to SURF.

### 3B. Serviceman Civil Relief Act (SCRA)

*Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower*

*Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log*

**The following procedures are required:**

- Documentation obtained to validate active military status for the borrower.
- 6% interest rate offered to the servicemember, if existing rate is in excess of 6%, and accurately applying the interest rate reduction.
- Submit Form 1022 (Disbursement Request Form) to Fannie Mae as required.
- Delinquent interest accurately resolved without violating the MBS Trust rules on MBS and Portfolio Formed Pools (PFP) bans.)
- Written correspondence sent to the service member with new payment amount, effective date, and termination date.
- Funds advanced for the reduced principal and interest amount to Fannie Mae and reimbursed amount is accurate. (Dates Terms this always applies to S/S MBS and PFP loans. This may also apply to other remittance types if the interest rate is not reduced and difference is funded by servicer).
- Late charges and fees waived while on military indulgence.
- Report from the Defense Manpower Data Center or Form 710 may be obtained in lieu of Form 180.
- Forbearance provided if the service member cannot afford to make the full monthly payment after the rate is reduced to 6%, if applicable.
- Foreclosure issues handled correctly pursuant to Fannie Mae guidelines.



### **3C. Fidelity/EO Bond**

#### **Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae**

##### **The following procedures are required:**

- Multi-family mortgage loans serviced in addition to single-family mortgage loans.
- Coverage is evaluated on a regular basis.
- Process to notify Fannie Mae of FB/EO insurance loss within 30 days after discovery.

### **3D. Document Custody**

#### **Fannie Mae Servicing Guide Part A: Custodial Documents**

##### **The following procedures are required:**

- Steps to monitor and update the status on non-liquidated documents outstanding for more than 90 days.
- A five-day turn time on all requests received from the document custodian.
- A process for the completion of the Request for Release/Return of Documents ([Form 2009](#)) to the custodian when a loan has been paid in full, repurchased or liquidated.
- Return the original documents to the custodian when the loan reinstates.
- Recertification requirements when there is a transfer of documents by the existing servicer to a new document custodian or when there is a transfer of servicing.



### Check Point – Am I missing any of the following?

- Pre-foreclosure review process or checklist includes SCRA.
- Foreclosure referral checklist ensures the SCRA search results are included in the package.
- Pre-foreclosure sale review process or checklist includes an assessment of the borrower's active military status(SCRA).
- Active duty start and end dates are in the internal servicing system.
- Exception reports are in place to validate timely posting. Quality Assurance process exists to test sample population for interest calculations including portfolio type.
- When FB/EO policies are renewed, validate adequate coverage, deductibles and provisions are included.
- Process to manage custodial document requests is centralized.

### Questions – What questions do I have about investor reporting?

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## Section 4: Escrow Administration

### 4A. Mortgage Insurance

#### *Fannie Mae Servicing Guide Part B: Escrow, Taxes, Assessments, and Insurance*

##### **The following procedures are required:**

- Mortgage insurance (MI) claim filing process, timeline, and documentation.
- MI coverage reinstated for failure to remit the MI proceeds.
- Fannie Mae notification of the cancellation should the mortgage insurer deny reinstatement of the mortgage insurance coverage.
- MI rescission or MI-initiated cancellation reports on an active mortgage loan using Action Code 54 (MI Terminated-High Risk Loan).
- MI coverage reinstated with the original mortgage insurer when notification/determination that mortgage insurance has been cancelled.
- Tracking methodology to ensure unearned MI premiums are refunded within 45 days after cancellation; for all liquidated loans, including pre-foreclosure sales and Real Estate Owned (REO) loans.
- Fannie Mae notification no more than 30 days from the time the servicer is notified with an email to [mi\\_mail@fanniemae.com](mailto:mi_mail@fanniemae.com) including: the Fannie Mae and servicer loan numbers and a description of the rescission, mortgage insurer-initiated cancellation, or claim denial.
- Process for reviewing and decisioning borrower's written request for terminating mortgage insurance based on Original Value or Current Value of the property and other Fannie Mae eligibility criteria.

### 4B. Hazard Loss Drafts

#### *Fannie Mae Servicing Guide Part B: Escrow, Taxes, Assessments, and Insurance*

#### *Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log*

##### **These following procedures are required:**

- Timely filing of loss draft claim.
- Management of excess claim funds after completion of repairs.
- Management of loss funds upon foreclosure sale and when property cannot be rebuilt.
- Loss mitigation options when borrower completes a borrower response package.
- Management of non-retainable claim proceeds.
- Management of [loss draft funds](#) (depositing of funds, interest payments, initial and subsequent disbursement and payee determination).
- Property inspection protocols.
- Licensed contractor hiring.
- Form 176 submissions.



- Protection/property preservation of the subject property.

#### **4C. Uninsured Losses**

##### **Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower**

###### **The following procedures are required:**

- Hazard and flood carriers adequately rated.
- Insurance carrier's rating verification.
- Coverage, deductible, and mortgagee clause validations.
- Property secured if abandoned and repaired if applicable.

#### **4D. Non-Escrowed Loans**

##### **Fannie Mae Servicing Guide Part B: Escrow, Taxes, Assessments, and Insurance**

###### **The following procedures are required:**

- Verification of paid and current taxes and insurances (all types).
- Escrow account established if force-placed insurance is added or if delinquent taxes are paid.

#### **4E. Condominium, Co-op Project or PUDs**

##### **Fannie Mae Servicing Guide Part B: Escrow, Taxes, Assessments, and Insurance**

###### **The following procedures are required:**

- Homeowners' Association (HOA) verified or policy of property insurance maintained by co-op corporation.
- Verification that planned unit development (PUD), condo, and co-op specific requirements are being used.

#### **4F. Flood Zones**

##### **Fannie Mae Servicing Guide Part B: Escrow, Taxes, Assessments, and Insurance**

###### **The following procedures are required:**

- Hazard and flood insurance carrier rating validations.
- Validation that coverage, payments, deductibles, and mortgagee clauses are within Fannie Mae requirements.
- Active monitoring of all flood maps and community status changes including remapping of properties.

#### **4G. Lender Placed Insurance**

##### **Fannie Mae Servicing Guide Part B: Escrow, Taxes, Assessments, and Insurance**

###### **The following procedures are required:**

- Lender-placed insurance coverage obtained and payments for lender-placed coverage collected.
- Adequate coverage is in place and payments are collected.





## 4H. Validating Insurer Ratings

### *Fannie Mae Servicing Guide Part B: Escrow, Taxes, Assessments, and Insurance*

#### The following procedures are required:

- Validation that hazard and flood carriers are adequately rated.
- Insurer ratings verified annually.
- Coverage, deductible, and [mortgagee clauses validated](#).

### Check Point – Am I missing any of the following?

- Timing and validation of escrow analysis for standard portfolio, bankruptcy loans, and Loss Mitigation requests.
- Tracking reports for escrow analysis activity, including past due, analysis out of cycle, and spread past 12 months.
- Exception reports for escrow analysis preparation including stops and flags to ensure escrow accounts are analyzed at the appropriate times.
- Adequate training of employees and appropriate staffing levels.
- Defined timeframes for establishing new escrow accounts including triggers to set up an escrow account and quality control to validate accuracy.
- Use of Fannie Mae’s Automated Property Service™ (APS™) and broker price opinions (BPOs) through the Valuation Management System (VMS) to verify property value when evaluating borrower requests for termination of conventional mortgage insurance.
- Tracking to ensure borrowers are notified timely of the decision to deny the request for termination.
- Quality control process to review sample population of escrowed and non-escrowed loans.

### Questions – What questions do I have about escrow administration?

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## Section 5: Collections

### Collections

*[Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower](#)*

*[Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log](#)*

*[Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae](#)*

#### **The following procedures are required:**

- Behavioral risk model identifying how loans will be handled according to identified risk ranking.
- Data submitted to Fannie Mae is accurate and complete.
- Timely and accurate credit bureau reporting and property inspection management.
- Controls for accurate offering and execution of Forbearance and Repayment Plans.
- Corporate written policies and procedures (including job aids for employees if applicable) for the management of consumer complaints.
- A Quality Control (QC) program that addresses specific aspects of delinquency management and default prevention.
- Establishing contact with the borrower:
  - Call [center coverage requirements](#)
  - Borrower contact attempts



## Check Point – Am I missing any of the following?

- Staffing model with documented components that are factored into staffing model inputs (e.g., forecasted call volume, historical call volume, absenteeism).
- Departmental call quality performance and trends monitored.
- Inbound and outbound call center reports used to monitor metrics call center key performance indicators (KPIs) such as: Abandonment Rate (AR%), Average Speed to Answer (ASA), Average Handle Time (AHT) and hold and auxiliary (AUX) time.
- Roll rate trending reports by Collections management to monitor performance trends and changes in delinquency buckets (e.g., 30, 60, and 90).
- Exception reports to monitor loans not properly coded, loans not dialed, broken promises to pay.
- Counseling and decisioning tools available to decision solutions (e.g., process for evaluating solutions, repayment plans, forbearances).
- Training courses provided – new hire and ongoing training for collection agents (e.g., specific training for collection agents, basic loss mitigation training, negotiation training and Know Your Options Customer Care (KYOCC) training).
- Documented policies and procedures that details how delinquent loans are managed and borrower financials are collected.
- Reports used to track the performance of repayment plans (e.g., length, payment amount, missed payments).

## Questions – What questions do I have about collections?

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## Section 6: Loss Mitigation – Retention

### 6A. MBS Trust Agreements

*Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower*

**The following procedures are required:**

- Workout options do not violate the MBS Trust Agreements. Limits that the associates can approve are outlined.
- Modification effective dates of loans that are part of an MBS pool are set after the date the loans have successfully been removed from the pool.

### 6B. Forbearance and Repayment Plans

*Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower*

*Fannie Mae Servicing Guide Part C: Mortgage Loan Payment Processing, Remitting, Accounting, and Reporting*

**The following procedures are required:**

- The maximum term/months an associate can approve a plan and the escalation process for any plans that may exceed that authority level. For example: An associate can approve a plan up to six months, then supervisory/Fannie Mae approval is needed.
- Borrower's financial information and Repayment/Forbearance plan decision.
- Delinquency Status Code reporting to Fannie Mae including the reason code and effective date(s).
- Credit bureau reporting for all retention products.

### 6C. Modification Processing

*Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower*

*Fannie Mae Servicing Guide Part C: Mortgage Loan Payment Processing, Remitting, Accounting, and Reporting*

*Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log*

**The following procedures are required:**

- Modification decision for the different product types according to the *Servicing Guide*, including MI approval, Imminent Default.
- Modification solutions including failed modification solutions, timeframes for preparing modifications agreements.
- Program documentation including Form 710, income or required hardship documentation, 4506T (if applicable), income calculation, Net Present Value (NPV) Data.
- Waterfall analysis including capitalization, interest rate, modified terms, gross monthly income, Debt to income (DTI), forbearance calculation, Mark-to-Market Loan-to-Value (MTMLTV), Valuation, escrow, escrow shortage, homeowners association (HOA).
- Modification execution process timelines within the Fannie Mae guidelines.
- Payment change notifications on step-rate modifications with interest rate changes, including posting of suspense payments.



- Delinquency status reporting.
- Credit reporting to credit repositories.
- Title endorsement or product and recoding information on applicable modifications.

## **6D. Modification Denial Appeals**

***Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae***

***Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower***

**The following procedures are required:**

- Appeal review tracking, reporting, and documentation in the servicing file.
- Written notice of the decision within 30 days of the mortgagor's appeal.
- Borrower provided with required time of 14 days to accept foreclosure alternative workout offer through the appeals process.
- Review by staff other than those from original evaluation, process for reviewing any new documentation received during the 14 day appeal period and after the 14 day period but before the appeal decision.
- Management of trial payments when the mortgagor accepts the initial offer after the appeal decision.

## **6E. Modification Valuations**

***Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower***

**The following procedures are required:**

- Borrowers notified of their right to receive appraisal copy or other valuations developed in connection with the mortgage loan modification.
- Valuation copy provided to the borrower.

## **6F. Pre-Post Modification Counseling**

***Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower***

**The following procedures are required:**

- Counseling and decision process used, including tools used to decision solutions (e.g., repayment plans, forbearances).
- Pre-and Post-modification counseling, if applicable.
- Performance of loans where the borrower has received credit counseling to assess the effectiveness, if applicable.



## 6G. Document Custodian

### Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower

#### The following procedures are required:

- Borrower's executed Loan Modification Agreement is monitored, and retention of these agreements is managed as per the *Servicing Guide*.
- Executed Loan Modification Agreement sent to the Fannie Mae approved document custodian. The procedures should identify internal policies, all processes from all areas in which are affected (loss mitigation, document control, servicer's document custodial area), and controls that address the timely sending of the fully executed Loan Modification Agreement to the Fannie Mae approved document custodian.

### Check Point – Am I missing any of the following?

- Single Point of Contact (SPOC)/Ownership model including the main driver for SPOC assignments, the average case load and scope of responsibility for each SPOC, the structure of the SPOC model, including reassigning if needed.
- Staffing model in place for loss mitigation including a delinquency forecast, forecasted production, actual production, and actual number of Full Time Employees (FTE).
- Documented process for borrower solicitation on all eligible loans including the stage at which borrowers are solicited for of loss mitigation and foreclosure prevention options available.
- Documented process for handling retention solutions including moving failed retention solutions to the liquidation pipeline, if the borrower's intent is not to retain the home, timeframe for preparing the loan modification.
- Training courses for agents handling retention solutions, underwriting/decisioning training, borrower financial reviews, Fannie Mae specific products, counseling and negotiation, servicer system coding, foreclosure and bankruptcy.
- Quality control process in place for borrower loan documentation for retention solutions, borrower documentation accuracy and completeness, review of denied loss mitigation options, accuracy of data reporting to Fannie Mae.
- Management review of the modification pipeline tracking reports for all products occurs daily.

### Questions – What questions do I have about retention?

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## Section 7: Loss Mitigation – Liquidation

### Liquidations (Short-sale and Mortgage Release)

*[Fannie Mae Servicing Guide Part D: Providing Solutions to a Borrower](#)*

*[Fannie Mae Servicing Guide Part E: Default-Related Legal Services, Bankruptcy, Foreclosure Proceedings, and Acquired Properties](#)*

*[Fannie Mae Servicing Guide Part F: Servicing Guide Procedures, Exhibits, Quick Reference Materials, and Change Control Log](#)*

*[Fannie Mae Servicing Guide Part C: Mortgage Loan Payment Processing, Remitting, Accounting, and Reporting](#)*

#### The following procedures are required:

- Evaluation of a Short Sale or Mortgage Release decision, borrower eligibility; imminent Default process, compliance with MI Delegation. Evaluations must comply with Fannie Mae’s Loss Mitigation Hierarchy.
- Program documentation including Form 710, income or required hardship documentation, 4506T (if applicable), income calculation.
- Fannie Mae's Anti-Fraud requirements.
- Form 191 or Arm's Length Transaction obtained at closing of short sales; the Deed Restriction Clause.
- Evaluation notices.
- Property valuation.
- Subordinate lien information (e.g., verification of lien holder, amount owed, agreement to release the borrower of liability, HOA payoff information, tax information, etc.)
- Validation of final executed HUD-1 post-closing on short sales.
- Fannie Mae reporting upon completion of the property liquidation transaction.
- Delinquency status reporting.
- Credit reporting to credit repositories.
- Mortgage Release Property inspections.
- Contribution requirements.
- Payment receipt posting of liquidations.
- Title documentation to transfer clear title to Fannie Mae for a Deed in Lieu.
- Fannie Mae approval is obtained on Mortgage Release when applicable.
- Waiver of Deficiency ([Form 189](#) or comparable document) upon successful completion of a Fannie Mae [short sale](#) or [Mortgage Release](#).



## Check Point – Am I missing any of the following?

- Servicer training courses for agents handling liquidation solutions. Courses include foreclosure overview training, bankruptcy overview training, negotiation training, Fannie Mae specific requirements, servicing system coding, assessing NPV, and determining property listing.
- Documented process for handling liquidation solutions including streamlined documentation eligibility for short sales, working with listing agents, working with subordinate lien holders, property valuation.
- Decisioning tool used to decision Mortgage Releases, including the review for accuracy.
- Quality control process in place for borrower loan documentation for liquidation solutions, borrower documentation accuracy and completeness, review of denied options, the status codes, appropriate liquidation status, accuracy of data reporting to Fannie Mae.
- Management review of the liquidation pipeline tracking report for short sales and mortgage releases. Tracking of average days from approval to closing for both product types. Tracking of loans falling outside settimelines.
- Management review of loan level tracking reports including liquidation stage and type, loan balance, investor, lien position, estimated closing date, approval letter sent date, settlement letter sent date.

## Questions – What questions do I have about loss mitigation – liquidation?

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## Section 8: Foreclosure

### 8A. MERS

#### ***Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae***

##### **The following procedures are required:**

- Identification of loans assigned to Mortgage Electronic Registration Systems, Inc. (MERS) for the purpose of assigning out of MERS prior to the initiation of foreclosure proceedings.

### 8B. Default Related Legal Services

#### ***Fannie Mae Servicing Guide Part E: Default-Related Legal Servicers, Bankruptcy, Foreclosure Proceedings, and Acquired Properties***

##### **The following procedures are required:**

- Law firms selected and retained to handle Fannie Mae default-related matters.
- All referrals of Fannie Mae mortgage loans for default-related legal services.
- Exposure to the concentration of legal work within a jurisdiction is managed.
- Ongoing performance management of firms handling Fannie Mae default-related matters, including how the servicer obtained, reviewed, and analyzed data and reports from the law firms.
- Ongoing compliance monitoring of firms handling Fannie Mae default-related matters, including scope and methodology of the monitoring.
- Attorneys' fees and costs reviewed and approved to ensure law firms are in compliance with Fannie Mae's guidelines.
- Fannie Mae is notified of escalated matters requiring attention.
- Management of (i) law firm file transfers and (ii) law firm terminations and suspensions.

### 8C. Foreclosure Processing

#### ***Fannie Mae Servicing Guide Part E: Default-Related Legal Services, Bankruptcy, Foreclosure Proceedings, and Acquired Properties***

##### **The following procedures are required:**

- Identification and remediation of title defects during the foreclosure process.
- Repurchase of loans in an MBS mortgage loans, including mandatory repurchase and repurchase of loans post-foreclosure sale.
- Identification/determination of environmental or hazardous risk (prior to going to Foreclosure sale or accepting a Deed-in-Lieu).



## 8D. Post-Foreclosure Processing

### *Fannie Mae Servicing Guide Part E: Default-Related Legal Services, Bankruptcy, Foreclosure Proceedings, and Acquired Properties*

#### **The following procedures are required:**

- Adherence to Fannie Mae requirements for eliminations and rescissions of foreclosure sales.
- Timely notification to Fannie Mae if a bankruptcy is filed after foreclosure sale.
- 571 claims are accurate, include the required documentation and that the final 571 claim is filed timely after the disposition of the property.
- Mortgage Insurance Claims on delinquent loans are filed timely and accurately (and include required documentation) from delinquency through to Foreclosure.
- MI Rescissions, Cancellations and Denials including, but not limited to, notification to Fannie Mae and the appeal process.
- Submit an REOgram to Fannie Mae within 24 hours of property acquisition.
- Process to cancel hazard insurance within 14 days of the Fannie Mae allowable timeframe.



## Check Point – Am I missing any of the following?

- Checklists to manage the Pre-Referral process and Referral process ensuring loan is eligible for referral.
- Department-level and agent-level report or scorecard that captures foreclosure key performance indicators including foreclosure timeline adherence, pull-through rate, thresholds, aging.
- Attorney performance scorecard to measure performance metric standards including foreclosure turnaround times, foreclosure delays, and average days for each foreclosure milestone.
- Exception reports to track loans that are not within foreclosure referral timelines and reasons for delays including loans that are in loss mitigation, mediation, bankruptcy, litigation.
- Management of missing documents including Service Level Agreements (SLAs) for turnaround times and escalation steps.
- Adequate training resources and material provided to staff who handle all key foreclosure functions including timelines.
- All key foreclosure milestones and timelines, including foreclosure timeline delays foreclosure milestones past thresholds.
- Foreclosure postponements, holds, and cancellations due to title issues, loss mitigation activity, and errors are tracked.
- Attorney performance monitored including escalation and remediation steps for handling non-performing attorneys.
- Checklist that contains necessary steps to review a loan in foreclosure prior to the foreclosure sale taking place.
- Property preservation and maintenance monitored, including but not limited to validating expenses, addressing property damages, submitting all over allowable bids via Home Tracker.
- Exception reports used to ensure REOgrams are submitted timely.

## Questions – What questions do I have about foreclosure?

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## Section 9: Bankruptcy

### Bankruptcy

#### *Fannie Mae Servicing Guide Part E: Default-Related Legal Services, Bankruptcy, Foreclosure Proceedings, and Acquired Properties*

#### The following procedures are required:

- Bankruptcy chapters 7 and 13 managed from filing to dismissal.
- Pre- and post- petition bankruptcy payments monitored, including procedure for requesting a motion for relief when borrower does not adhere to plan.
- Fannie Mae timely notification if the foreclosure sale was invalidated by a bankruptcy.

#### Check Point – Am I missing any of the following?

- Key bankruptcy functions monitored such as filing Proofs of Claim (POC), performing plan reviews, initiating timeline and milestone monitoring, flagging servicing systems, assessing bad faith filings.
- Trending reports which summarize monthly new filings per month, breakdown of Chapters, Proofs of Claim filed, plan confirmations. and objections.
- SLA for third party performing Chapter 13 plan reviews, and preparing and filing Proofs of Claim.
- Checklists to perform plan reviews (e.g., review of proposed terms, interest paid, previous filings, and debtor financials).
- POC claims monitored ensuring they are filed accurately and timely.
- Pipeline, tracking and exception reports to monitor activates within bankruptcy
- Bankruptcy timelines monitored including KPI's, payments due and received, referring loans to outside counsel, reviewing Motion for Relief timelines.
- Training courses provided - new hire and ongoing training to include but not limited to: Proofs of Claim, Plan reviews, Motions for Relief, managing bankruptcy timelines, managing post-discharged Chapter 7 loans.
- Department and agent level reports and/or scorecard that track productions and timelines such as: MFR Request to File Date days, Hearing date to results received date, Relief Granted Date to System Closing Date.
- Post-discharged Chapter 7 loans monitored, including but not limited to flagging servicing systems, sending statements with bankruptcy verbiage.

#### Questions – What questions do I have about foreclosure?

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## Section 10: Master Servicer Oversight

### 10A. Requirements for Subservicing Arrangements

#### *Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae*

##### **The following procedures are required:**

- Reporting the type of subservicing arrangement and the subservicer's identification number to Fannie Mae.
- Steps to ensure using a subservicer will not interfere with the servicer's ability to meet Fannie Mae's remitting and reporting requirements.
- Validating as a Master servicer you maintain an oversight process of the subservicer's Fannie Mae compliance and performance.
- Process to monitor the compliance and performance of a subservicer through audits and quality control reviews.
- Method for conducting periodic operational assessments that measures the subservicer's performance in various departments.

### **Check Point – Am I missing any of the following?**

- Adequate and qualified staff manages the subservicer oversight and have the knowledge of all mortgage servicing functions. This would include, but not limited to, performing loan servicing, call center operations (customer service), early and late stage collections, loss mitigation, bankruptcy and foreclosure management, investor reporting, and custodial account management.
- Sample sizes to conduct quality control audits are relevant to portfolio size and are usually 10% unless a statistical representation can be achieved. Loan level reviews target specific functions based on risk factors such as significant control weaknesses or findings from external audits, potential for borrower harm.
- Method to track errors or deficiencies identified and remediation plan.
- Process to increase sampling or frequency of audits if issues are found within a particular process.
- Monthly, quarterly, or semi-annual meetings are held with subservicer's risk committee to review audit findings and discuss action plan items.
- Monthly ongoing monitoring (e.g., management reports produced by the subservicer which include custodial account reconciliation variances, delinquency reports, call center KPIs, escalations/litigations, scorecards, vendor management oversight results, Servicer Total Achievement and Rewards™ [STAR™] Scorecard, or the General Servicing powered by STAR Scorecard).
- Annual onsite visit and policy/procedure review which includes but is not limited to:
  - Governance procedures and compliance
  - Cash management and Investor reporting
  - Maintaining servicer status
  - Escrow administration
  - Default servicing (e.g., collections, loss mitigation, bankruptcy, foreclosure)
  - Training requirements including ongoing training needs
  - Capacity models and plans for staffing



- Business Continuity and Disaster Recovery Plans/results of IT assessments performed (e.g., call tree exercise, network security assessment, penetration testing, etc.)
- Document Custody and Record Retention
- Physical environment controls (e.g., visitor badges, locked server rooms, cameras, etc.) and the protection of non-public borrower information (NPI)
- Quality assurance reviews which may include:
  - Collection activities (call requirements, call quality, skip tracing)
  - Customer Service activities (call quality, customer satisfaction, escalations)
  - Escrow management (e.g., timely disbursements, HOA, past due analyses)
  - Loss mitigation activity (solicitation packages, evaluation notices sent timely)
  - Payoffs (posting process, calculations)
  - Loan boarding process (new loan set-up, data integrity)
  - Notices sent to borrowers (e.g., breach letter, ARM adjustments, escrow analysis, lender placed insurance, billing accuracy)
  - Bankruptcy, Foreclosure, and REO Management (adherence to payment plans/payment posting, discharges, MFRs filed timely, claims processing, timely referrals)
  - Property inspection, property repair, property maintenance/ preservation and property hazard insurance services
  - Expense management and timely submission of claims

**NOTE:** Frequency and sample size should be relevant to size of portfolio, typically conducted quarterly

### Questions – What questions do I have about subservicing?

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## Section 11: Shared Processes

### 11A. Anti-Money Laundering (if subject to provisions of the BSA)

#### *Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae*

##### **The following procedures are required:**

- If applicable, reporting all instances of non-compliance to Fannie Mae's Ethics division.
- If applicable, reporting all instances of suspicious activity to Fannie Mae's Fraud division.
- Internal controls to identify and prevent suspicious activities that may involve money laundering, fraud, terrorist financing, or other crimes.
- Independent testing performed on the AML Program.
- Process for filing Suspicious Activity Reports (SARs) with FinCEN.

### 11B. Business Continuity and Disaster Recovery

#### *Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae*

##### **The following procedures are required:**

- Identification of critical functions and resources required to continue operations in the event of a business disruption or disaster, and alternate processing facilities.
- Provisions for off-site retention of critical systems and data file resources.
- Alternate network and telecommunication capabilities.

### 11C. Third-Party Risk Management

#### *Fannie Mae Servicing Guide Part A: Doing Business with Fannie Mae*

##### **The following procedures are required:**

- Requirements for selecting and approving third-party vendors (pre-contract due diligence).
- Process to monitor the performance of and/or terminate the third-party vendor.
- Independent security assessments (i.e., SSAE - Statement on Standards for Attestation Engagements) are conducted on all third-party vendors.
- Requirements for electronic transactions with third parties.
- Steps to confirm the borrower has permitted receipt of electronic documents and can receive electronic disclosures.
- Identify, measure, control and monitor mortgage servicing activities to ensure discriminatory practices do not occur under the Equal Credit Opportunity Act (ECOA) or Fair Housing Act.
- Compliance with all regulatory requirements (Telephone Consumer Protection Act, RESPA, FDCPA, HPA, TILA, etc.).
- Process to check your employees and Third Parties that will conduct business with Fannie Mae against the Federal Housing Finance Agency (FHFA) Suspended Counterparty List (SCP).
- Protocols to address and track borrower complaints including responsible party.



## Check Point – Am I missing any of the following?

- Maintains an organizational chart that identifies the designation Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Officer.
- Business Continuity and Disaster Recovery procedures are updated and tested on a regular basis, typically annually.
- Automated notification system is in place to contact employees in the event the Business Continuity plan must be deployed.
- Third party vendors performing key functions have an adequate Business Continuity and Disaster Recovery Plans.
- Planning committee or designated personnel responsible for managing the Business Continuity and Disaster Recovery Plans.

## Questions – What questions do I have about shared processes?

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## Contact Information

Servicing Support Center

800-232-6643 option 1, 3

[servicing\\_solutions@fanniemae.com](mailto:servicing_solutions@fanniemae.com)

## Resources

Click the links below to access the resource listed.

- [Fannie Mae Servicing Guide](#)
- [STAR Reference Guide](#)
- [Fannie Mae Investor Reporting Manual](#)
- [Servicing Training Resources](#)