



## Establishing Custodial Accounts for MBS-pooled Loans

A separate custodial account is required to hold principal and interest (P&I) collections for MBS-pooled loans. For taxes and insurance (T&I) escrow collections, you may choose to either use one T&I custodial account (and commingle the funds) for all remittance types you service, or establish a separate T&I custodial account for each remittance type.

To establish custodial accounts for loans pooled into Mortgage-Backed Securities (MBS), follow these steps.

1. Select an eligible depository institution. If you are servicing Fannie Mae loans associated with other remittance types, you must use a depository institution that meets the following ratings requirements *for all remittance types* that you are servicing.
  - a. It must be a Federal Reserve Bank, Federal Home Loan Bank, or other depository institution and have its accounts insured by one of the following:
    - i. Bank Insurance Fund or Savings Associations Insurance Fund (administered by the Federal Deposit Insurance Corporation), or
    - ii. National Credit Union Share Insurance Fund (administered by the National Credit Union Administration).
  - b. It must meet the risk-based capital guidelines of its regulator.
  - c. Plus, it must meet Fannie Mae's minimum rating requirements:
    - i. Institutions with assets of \$30 billion or more must have a minimum—
      - a) Short-term issuer rating by Standard & Poor's Inc. (S&P) of "A-3" (or better), or if no short-term issuer rating is available, a long-term issuer rating of "BBB-" (or better) by S&P; or
      - b) Short-term bank deposit rating by Moody's Investors Service (Moody's) of "P-3" (or better), or if no short-term bank deposit rating is available by Moody's, a long-term bank deposit rating of "Baa3" (or better) by Moody's.
    - ii. Institutions with assets of less than \$30 billion must have a minimum financial rating of either—
      - a) 125 (or better) by IDC Financial Publishing, Inc. (IDC), or
      - b) C+ (or better) by LACE Financial Corporation (LACE).

To determine continued eligibility, monitor these ratings as they are published and updated by the ratings agency.

*NOTE: At the time you establish custodial accounts, the financial ratings you use to determine whether a depository institution meets our eligibility requirements must have been issued within the prior three months.*

*NOTE: If your institution is a depository institution, you can set up accounts in your own institution provided it meets our eligibility requirements for depository institutions and a general ledger or internal operating account is not used for custodial funds.*

*NOTE: If your institution or the depository institution you select is a subsidiary of a bank holding company, the holding company must meet our eligibility requirements for custodial depositories.*



2. Establish custodial accounts to hold funds collected on Fannie Mae's behalf.

Both the P&I and T&I custodial accounts must be set up as demand deposits (or share draft accounts, in the case of a credit union). These accounts may be interest-bearing, and you may retain any interest earned, provided you—

- a. Remove any interest credited to the custodial account that is not payable to the borrower within 30 days of being credited; and
- b. Comply with all local, state, and federal regulations that address borrowers' escrow funds and the use of interest-bearing accounts.
- c. The title of each account should reflect the custodial nature and purpose as follows.
  - i. P&I custodial account: "(Servicer's Name) as agent, trustee, and/or bailee for the Federal National Mortgage Association and/or payments of various mortgagors and/or various owners of interests in Mortgage-Backed Securities (Custodial Account)."
  - ii. T&I custodial account: "(Servicer's Name) as agent and/or trustee of the Federal National Mortgage Association and/or payments of various mortgagors, respectively (Custodial Account)."

3. Notify Fannie Mae of new custodial accounts.

Complete a *Letter of Authorization* for each account: [Form 1013](#) for a P&I custodial account, [Form 1014](#) for a T&I custodial account. The forms must be signed by an authorized representative of your company (or the subservicer, if applicable) and certified by the depository institution. Send the original forms to the Fannie Mae office serving your company, keeping a copy for your records.

If you use a subservicer, the subservicer should send the original and a copy of the authorization forms to your company, the master servicer – and you in turn should send the original to the Fannie Mae office serving your company, keeping the copy for your records.