

***Servicing Guide* Announcement SVC-2012-16**

August 15, 2012

Updates to Custodial Bank Accounts

Fannie Mae is amending its requirements regarding custodial accounts. This Announcement addresses the following topics:

- maintaining tax and insurance (T&I) custodial accounts for deposits of hazard insurance loss drafts, partial payments, or unapplied funds;
- notification of an ineligible depository; and
- updated *Letter of Authorization for P&I Custodial Account* (Form 1013) and *Letter of Authorization for T&I Custodial Account* (Form 1014).

Effective Date

The policy changes related to establishing multiple custodial accounts are effective immediately. Unless specifically identified in this Announcement, all other requirements in the *Servicing Guide*, Part IX, Chapter 1: Custodial Accounting remain unchanged.

Multiple Custodial Bank Accounts with Same Remittance Type

***Servicing Guide*, Part IX, Section 101: Custodial Bank Accounts, and Section 104: Establishing Custodial Accounts**

Currently, T&I escrow funds for Fannie Mae mortgage loans with all remittance types may be commingled in the same custodial account (although the servicer may establish separate accounts for T&I payments for each remittance type if it chooses to do so). Fannie Mae is updating its policy to allow servicers to maintain multiple T&I custodial accounts for the deposit of hazard insurance loss drafts, partial payments, or unapplied funds.

The servicer and the depository institution must execute a Form 1014 for each custodial account that is established. When a subservicer establishes the custodial account, the subservicer must execute and send the fully executed original and a copy to the master servicer. The master servicer must forward to Fannie Mae the executed original Form 1014 for processing. The servicer (or master servicer), subservicer (if applicable), and the custodial depository should each retain a copy of the executed original Form 1014 in its files.

Fannie Mae reminds servicers that custodial funds must be held in financial institutions that meet the requirements established in Part IX, Section 103: Eligible Custodial Depositories. The servicer must deposit custodial funds in the custodial accounts immediately upon receipt. These funds must not be commingled with the servicer's own funds or those of any other investor. In addition, servicers are reminded that all custodial accounts established for deposit of principal and interest (P&I) and T&I funds must be properly titled as indicated in Part IX, Section 104: Establishing Custodial Accounts.

Notifications

***Servicing Guide*, Part IX, Section 103.01: Remedies for Ineligible Custodial Depository and Section 103.02: Required Notifications**

Currently, servicers are required to notify Fannie Mae:

- of a depository's ineligible status,
- to request approval to hold custodial funds in a formerly ineligible depository that now meets Fannie Mae's eligibility requirements, or
- to request the implementation of a different remedy for an ineligible depository.

Effective with this Announcement, the servicer is no longer required to notify Fannie Mae of or request approval for the items listed above. However, servicers must continue to monitor the depositories regularly to determine that their eligibility remains unchanged.

If the custodial depository holding P&I and T&I funds becomes ineligible by failing to meet Fannie Mae's requirements, Fannie Mae, at its sole discretion, may implement one or more remedies with respect to the disposition of those P&I and T&I funds, as indicated in Part IX, Section 103.01.

The servicer is responsible for the safekeeping of custodial funds at all times. Fannie Mae will hold the servicer responsible for any loss of funds deposited in a custodial account and for any damages Fannie Mae suffers because of delays in obtaining the funds from the custodial account, even if the servicer has complied with all the requirements in Part IX of the *Servicing Guide*. (Servicers are reminded to review Part I, Section 202.01: Servicer's Duties and Responsibilities for MBS Mortgage Loans for requirements related to servicing MBS mortgage loans.)

P&I and T&I Letter of Authorization Forms (Form 1013 and Form 1014)

Fannie Mae has updated [Form 1013](#) and [Form 1014](#), both of which are available on eFannieMae.com. Using these revised forms, the servicer must now identify whether the custodial account is a replacement account for an existing account.

Servicers should contact their Servicing Consultant, Portfolio Manager, Investor Reporting Business Analyst, or Fannie Mae's National Servicing Organization's Servicing Solutions Center at 1-888-FANNIE5 (1-888-326-6435) with any questions regarding this Announcement.

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