



## **STAR Frequently Asked Questions**

May 1, 2020



## **Servicer Total Achievement and Rewards Program FAQs**

This document addresses frequently asked questions (FAQs) about the Servicer Total Achievement and Rewards™ (STAR™) Program.

Servicers are selected to participate in the STAR Program primarily based on their total Fannie Mae servicing loan volume and the portfolio composition. The selected servicers are classified into three groups: General Servicing, Solution Delivery, and Timeline Management.

### **STAR Program Objectives:**

- Align servicer performance with Fannie Mae goals
- Provide a consistent methodology for measuring servicer performance
- Reduce Fannie Mae's credit losses by setting targets/expectations
- Understand and communicate leading practices across the servicing community
- Identify and recognize our highest performing servicers

### **General Program**

#### **Q1. What is the STAR Program?**

The STAR Program is a performance management and recognition program based on a consistently applied framework to clearly define industry standards and leading practices.

#### **Q2. How are servicers selected for the STAR Program?**

Servicer inclusion is based on loan volumes from the following three categories:

- General Servicing
  - Total loan count greater or equal to 50,000 OR
  - Total loan count greater than or equal to 20,000 and 60 days plus delinquent rate greater than or equal to 0.70%
- Solution Delivery
  - Total loan count greater than or equal to 50,000 AND
  - Number of loans between 60 days delinquent and published foreclosure timelines greater than or equal to 600.
- Timeline Management
  - Total loan count greater than or equal to 50,000 AND
    - Number of severely delinquent loans beyond published foreclosure timeline greater than or equal to 600 OR
    - Percent of severely delinquent loans beyond published foreclosure timeline greater than or equal to 15%.
  - A servicer needs to have met the above inclusion criterion for greater than or equal to four months for the past two quarters.



### **Q3. Can a servicer's inclusion in the categories change?**

Yes, volumes will be reviewed no more than once a quarter in order to determine if servicer inclusion changes are required to meet the inclusion criteria. Servicers are typically not added once the year has started, but the review and measurement categories could be modified.

For example, a servicer could be included in all three categories at the start of the year, but if the volume necessary to be measured in the Timeline Management category falls below the minimum requirements, then the servicer could be excluded from Timeline Management, but still in STAR for General Servicing and Solution Delivery.

### **Q4: Why aren't all Fannie Mae servicers evaluated under the STAR Program?**

The STAR Team selects servicers based on criteria that identifies servicers who manage higher levels of credit risk for Fannie Mae due to their total portfolio size.

### **Q5. What if a servicer would like to be included in the STAR Program?**

Fannie Mae greatly appreciates servicer interest in the STAR Program; however, Fannie Mae does not accept servicer solicitations for inclusion. Based on trends in Fannie Mae servicing volumes, servicers may be added or removed from the STAR Program at Fannie Mae's discretion.

### **Q6. What are the rewards associated with the STAR Program?**

Fannie Mae recognizes servicers that are achieving the outcomes measured by the STAR Program. Servicers may be recognized as a STAR Performer for each category (General Servicing, Solution Delivery, and Timeline Management) for which they meet the STAR inclusion criteria. STAR Performer recognition is determined annually based on an analysis of compliance review results and performance trends at the end of each program year.

### **Q7. What is the criteria for STAR Performer Program recognition?**

In order to be recognized in a category, the servicer must receive a green operational assessment rating for each Process Area within the category. A green rating for a Process Area is achieved by receiving a green rating for the qualitative review and consistently performing on scorecard metrics tied to the Process Area (e.g. If a Process Area has two metrics, there would be 24 monthly opportunities in which the servicer must pass 16 months across both metrics).



## **Q8. Who do I contact if I have questions about the STAR Program?**

Servicers are encouraged to first contact their Fannie Mae Portfolio Manager with questions regarding the STAR Performance Scorecard and the Operational Assessment process. If additional information or clarification regarding a matter related to the STAR Program is required, you may submit inquiries to the Fannie Mae STAR Mailbox ([star\\_mailbox@fanniemae.com](mailto:star_mailbox@fanniemae.com)).

## **Q9. How long does it take to have a question answered that was submitted to the STAR Mailbox?**

The STAR Team makes every effort to respond within five business days.

## **STAR Performance Scorecard**

### **Q1. What is the STAR Performance Scorecard?**

The STAR Performance Scorecard is designed to help our servicers quickly identify opportunities for improvement by comparing a servicer's performance relative to other servicers based on set thresholds or relative to a comparable portfolio. Overall, the Scorecard metrics monitor progress and trends against key indicators selected to reflect Fannie Mae's current business objectives. These objectives are weighted by their current strategic importance to Fannie Mae.

### **Q2. What changes were made to the STAR Performance Scorecard for 2020?**

Annual updates were made to the decision tree model that creates the comp for each metric. The following metrics were moved from the overall summary page of the STAR Scorecard to the supplemental metrics section: REOgrams Submitted within Timeline, Title Issues Resolved within 45 Days. In addition, the compensatory fee metric that had appeared on the overall summary page but was not included in the overall performance rating will also be moved to the supplemental metrics section.



### **Q3. When do the new changes take effect?**

The 2020 updates became effective January 1, 2020, and they were reflected in the Scorecard released in March of 2020. The report will only include results from January 2020 forward.

### **Q4. What are the sources for each of the credit performance metrics within the Scorecard?**

Please refer to Appendix B – Supplemental STAR Metric Definitions in the STAR Performance Scorecard White Paper available on the [Fannie Mae STAR Webpage](#) for details on the credit performance metrics.

### **Q5. Why are scorecards released 45 days after month end for the month being measured?**

The Scorecard processes rely on data that is reported to Fannie Mae by each servicer approximately 20 days after month end. This data is then loaded into various enterprise databases which become available to the STAR Team on the fourth business day of the following month. The process of calculating servicer results and preparing servicer scorecards accounts for the additional processing time.

### **Q6. Are any updates being made to the reports published online via Fannie Mae Connect™?**

No changes are made to the STAR Scorecard published via Fannie Mae Connect. However, Fannie Mae Connect does have a new look and feel in 2020. The STAR Performance Scorecard User Guide available on FannieMae.com includes details on how to access the STAR Scorecard in the new interface.

### **Q7. What are Decision Trees and how are they being used in the 2020 STAR Performance Scorecard?**

The STAR Scorecard has adopted a conditional inference tree model, Decision Trees, to segment the loan attributes and create the Comp for each metric based on the historical performance of the Fannie Mae book of business. To do this, Fannie Mae leverages a publicly available recursive partitioning algorithm to choose the loan characteristics that most significantly differentiate performance for each segment of loans. Please refer to the STAR Performance Scorecard White Paper and Metric Dictionary available on the [Fannie Mae STAR Webpage](#) for additional details.



**Q8. Are Decision Trees run on each metric on the STAR Scorecard?**

Decision Trees are used to build a comparable pool Comp for each credit performance metric in the STAR Scorecard. The Decision Trees identify the most relevant control variables for each metric which allows the final metric tree to evaluate many variables with fewer buckets and terminal nodes. Please refer to the STAR Performance Scorecard White Paper available on the [Fannie Mae STAR Webpage](#) for additional details.

**Q9. Does Fannie Mae run the Decision Trees on the Fannie Mae Portfolio only?**

Yes, the Decision Trees are based on the historical performance of the Fannie Mae book of business.

**Q10. Does Fannie Mae consider LTV at origination or is the MTM LTV based on refreshed values?**

Mark-to-Market (MTM) Loan to Value (LTV) values are based on the loan's current principal balance divided by lesser of the sales price or appraised value at origination marked forward based on Fannie Mae's Home Price Index.

**Q11: What is the ACI Score?**

It is the Acquisition Credit Index (ACI) score used to monitor the credit quality of our lender portfolios. The ACI model rank orders the risk of the acquired loans based on a number of credit attributes including credit score, LTV, and DTI.

**Q12: Where does the ACI Score show up on the Decision Trees?**

The ACI score is used for several metrics including Transition to 60+, 60+ to Cure, Transition to Beyond Time Frame, Retention Efficiency, and Liquidation Efficiency. The position of the ACI Score on each of the trees depends on how relevant the score is to the individual metrics and will therefore vary.

**Q14: What is the Transition to Beyond Timeline metric?**

The Transition to Beyond Timeline metric measures the number of loans that are within 180 days of the state foreclosure time frame that transition to beyond time frame status over a six-month reporting period. Please refer to the STAR Performance Scorecard White Paper available on the [Fannie Mae STAR Webpage](#) for additional details.



**Q15: What is Collectability Status?**

Collectability status refers to loans that are difficult to resolve such as loans in a bankruptcy status or loans that are otherwise precluded from normal collections activity. The status is based on loan data reported through Servicer’s Reconciliation Facility™ (SURF™) and delinquency codes provided via Asset Management Network (AMN).

**Q16: Are servicers still being ranked?**

Rankings relative to other servicers are still provided for individual metrics, but are for informational purposes only.

**Q17: How are transfers handled?**

Loans are excluded from the transferor’s metrics in the month the transfer occurs; however, for Transition to 60+ and 60+ to Cure, loans that transition to 60+ days delinquent or cure before the transfer date are included in the numerator and denominator for the transferor servicer.

Transferred loans are excluded for the transferee for a four month period following the transfer date for all metrics except 6-month Mod Performance, which is not measured.

**Operational Assessments**

**Q1. What is the purpose of the STAR Operational Assessment?**

The STAR Operational Assessment is an evaluation of a servicer’s ability to consistently deliver expected results in accordance with established business objectives. Through the assessment process, we evaluate the servicer’s capabilities and competencies to deliver expected results. Additional information can be found in the STAR Reference Guide on [www.FannieMae.com](http://www.FannieMae.com).

**Q2. If servicers received an operational assessment results report for the previous STAR Program Year, will they be required to perform another assessment in the current Program Year?**

Servicer inclusion is determined annually for all of the STAR operational assessment review categories (General Servicing, Solution Delivery, and Timeline Management) and each servicer will be required to provide documentation for the identified operational assessment. The amount of documentation required for each Process Area included for a review may be reduced based on prior year results and the performance of metrics tied to the specific Process Area.



### **Q3. What is DMRS?**

Fannie Mae's Default Management Reporting System (DMRS) is an innovative online tool that navigates through complex foreclosure and bankruptcy processes and proactively identifies opportunities for improvement. It's another way Fannie Mae provides helpful tools to simplify servicing operations and be your preferred servicing partner. For more information, please click [here](#).