



Future Cash Simplification Changes to Investor Reporting

Customer Transition Plan





Table of contents

Future Cash Simplification Changes to Investor Reporting – Customer Transition Guide.....	3
Pre-Transition Preparation Period	4
TM- 1 (July 2020 Processing Month for the June Reporting Period).....	4
Transition Month (August 2020 Processing Month for the July Reporting Period).....	7
Post Transition Period (Settle-Up Process).....	9
For More Information	10



Future Cash Simplification Changes to Investor Reporting – Customer Transition Guide

Updated March 9, 2020

Fannie Mae is making changes to Master Servicing which involves simplifying the Investor Reporting cash remittance and reconciliation process as outlined in [Lender Letter LL-2019-07](#). In [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 that occurs on or after the August 2020 effective date.

	Impact by Remittance Type			
	Actual/Actual (A/A)	S/S MRS	S/A	S/S Swap MBS
Fannie Mae-Initiated Principal and Interest (P&I) Drafts for Scheduled/Scheduled (S/S) and Scheduled/Actual (S/A) Portfolio Mortgage Loans	No Change (Servicer-Initiated)	✓	✓	No Change (Fannie Mae-Initiated)
Additional Investor Reporting Operational Enhancements				
<ul style="list-style-type: none"> modify the cash reconciliation cycle to reduce lag time between reporting and cash cycle close 	✓	✓	✓	No Change (Currently BD-2)
<ul style="list-style-type: none"> draft borrower contribution (unapplied funds) on mortgage loan modifications on the scheduled P&I draft date 	No Change (Servicer-Initiated)	✓	✓	No change
<ul style="list-style-type: none"> draft/reimburse the net of SCRA adjustments 	No Change	S/S PFP Loans Only	No change	No change

This Customer Transition Guide provides servicers with additional information on the key milestones and activities required to implement the changes:

- **Pre-Transition Preparation Period:** Servicers must complete these activities before the effective date of the changes in order to prepare for implementation.
- **Transition Month (TM-1) (July 2020 Processing Month for the June Reporting Period):** Servicers must complete these activities in the month prior to the transition month that the changes become effective.
- **Transition Month (TM) (August 2020 Processing Month for the July Reporting Period):** Servicers must complete these activities in the month of transition when the changes become effective.
- **Post Transition Period (Settle-Up Process):** Servicers must complete these activities in the months following the transition month and the transition month -1.



Pre-Transition Preparation Period

At least seven months prior to the transition month, servicers should engage with Fannie Mae, create a project team, and establish a regular cadence of interaction and status reporting with Fannie Mae.

The following table outlines the phases and key activities that servicers must complete during the pre-transition preparation period.

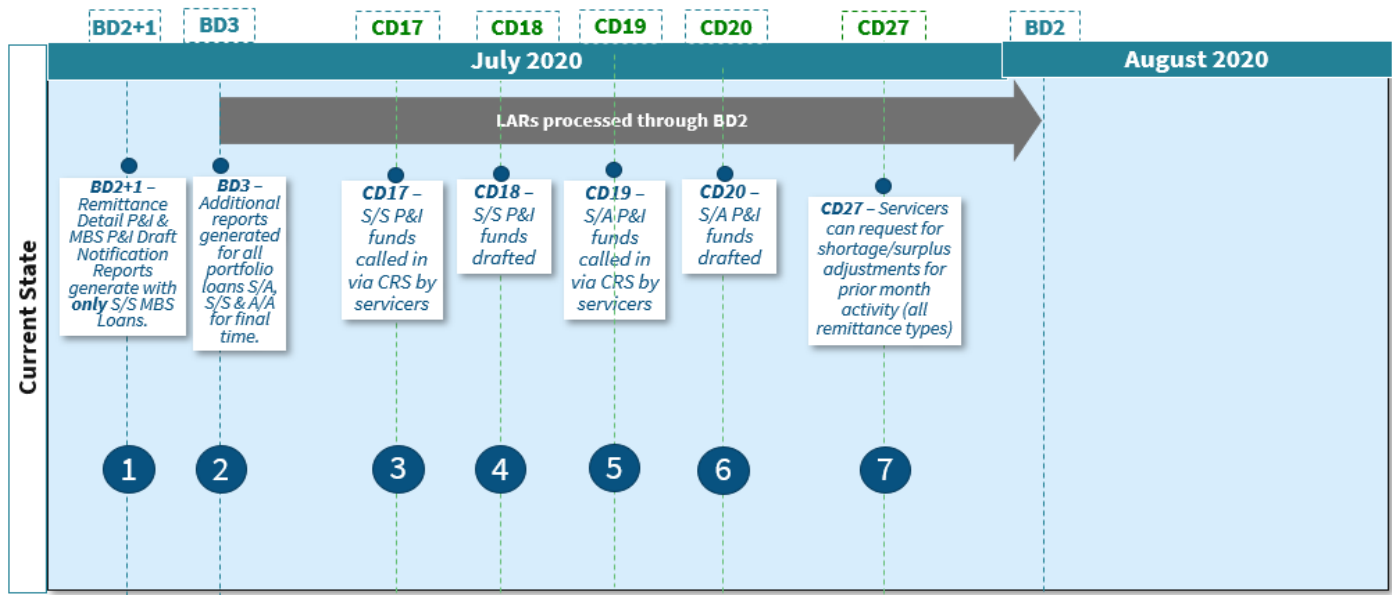
Key Activity	Timeframe	Actual/Actual (A/A)	S/S MRS	S/A	S/S Swap MBS
Value Proposition	2/14/2020				
Attend Kick off Meeting			✓	✓	
Analysis	3/31/2020				
Analyze Business Process/Workflow Impacts		✓	✓	✓	
Analyze Data & Technology Impacts		✓	✓	✓	
Implementation	6/30/2020				
Implement Business Process/Workflow Changes			✓	✓	
Design, Develop & Test Updates to Technology (if needed)			✓	✓	
Ops Readiness	6/30/2020				
Monitor Shortage/Surplus			✓	✓	
Update Internal Policies and Procedures (if needed)			✓	✓	
Create & Deliver Additional Internal Training (if needed)			✓	✓	
Transition	August				
Post Transition	Post August				
Settle Up Process (if needed)			✓	✓	

TM- 1 (July 2020 Processing Month for the June Reporting Period)

The transition month minus 1 (TM-1) is July 2020 which is the month prior to the month these changes become effective with the June loan activity reporting period being processed in July. July 2020 will be the last month for servicers to submit requests for amounts to be drafted for monthly P&I for S/A and S/S portfolio loans via the Cash Remittance System (CRS). July 2020 will also be the last month where the Cash Reconciliation Cycle is open until the *twenty seventh calendar day* for all portfolio loans Scheduled/Actual (S/A), Scheduled/Scheduled (S/S) and Actual/Actual (A/A) following the June 2020 loan activity reporting cycle closed on the second business day of July. The balance as of July CD27 for the June 2020 loan activity reporting period with any outstanding reconciling items will be used to help determine any settle-up amount and this will be the last shortage surplus balance for S/A and S/S portfolio loans used for the settle-up process. Leading up to the month of implementation, servicers should continue to submit LAR corrections, submit PPAs or complete master file changes to sync up data and clear cash reconciliation items, focusing on the most aged items. The diagrams on the following pages outline key milestones in July 2020 for the June Reporting Period. Each key milestone is described in the table that follows the diagrams.



Fannie Mae TM-1 Cash Activity Timeline for all Remittance Types



Key Milestone		For June Reporting Period – (July Processing Month – TM-1)
1	Friday 7/3/2020 (Jul BD2+1) <ul style="list-style-type: none"> Remittance Detail – P&I Report 	Servicers will have access to the Remittance Detail – P&I Report with loan level details for P&I remittances and the MBS P&I Draft Notifications Report on BD2 +1 in Fannie Mae Connect. <u>This will be last time</u> that both the Remittance Detail – P&I Report will be for Fannie Mae-Initiated remittance types of S/S MBS loans only.
2	Monday 7/6/2020 (Jul BD3) <ul style="list-style-type: none"> Current Cycle Shortage Surplus Adjustments Report Accepted Transactions Report Shortage/Surplus Report 	Servicers will have access to the Current Cycle Shortage Surplus Adjustments & Accepted Transactions Reports in Fannie Mae Connect and the Shortage/Surplus Report in SURF by the third business day. <u>This will be last time</u> that these reports will have data for all portfolio loans Scheduled/Actual (S/A), Scheduled/Scheduled (S/S) and Actual/Actual (A/A). *Please note that due to the July 4 th holiday (July 3rd is the 4th of July holiday), Monday 7/6/2019 is the 3rd business day for July 2020.



Key Milestone		For June Reporting Period – (July Processing Month – TM-1)
3	<p>Thursday 7/16/2020 (Jul CD17 - BD prior to CD17)</p> <ul style="list-style-type: none"> S/S P&I funds called in via CRS by servicers 	<p>For the last time, servicers use CRS to enter amounts to be drafted for S/S Cash (i.e., MRS) principal and interest in July (Transition Month) for the June 2020 loan activity reporting period no later than 4:00 pm eastern time on the business day prior to the draft due date.</p> <p>*Note that since the servicer draft is occurring on Friday 7/17/2020, the draft amounts need to be entered in CRS by 4:00 pm eastern time on the business day prior which is Thursday 7/16/2020.</p>
4	<p>Friday 7/17/2020 (Jul CD18 - BD prior to Jul CD18)</p> <ul style="list-style-type: none"> S/S P&I funds drafted for June activity 	<p>For the last time, Fannie Mae drafts S/S Cash (i.e., MRS) principal and interest on the 18th calendar day of the July transition month based on the amounts submitted by servicers in CRS.</p> <p>*Note that when the 18th calendar day falls on a weekend or holiday (July 18th is a Saturday), servicer drafts occur on the preceding business day.</p>
5	<p>Friday 7/17/2020 (Jul CD19 - BD prior to Jul CD19)</p> <ul style="list-style-type: none"> S/A P&I funds called in via CRS by servicers 	<p>For the last time, servicers use CRS to enter amounts to be drafted for S/A Cash principal and interest in July (TM-1) for the June 2020 loan activity reporting period no later than 4:00 pm eastern time on the business day prior to the draft due date.</p> <p>*Note that since the 19th calendar day falls on a weekend, the draft amount needs to be entered in CRS 4:00pm eastern time on the business day prior which is Friday 7/17/2020.</p>
6	<p>Monday 7/20/2020 (Jul CD20)</p> <ul style="list-style-type: none"> S/A P&I funds drafted for June activity 	<p>For the last time, Fannie Mae drafts S/A principal and interest on the 20th calendar day of the July transition month based on the amounts servicer’s submitted in CRS.</p>
7	<p>Monday 7/27/2020 (Jul CD27)</p> <ul style="list-style-type: none"> Cash Reconciliation Cycle closed for June activity for all portfolio loans Settle-Up (Shortage Surplus) Balance 	<p>For the last time, Fannie Mae will close the Cash Reconciliation Cycle on the twenty seventh calendar day for all portfolio loans Scheduled/Actual (S/A), Scheduled/Scheduled (S/S) and Actual/Actual (A/A) allowing analysts to perform various adjustments as of June 2020 loan activity reporting period to clear out shortages and surpluses up until July CD27.</p> <p>The balance as of July CD27 and outstanding reconciling items will be used to help determine any settle-up amount. This is the last shortage surplus balance for S/A and S/S portfolio loans and will be the balance used for the Settle-Up Process.</p> <p><u>*See Post Transition Period (Settle-Up Process) section</u></p>

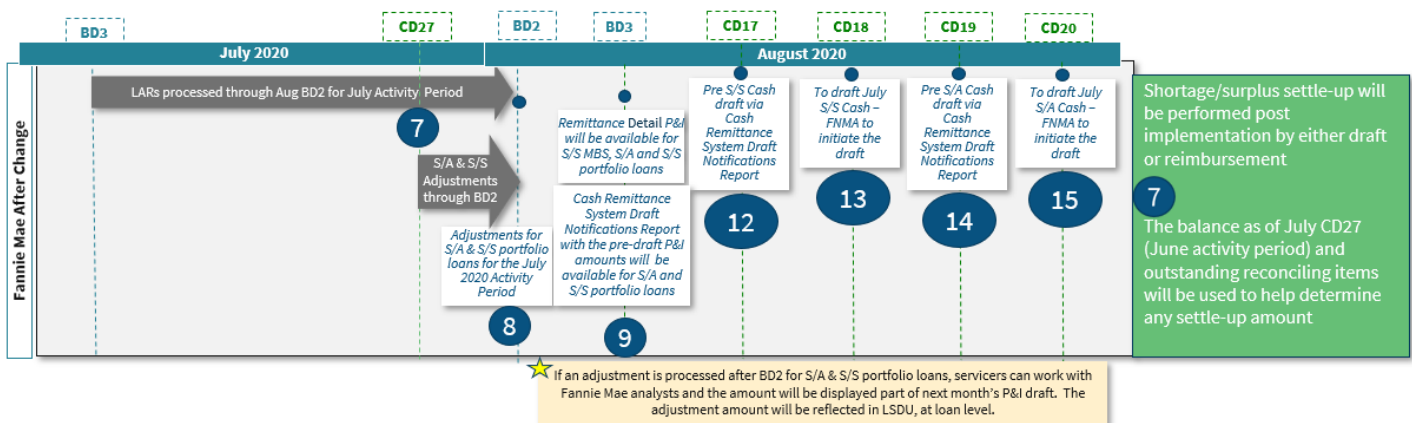


Transition Month (August 2020 Processing Month for the July Reporting Period)

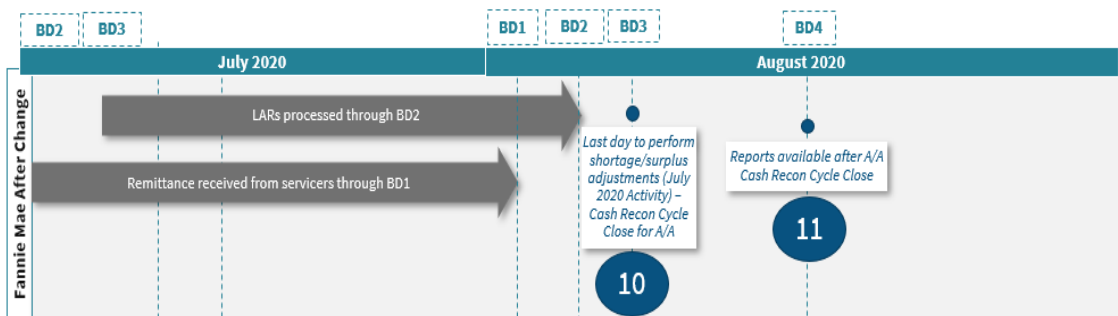
The transition month (TM) is August 2020 with the July loan activity reporting period being processed in August. August 2020 will be the first month Fannie Mae will initiate the draft requests for monthly P&I due for S/A and S/S portfolio loans based on the loan activity reports (LARs) received and processed for July activity. During August 2020, CRS will no longer be available to servicers for submitting these draft requests. However, CRS will still be available to servicers to update their bank account information for S/A and S/S portfolio loan drafts. There will be no change to loans with the actual/actual (A/A) remittance type as servicers will still be expected to submit its A/A monthly P&I draft requests to Fannie Mae via CRS. August 2020 will be the initial month for the new cash reconciliation cycle close on the *second business day* of the month for S/A and S/S portfolio loans. This will result in a one-time shortened reconciliation period for the July loan activity reporting period that will be from July CD28 to August BD2, since the June loan activity reporting period will be closed under the old cash reconciliation cycle and process on July CD27. In the following month, September 2020, there will be a full month from August BD3 to September BD2 for any cash reconciliation adjustments necessary for the August loan activity reporting period. August 2020 will be the initial month for the new cash reconciliation cycle close on the **third business day** of the month the day of the month for Actual/Actual (A/A) remittance portfolio loans. Also, the Remittance Detail – Cash Adjustments Report will be available for the first time to servicers with loan level details for the adjustments for remittance types of S/A and S/S portfolio loans by the third business day via B2B and download in LSDU with the loan level adjustments details data available daily in LSDU starting on Wednesday 8/5/2020.

The diagrams on the following pages outline key milestones in the Transition Month August 2020 for the July Reporting Period. Each key milestone is described in the table that follows the diagrams.

Fannie Mae Transition Month (TM) Cash Activity Timeline for S/A & S/S Portfolio loans



Fannie Mae Transition Month (TM) Cash Activity Timeline for A/A Portfolio loans





Key Milestone		For July Reporting Period – (August Processing Month – TM)
8	<p>Tuesday 8/4/2020 (Aug BD2)</p> <ul style="list-style-type: none"> Cash Cycle closed for July activity for S/A & S/S portfolio loans 	<p>For the first time, Fannie Mae will close the Cash Cycle on the 2nd business day for Scheduled/Actual (S/A) and Scheduled/Scheduled (S/S) portfolio loans, allowing analysts to perform various adjustments up until August BD2 for the July loan activity reporting period.</p>
9	<p>Wednesday 8/5/2020 (Aug BD2+1)</p> <ul style="list-style-type: none"> Remittance Detail – P&I Report Cash Remittance System Draft Notifications Report Remittance Detail – Cash Adjustments Report LSDU cash adjustment details data 	<p>Servicers will have access to the Remittance Detail – P&I Report with loan level details for P&I remittances.</p> <p>This will be first time the Remittance Detail – P&I Report will add the new Fannie Mae-Initiated remittance types of S/A and S/S portfolio loans.</p> <p>Servicers will have access to the Cash Remittance Draft Notification report at Summary level for S/A & S/S portfolio loans.</p> <p>This will be first time the Cash Remittance System Draft Notifications Report with the pre-draft P&I amounts for S/A & S/S Portfolio loans will be available by the third business day in FM Connect</p> <p>Servicers will have access to the Remittance Detail – Cash Adjustments Report with loan level details for the adjustments for remittance types of S/A and S/S portfolio loans by the third business day via B2B and download in LSDU.</p> <p>This will be first time the Remittance Detail – Cash Adjustments Report will be available to servicers with the loan level details and report data also available daily in LSDU starting on Wednesday 8/5/2020.</p>
10	<p>Wednesday 8/5/2020 (Aug BD3)</p> <ul style="list-style-type: none"> Cash Reconciliation Cycle closed for July activity for A/A portfolio loans Accepted Transactions Report Schedule 3 Reconciliation 	<p>For the first time, Fannie Mae will close the Cash Reconciliation Cycle on the 3rd business day for Actual/Actual (A/A) portfolio loans allowing analysts to perform various adjustments to clear out shortages and surpluses up until August BD3 for the July loan activity reporting period.</p> <p>Servicers will have access to the Accepted Transactions Report on Fannie Mae Connect which will have data for only Actual/Actual (A/A) portfolio loans for the first time.</p> <p>The last schedule 3 reconciliation for the June loan activity reporting period is due from servicers for S/A & S/S portfolio loans.</p>
11	<p>Thursday 8/6/2020 (Aug BD3+1)</p> <ul style="list-style-type: none"> Current Cycle Shortage Surplus Adjustments Report Shortage/Surplus Report Additional LASER Reports 	<p>For the Cash Reconciliation Cycle close on the 3rd business day for Actual/Actual (A/A) portfolio loans, servicers will have access to the Current Cycle Shortage Surplus Adjustments on Fannie Mae Connect and the Shortage/Surplus Report in SURF by the fourth business day.</p> <p>This will be first time that these reports will have data for only Actual/Actual (A/A) portfolio loans.</p> <p>Servicers will have access to the Additional LASER Reports which will include data for S/A, S/S & A/A portfolio loans in August for the last time and in the following months will have data for only A/A portfolio loans.</p>



Key Milestone		For July Reporting Period – (August Processing Month – TM)
12	Monday 8/17/2020 (Aug CD17) <ul style="list-style-type: none"> Cash Remittance System Draft Notifications Report 	Fannie Mae drafts S/S principal and interest on the 18th calendar day of August for the first time and the Cash Remittance System Draft Notifications Report will be available the day before (CD17) on Fannie Mae Connect, as a draft notification to servicers for S/S portfolio loans.
13	Tuesday 8/18/2020 (Aug CD18) <ul style="list-style-type: none"> FNMA to Initiate the July activity S/S cash draft 	For the first time , Fannie Mae drafts S/S Cash (i.e., MRS) principal and interest on the 18th calendar day of August (transition month plus 1) based on the loan activity reports (LARs) received and processed by Fannie Mae.
14	Thursday 8/19/2020 (Aug CD19) <ul style="list-style-type: none"> Cash Remittance System Draft Notifications Report 	For the first time , Fannie Mae drafts S/A principal and interest on the 20th calendar day of August and the Cash Remittance System Draft Notifications Report will be available the day before (CD19) on Fannie Mae Connect, as a draft notification to Servicers for S/A portfolio loans.
15	Thursday 8/20/2020 (Aug CD20) <ul style="list-style-type: none"> FNMA to Initiate the July activity S/A cash draft 	For the first time , Fannie Mae drafts S/A principal and interest on the 20th calendar day of August (transition month plus 1) based on the loan activity reports (LARs) received and processed by Fannie Mae.

Post Transition Period (Settle-Up Process)

During the October 2020 processing period, servicers will focus on concluding the settle-up process activities for any outstanding Shortage/Surplus balances established as of July CD27 for the June 2020 loan activity period for S/A and S/S portfolio loans. Servicers will have a three-month grace period to request any Shortage/Surplus adjustments with appropriate documentation (using the current documentation guidelines for SSAs) to clear any Schedule 3 reconciling items. Analysts may perform adjustments until October BD2, three months after the June loan activity reporting period. At the end of the three-month grace period, Fannie Mae will draft any outstanding Shortages as part of the Fannie initiated P&I drafts on October CD18 for S/S and October CD20 for S/A portfolio loans.

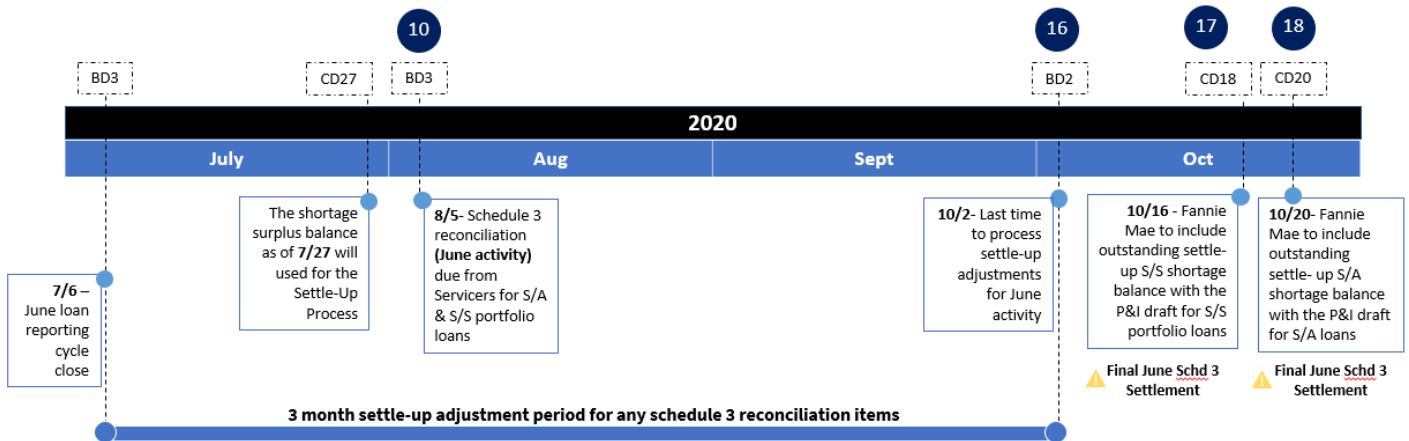
After October BD2, Fannie Mae will not process any cash adjustments related to any outstanding surplus balances. For these surplus balances to be reimbursed, the cash adjustments need to be processed on or before October BD2.

➤ Settle-Up Example:

- Outstanding settle-up S/S shortage balance of \$20,000 at the end of the June 2020 loan activity reporting period, FM will process a cash adjustment to collect the funds due by October BD2 at the end of the three-month grace period
- Cash adjustment will be netted against the S/S P&I cash draft on October CD18
- The September loan activity reporting period P&I cash draft is \$50,000 (LAR Processing + Borrower Contribution + Misc. Adjustments for September activity) and the outstanding settle-up S/S shortage balance as of July CD27 for the loan activity through the June 2020 reporting period is the \$20,000 resulting in a total P&I cash draft will be $\$50,000 + \$20,000 = \$70,000$ on October CD18



Settle-Up Process



Key Milestone		October Processing Month – Post Transition (Settle-Up Process with Servicers)
16	<p>Friday 10/2/2020 (Oct BD2)</p> <ul style="list-style-type: none"> Settle-Up adjustments cash cycle closed for S/A & S/S portfolio loans 	<p>The last time Fannie Mae will allow any adjustments for the June 2020 activity reporting period balances established as of July CD27. The three-month settle-up adjustment period for any schedule 3 reconciliation items will be closed on the 2nd business day of October for Scheduled/Actual (S/A) and Scheduled/Scheduled (S/S) portfolio loans.</p>
17	<p>Friday 10/16/2020 (Oct CD18)</p> <ul style="list-style-type: none"> FNMA to initiate any Settle-Up adjustments S/S cash draft 	<p>The last time Fannie Mae will initiate draft servicers on the 18th calendar day for S/S cash (i.e., MRS) for any adjustments established as part of the Settle-Up process for the June 2020 loan activity reporting period balances determined on July CD27.</p> <p>Fannie Mae will initiate S/S Principal & Interest drafts for September loan activity reporting LAR processing. This draft amount will also include any outstanding S/S shortage balances for the June 2020 loan activity reporting following the three-month grace period.</p>
18	<p>Tuesday 10/20/2020 (Oct CD20)</p> <ul style="list-style-type: none"> FNMA to initiate any Settle-Up adjustments S/A cash draft 	<p>The last time Fannie Mae will initiate draft servicers on the 20th calendar day for S/A cash for any adjustments established as part of the Settle-Up process for the June 2020 loan activity reporting period balances determined on July CD27.</p> <p>Fannie Mae will initiate S/A Principal & Interest drafts for September loan activity reporting LAR processing. This draft amount will also include any outstanding S/A shortage balances for the June 2020 loan activity reporting following the three-month grace period.</p>

For More Information

Servicers should contact future_of_servicing@fanniemae.com, their Servicing Consultant, Portfolio Manager or call 1-800-2FANNIE (1-800-232-6643, Option 1, Option 6) with any questions regarding this transition guide.