



## Completing the Principal and Interest (P&I) Custodial Account Analysis (Form 496)

Every month, a servicer must use the Principal and Interest (P&I) Custodial Account Analysis (Form 496) to reconcile the P&I cashbooks to the P&I custodial accounts used to maintain P&I funds for payments related to mortgages held in Fannie Mae’s portfolio and for MBS pool mortgages.

The analysis identifies the composition and determines the reasonableness of the amount of funds held in each custodial account at the close of each reconciliation period. It also ensures that the cashbook and custodial account are “in balance”. You must maintain individual cashbooks for each MBS pool.

A separate Form 496 must be prepared for each P&I custodial account and for each remittance type (you may not commingle remittance types on the same form) monthly. Each form must be retained with the related accounting records and provided to Fannie Mae upon request.

This form consists of three sections:

- Section I is the depository reconciliation.
- Section II represents the composition of the cashbook balance.
- Section III provides an explanation of certain items in Section I.

All reconciling items should be aged, explained, and have established resolution dates.

To complete Form 496, you will need the following documents:

- Form 496  
Use the interactive PDF or print Form 496 and complete by hand.
- Month end custodial account bank statement
- Lender cashbook with daily deposits and withdrawals
- For MBS, a Test of P&I and Pool to Security Reconciliations
- To complete Section II, your internal reports

Step 1.	Complete Form 496 as follows: Report for (Month and Year)	Enter the month and year that you are reconciling.
	Lender Number	Enter your 9-digit Seller/Servicer number.

### Section I – Depository Reconciliation

In this section, Lines 1 through 5 reflect the determination of the depository balance adjusted for timing differences and other miscellaneous adjustments. Lines 6 through 8 are used to compare the adjusted depository balance to the servicer's cashbook records for the reporting period.

Follow these instructions to complete each line:



- Remittance Type** Circle the applicable remittance type(s) (A/A, S/A, S/S ACQ., S/S MBS) for the P&I custodial account being analyzed.
- 1. Depository Balance** Enter the ending balance that is shown on the custodial account bank statement.
  - 2. Add Deposits in Transit** Enter the total amount of deposits that are in transit. In other words, report the total of all deposits that are listed in the cashbook as of the close of business at month-end but do not appear on the custodial account bank statement. If there are no deposits in transit, enter \$0.00.  
Any amount entered on this line must be itemized in detail in Section III.
  - 3. Less Outstanding Disbursements** Enter the total amount of disbursements that are in transit. In other words, report the total of all outstanding checks (automatic drafts) that have not cleared the custodial account as of the close of business at month-end. If there are no outstanding disbursements, enter \$0.00.  
Any amount entered on this line must be itemized in detail in Section III.
  - 4. Depository Adjustments A (+)** Enter positive (credit) adjustments (for example, interest funding on curtailments) to the depository balance, if applicable.  
Only report adjustments for which there are no corresponding adjustments in the cashbook. When debit and credit adjustments offset each other, they must be reported as separate entries on this line and the following (A and B).  
Any entry to this line must be explained in detail in Section III.
  - Depository Adjustments B (-)** Enter negative (debit) adjustments to the depository balance, if applicable.  
Only report adjustments for which there are no corresponding adjustments in the cashbook. When debit and credit adjustments offset each other, they must be reported as separate entries on this line and the previous line (A and B).  
Any entry to this line must be explained in detail in Section III.
  - 5. Adjusted Depository Balance** Enter the total of Line 1 plus Line 2, minus Line 3, plus (or minus) Line 4.
  - 6. Adjusted Depository Balance (Carried Over from Line 5)** Re-enter the balance shown in Line 5.
  - 7. Less Cashbook Balance** Enter the actual ending cashbook balance.  
When reconciling a Scheduled/Scheduled MBS custodial account, you must report the aggregate of the ending cashbook balances for all of the individual pools on Line 7.  
This balance must be broken down into its individual components in Section II.
  - 8. Difference** Subtract Line 7 from Line 6 and enter the total here.  
If the balance in Line 8 is not equal to \$0.00, you must explain the difference and when it will be resolved in the space provided (shown below).



**Provide Explanation for Difference**

<b>8. Difference</b>	<b>\$0.00</b>
<b>Provide Explanation for Difference</b>	
<div style="border: 1px solid red; height: 100px; width: 100%;"></div>	

**Provide Explanation for Difference space**

**Section II – Composition of Cashbook Balance**

In this section, you must provide a detailed breakdown of the cashbook balance. Because you cannot commingle remittance types, enter only the amounts for the remittance type you are analyzing.

Follow these instructions to complete each line.

- 1. P&I** Applicable for remittance type Actual/Actual only.  
Enter the total amount of principal and interest collected during the month being reconciled but not remitted to Fannie Mae (full monthly installments only.)
- 2. Principal From Current Month Installment Collections** Applicable for remittance type Scheduled/Actual only.  
Enter the amount of the principal portion of current installments that were collected during the reconciliation month.
- 3. Prepaid Principal and Interest Installments** Applicable for remittance types Scheduled/Actual, Scheduled/Scheduled MRS Acquired (S/S Cash) and Scheduled/Scheduled MBS only.  
If applicable, enter the total amount of any prepaid P&I installments collected prior to or during the reconciliation month.  
  
For remittance type Scheduled/Actual, enter the total amount of any prepaid P&I installment collected during the reconciliation month and the interest portion of any prepaid installments collected prior to the reconciliation month (prepaid principal collected in previous months will be remitted prior to month end.)
- 4. Curtailment / Liquidation Principal** Applicable for remittance types Scheduled/Actual, Scheduled/Scheduled MRS Acquired (S/S Cash) and Scheduled/Scheduled MBS only.  
  
For remittance types Scheduled/Scheduled MRS Acquired (S/S Cash) and Scheduled/Scheduled MBS, if applicable, enter the total amount of principal curtailments and the scheduled balance for liquidation principal collected during the reporting month.  
  
For remittance type Scheduled/Actual, enter the total amount of the principal curtailment and the liquidation principal collected during the reconciliation month.



- 5. Interest Fundings on Curtailments** Applicable for remittance types Scheduled/Scheduled MRS Acquired (S/S Cash) and Scheduled/Scheduled MBS only.  
If applicable, enter the amount of interest funded or to be funded by the servicer on principal curtailments collected during the reconciliation month.
- 6. Interest Gains/Losses** Applicable for remittance type Scheduled/Actual only.  
Enter the amount of any interest gains or losses related to mortgage payoffs, which have not been removed (gains) or funded (losses) by the cutoff date for the reporting month. Report unfunded losses as a negative figure.
- 7. Fixed Installment on Pay-Offs** Applicable for remittance types Scheduled/Scheduled MRS Acquired (S/S Cash) and Scheduled/Scheduled MBS only.  
Enter the total amount of P&I for fixed installment net of service fees for all mortgage loans paid in full (liquidated) during the reconciliation month.
- 8. Delinquent Interest and Principal** Applicable for remittance types Scheduled/Scheduled MRS Acquired (S/S Cash) and Scheduled/Scheduled MBS only.  
Enter the amount of any delinquent P&I advanced by the lender (enter as negative).
- 9. Unrecovered Interest** Applicable for remittance type Scheduled/Actual only.  
Enter the total amount of interest advanced and not recovered as of month end (enter as negative).
- 10. Proceeds From Third- Party Sales** Applicable to all remittance types.  
If applicable, enter the amount of funds collected during the month for third-party sales and still held by the servicer at the cutoff date for the reconciliation month.
- 11. Servicing Fees Due Servicer** Applicable to all remittance types.  
If service fees are not netted from deposits to the custodial account, enter the total service fee amount. In other words, enter the amount of any servicing fees that have not been removed from the custodial account by the cutoff date for the reconciliation month.
- 12. Other (Explain)** Applicable to all remittance types.  
Enter the amount of any other cash amounts (or funds) that are part of the P&I cashbook balance and do not fall into any of the previous categories. Examples include fees and charges due Fannie Mae that were transferred to the custodial account on the cutoff date but which have not yet been drafted, the current month's interest collected for interest-in-advance "scheduled/scheduled" remittance types, and so on.  
You must explain any funds reported on this line below the line.
- 13. Total (Must Equal Line 7, Section I)** Enter the total of Lines 1 through and including Line 12. The result must equal Line 7 in Section I.

### Section III – Explanation of Line Items in Section I

In this section, you must itemize and explain certain line items that you reported in Section I.



All adjustments or differences must be supported by loan-level detail.

- 1. Deposits in Transit (Line 2, Section I)** If you entered an amount in Section I, Line 2, you must itemize each deposit-in-transit by entering:
  - The date you received the funds
  - The date the funds were deposited to the custodial account
  - The total amount of the deposit
  
- 2. Outstanding Disbursements (Line 3, Section I)** If you entered an amount in Section I, Line 3, you must itemize each outstanding disbursement by entering:
  - The date the funds were disbursed
  - An explanation of the disbursement
  - The total amount of the disbursement
  
- 3. Depository Adjustments (Line 4, Section I)** If you entered an amount in Section I, Line 4, you must itemize each depository adjustment (positive or negative) by entering:
  - An explanation of the adjustment, including whether it was a debit or credit
  - The total amount of the adjustment

**Lender Name** Enter the name of your company.

**Date** Enter the date you completed Form 496.

**Certified By** Enter the name of approver from your company that has reviewed Form 496.

**Title** Enter the title of approver.

**Name of Depository Institution and Account Number** Enter the name of the depository institution and its account number where the deposits are held for the P&I funds.

Step 2. Prior to finalization, review your completed Form 496 thoroughly to ensure that you eliminate common errors that are frequently found by Fannie Mae auditors, as described below:

- Remittance Type** Because you cannot commingle remittance types in the same P&I custodial account, ensure you circle only one remittance type.
- General** Ensure that you complete Section II.



Be sure to consider deposits and disbursements in transit for the last day of the month.

Step 3. Once you confirm that all items are completed, print a copy of Form 496. If using the interactive PDF, print the completed form for your records.

Step 4. Ensure that all supporting documentation is attached to Form 496, including:

- Custodial account bank statement
- Lender cashbook with daily deposits and withdrawals
- Reports for completing Section II
- If applicable, Scheduled/Scheduled portfolio lender's test of expected P&I reports

Related link: [Custodial Accounting: Verification of Cashbook Balances for P&I Custodial Reconciliation Form 496](#)