



Master Servicing Release Notes

January 25, 2021

As announced in the Lender Letter LL-2020-13 (published September 30, 2020), Fannie Mae, in alignment with Freddie Mac, has changed the trigger for automatic reclassification of MBS loans from 4 consecutive months delinquent to 24 consecutive months delinquent (measured by LPI date).

The new timeframe applies to outstanding single-family pools and newly issued single-family pools and will first be reflected when January 2021 factors are released on the fourth business day in February 2021.

NOTE: *Servicers will remain responsible for only advancing four consecutive scheduled P&I payments in the event of borrower delinquency for scheduled/scheduled loans for which Fannie Mae bears the Foreclosure Loss Risk.*

Fannie Mae's selection criteria for reclassifying mortgage loans changes from 4 consecutive months delinquent to 24 consecutive months delinquent (measured by LPI date). However, the timing for reclassification will differ for mortgage loans which the servicer reports as having an active forbearance plan, repayment plan or mortgage loan modification Trial Period Plan, as set forth in F-1-26, Reclassifying or Voluntarily Repurchasing an MBS Mortgage Loan (04/20/ 2020).

Additionally, Fannie Mae has introduced a new interim reporting end date (twenty-second calendar) scheduled event for the reclassification of eligible mortgage loans. The calendar day following the interim reporting end date of the month, Fannie Mae will reclassify mortgage loans that meet its automatic selection criteria. This new interim reporting end date scheduled reclassification event will also include loans that servicers have reported as subject to Mortgage Release in Review or Foreclosure Referral prior to reaching the 24-month delinquency threshold. The day following reclassification, servicers will be notified of reclassified loans via Purchase Advice. Servicers will not be able to deselect loans from or add loans to the new interim reporting end date scheduled reclassification event.

The table below outlines the key actions associated with the Interim Reporting End Date Scheduled reclassification event:



Step	Action
1	<p><i>By the twenty-second calendar* day of the month</i></p> <ul style="list-style-type: none">▪ Servicers submit monthly LARs by 8 p.m. eastern on CD22▪ After LARs are processed and CD22 interim reporting cycle closes, Fannie Mae determines eligible mortgage loans that meet its automatic selection criteria for reclassification<ul style="list-style-type: none">○ Loans that are 24 consecutive months delinquent○ Loans that servicers have reported as subject to Mortgage Release in Review or Foreclosure Referral▪ Fannie Mae executes the CD22 Interim Reporting End date scheduled reclassification event and removes eligible loans that meet its automatic selection criteria from pools <p>Note: *When CD22 falls on a holiday or weekend, LARs are due on the preceding business day</p>
2	<p><i>Second business day following Reclassification</i></p> <ul style="list-style-type: none">▪ Fannie Mae notifies servicers of reclassified loans via Purchase Advice. For this reclassification event, the Purchase Advice may include new enumerations of the reclass reason code for Mortgage Release and Foreclosure Referral.



Step	Action
3	<p>By BD1 of the following month</p> <ul style="list-style-type: none"> ▪ The servicer must follow the steps as outlined in the Servicing Guide A1-3-06, Automatic Reclassification of MBS Mortgage Loans (09/09/ 2020) and Investor Reporting Manual 4-03, Reporting a Mortgage Loan After Modification including but not limited to: <ul style="list-style-type: none"> ○ adjust the remittance type in their systems to actual/actual and report a LAR reflecting the loan as actual/actual before the BD1 ○ reflect the remittance type as actual/actual as of the first day of the month in which the reclassification event takes place; ○ adjust the PTR to include any guaranty fee; ○ adjust Fannie Mae’s required margin to equal the mortgage loan margin less the servicing fee, if applicable; and ○ adjust the PTR floor and ceiling to equal the lifetime interest rate floor and ceiling less the servicing fee, if applicable. ○ Report the mortgage loan as an actual/actual remittance type, including any activity that occurred for a reclassified mortgage loan, in compliance with the reporting time frames outlined in the Investor Reporting Manual ○ Use the same Fannie Mae loan number that applied to the mortgage loan when it was in the MBS pool

SURF MBS Reclass Purchase Advice

SURF MBS3+ Purchase Advice report will now include two new enumerations for additional Reclass Reason Codes (Mortgage Release (110) and Foreclosure Referral (111)). Please note that there are no changes to the report format.

SURF MBS Reclass Purchase Advice		
Pool Number	123456	345678
LOAN NUMBER	1234567890	1234567891
Lender Loan ID	1200078984	1200078954
Reimbursement Day	25	25
Reported LPI	01/2021	01/2021
New PTR	5.5000	5.7500
Prin Reimbursed	1,306.54	1,383.79
Int Reimbursed	1,454.76	1,730.09
Actual UPB	159,027.10	94,885.10
Scheduled UPB	157,720.56	93,151.03
Acquired UPB	157,720.56	93,151.03
P & I Constant	1,413.71	817.79
Reason Code	110	111

For comprehensive guidance on these changes, please review the [24 Month Delinquent MBS Loan Reclassification Process Requirements](#).



Additional Helpful Resources

For more information about this release, please email [Future of Servicing](#) or contact Master Servicing at **1-800-2-FANNIE** (Option 1, Option 6).

Other helpful resources:

- [Master Servicing Simplification Webpage](#)
- [Fannie Mae Servicing Guide](#)
- [Fannie Mae Investor Reporting Manual](#)
- HomeSaver Solutions Network (HSSN) Job Aids –
 - [Requesting Reclass Deselection/Reselection](#)
 - [Generating Reclass Transaction Reports](#)