



Step Rate Loan Changes – Job Aid

Effective October 28, 2018 servicers will be able to submit payment changes for all future step payment amounts upon recasting a payment. This change will reduce hard/soft rejects and eliminate manual processes for both the servicer and Fannie Mae related to updating the payment for each step at the beginning of the reporting cycle.

A Step Rate loan is structured such that the Note Rate and the Principal and Interest (P&I) amount will increase over time, allowing a borrower to ease into an affordable payment schedule. These types of loans are usually made to borrowers that have experienced some type of hardship and have proven the ability to make payments on a modified schedule. A typical Step Rate loan schedule will have rate and payment increases over a defined time period and may look like the following:

Step Rate Loan UPB: \$299,027.37

Loan Term: 348 months

Maturity Date: 8/1/2042

Effective Date	Note Rate	P&I Amount
9/1/2013	2.00%	\$1,133.11
9/1/2018	3.00%	\$1,262.70
9/1/2019	4.00%	\$1,395.34
9/1/2020	4.25%	\$1,428.41

Over the life of the loan, a borrower may be able to make a curtailment(s) and request the P&I amount to be re-casted over the remaining term of the loan, effectively reducing the monthly payment. When this occurs, a new payment amount must be determined at each remaining change date, using the rate in effect and the forecasted unpaid principal balance at the change date, assuming that the regularly scheduled payments are made.

For example: Assume the borrower makes a \$10,000 curtailment along with the regular scheduled payment in May 2018. Prior to this time, the borrower had made all of the regular payments per the terms of the Step Rate Loan, leaving an unpaid principal balance after the application of the \$10,000 curtailment of \$251,106.54.

Upon recasting the P&I amount for the current schedule, as well as the remaining schedules, servicer provides a new payment schedule for the borrower as follows:

Effective Date	Note Rate	P&I Amount	Principal Balance
6/1/2018	2.00%	\$1,089.72	\$251,106.54
9/1/2018	3.00%	\$1,214.34	\$249,089.56
9/1/2019	4.00%	\$1,341.90	\$241,891.78
9/1/2020	4.25%	\$1,373.70	\$235,345.56



Current Process

To report the new P&I amounts calculated due to the recast, servicers have to report the new P&I amount once the effective date of the new payment is reached. If a servicer reports the new P&I amounts for future effective dates, the transactions are not to be accepted. Once the next effective change date is reached, servicers have to remember to send in the new payment amount.

Submission Date: 5/2018

Effective Date	Note Rate	P&I Amount
6/1/2018	2.00%	\$1,089.72
9/1/2018		\$1,214.34
9/1/2019	Future Steps Not Evaluated	\$1,341.90
9/1/2020	4.25%	\$1,373.70

Only current payment is accepted – Future dated steps are not accepted and servicers have to submit Tran 83 for the next effective change date of the new payment is reached. Status is tracked on LAR 83 Tracking Report.

Updated Process

Upon recasting a borrower's remaining Step Rate schedule, servicers may submit the new P&I amount for each remaining step at the time the loan is recast. The new P&I amounts will be evaluated independently in effective date order and applied to the loan.

Scenario 1:

If the current and all future steps are submitted, Fannie Mae will evaluate and apply current and all future steps.

Submission Date: 5/2018

Effective Date	Note Rate	P&I Amount
6/1/2018	2.00%	\$1,089.72
9/1/2018	3.00%	\$1,214.34
9/1/2019	4.00%	\$1,341.90
9/1/2020	4.25%	\$1,373.70

See Appendix A for more information

Scenario 2:

If the earliest effective dated payment change is accepted and either no future steps are submitted (Exhibit A below) or subsequent payment change request is not accepted (Exhibit B below), the loan will be updated for earliest effective date payment change and Fannie Mae will calculate the new P&I amount based on the amortized unpaid principal balance (UPB) and provide the calculated P&I for the subsequent steps.

Exhibit A – Payment is Accepted

Submission Date: 5/2018

Effective Date	Note Rate	P&I Amount
6/1/2018	2.00%	*\$1,089.72

***Only current payment change is submitted and accepted** - The loan will be updated for earliest effective date payment change and Fannie Mae will calculate the new P&I amount based on the UPB and provide the calculated P&I for subsequent steps.

Exhibit B – Payment is Not Accepted

Submission Date: 5/2018

Effective Date	Note Rate	P&I Amount
6/1/2018	2.00%	\$1,089.72
9/1/2018	3.00%	**\$1,230.15 (<i>Rejected</i>)

****Current payment is accepted and the subsequent payment is rejected**- The loan will be updated for earliest effective date payment change and Fannie Mae will calculate the new P&I amount based on the UPB and provide the calculated P&I for the subsequent steps.

See Appendix A for more information

Scenario 3



If the earliest effective dated payment change is rejected, all the other step rate payment changes requested will not be evaluated and no step rate payment calculations will be provided.

Submission Date: 5/2018

Effective Date	Note Rate	P&I Amount
6/1/2018	2.00%	***\$1,095.00 (<i>Rejected</i>)
9/1/2018		,214.34
9/1/2019	Will Not Be Evaluated	,341.90
9/1/2020		,373.70

*****Current payment is not accepted** –The earliest effective dated payment change is rejected, thus all the other step rate payment changes requested will not be evaluated and no step rate payment calculations will be provided.

See Appendix A for more information

Please note: Servicers can continue to view the status of submitted steps in the LAR 83 Projection and Tracking Report. Updated Steps (reported or Fannie Mae calculated) can be viewed in [Loan Servicing Data Utility \(LSDU\)](#). Accepted and rejected Steps will appear in LSDU for 7 days. Accepted Steps will appear in [Fannie Mae Connect](#) for 1 day, and rejected Steps will appear for 7 days.

The new process will align Fannie Mae with how servicers are interacting with borrowers on such changes, thus eliminating the need to contact Fannie Mae to manage future P&I amount changes. With this update we look to increase the straight-through processing of servicer submitted transactions and obtain better alignment with servicer loan information. All remittance types will be supported by this updated process. The recently updated process pertaining to recasts on Scheduled/Scheduled loans ([see announcement](#)) is also supported. Fannie Mae will still require that the effective date for submitted P&I amount change requests is greater than the last paid installment (LPI) date on the loan.

If you have questions, please contact Master Servicing at 1-800-2-FANNIE.



Appendix

Scenario 1: Here is an example of how Scenario 1 will appear in the LAR83 Projection and Tracking Report, within Fannie Mae Connect.

Fannie Mae Loan Number	Servicer Loan ID	Pool Number	Maturity Date	Reported Effective Date	Reported Note Rate	Reported Pass Through Rate	Reported Loan P&I Payment Amount	Trans 83 Status	Exception Message
345678901	111122223	BN0548	8/1/2043	6/1/2018			\$ 1,089.72	Accepted	
345678901	111122223	BN0548	8/1/2043	9/1/2018			\$ 1,214.34	Accepted	
345678901	111122223	BN0548	8/1/2043	9/1/2019			\$ 1,341.90	Accepted	
345678901	111122223	BN0548	8/1/2043	9/1/2020			\$ 1,373.70	Accepted	

FM Connect -> Report Center -> LAR83 Projection and Tracking Report

Here is an example of how Scenario 1 will appear in LSDU.

Loan Servicing Data Utility
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Loan Activity Search ▾
Loan Data Search
Cash Position Search

LAR 83 search results (10 loans)

Search Results as of 10/15/2018 at 3:22pm EST

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Servicer Number: 132040001 Transaction Type: LAR 83 Status Type: All Statuses

SERVICER NUMBER	FANNIE MAE LOAN NUMBER	SERVICER LOAN NUMBER	NEXT INTEREST RATE CHANGE DATE	NEXT P&I CHANGE DATE	REPORTED EFFECTIVE DATE	REPORTED P&I AMOUNT	TRANSACTION STATUS	REJECT REASON
123456789	3456789001	111122223			06/01/2018	\$1,089.72	Accepted	
123456789	3456789001	111122223			09/01/2018	\$1,214.34	Accepted	
123456789	3456789001	111122223			09/01/2019	\$1,341.90	Accepted	
123456789	3456789001	111122223			09/01/2020	\$1,373.70	Accepted	

Loan Activity Search -> Payment & Rate Change (LAR 83) Status

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Payment (LAR 06) Exceptions

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or Name: **Servicer Name, N.A.**
or Loan: **11223411224**
ID: (MERS ID)
Sales Type: **MBS**
or Number: **1023443201**

Remittance Type: **S/S**
Pool Number: **12245**
Pool Prefix Code: **BI** - The Conventional Intermediate Term

Results as of 10/15/2018
At 1:15pm EST

LOAN ATTRIBUTE	FANNIE MAE DATA
Forbearance Amount	\$0.00
Interest Forgiveness Amount	\$0.00
Mod Effective Date	09/01/2013
Mod UPB Amount	\$299,027.37
UPB Forgiveness Amount	\$0.00
Step 1 Interest Rate	2%
Step 1 P&I Amount	\$1,089.72
Step 1 P&I Change Date	06/01/2018
Step 2 Interest Rate	3%
Step 2 P&I Amount	\$1,214.34
Step 2 P&I Change Date	09/01/2018
Step 3 Interest Rate	4%
Step 3 P&I Amount	\$1,341.90
Step 3 P&I Change Date	09/01/2019
Step 4 Interest Rate	4.25%
Step 4 P&I Amount	\$1,373.70
Step 4 P&I Change Date	09/01/2020

Loan Data Search -> Delinquency Modification Data -> Accepted P&I Amount or Fannie Mae calculated P&I Amount



Scenario 2: Exhibit A– Payment is Accepted

Here is an example of how Scenario 2, Exhibit A will appear in the LAR83 Projection and Tracking Report, within Fannie Mae Connect.

Fannie Mae Loan Number	Servicer Loan ID	Pool Number	Maturity Date	Reported Effective Date	Reported Note Rate	Reported Pass Through Rate	Reported Loan P&I Payment Amount	Trans 83 Status	Exception Message
345678901	111122223	BN0548	8/1/2043	6/1/2018			\$ 1,089.72	Accepted	

FM Connect -> Report Center -> LAR83 Projection and Tracking Report

Here is an example of how Scenario 2, Exhibit A will appear in LSDU.

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LAR 83 search results (10 loans)

Search Results as of 10/15/2018 at 3:22pm EST

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Servicer Number: 132040001 Transaction Type: LAR 83 Status Type: All Statuses

SERVICER NUMBER	FANNIE MAE LOAN NUMBER	SERVICER LOAN NUMBER	NEXT INTEREST RATE CHANGE DATE	NEXT P&I CHANGE DATE	REPORTED EFFECTIVE DATE	REPORTED P&I AMOUNT	TRANSACTION STATUS	REJECT REASON
123456789	3456789001	111122223			06/01/2018	\$1,089.72	Accepted	

Loan Activity Search -> Payment & Rate Change (LAR 83) Status

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Loan Activity Search ▾ Loan Data Search Cash Position Search

Payment (LAR 96) Exceptions

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or Name: **Servicer Name, N.A.**
or Loan: **11222411234**
ID: (MERS ID)
Sales Type: MBS
or Number: **1023443201**

Remittance Type: S/S
Pool Number: **12345**
Pool Prefix Code: BI - The Conventional Intermediate Term

Results as of 10/15/2018
At 1:15pm EST

Delinquency Modification Data

LOAN ATTRIBUTE	FANNIE MAE DATA
Forbearance Amount	\$0.00
Interest Forgiveness Amount	\$0.00
Mod Effective Date	09/01/2013
Mod UPB Amount	\$299,027.37
UPB Forgiveness Amount	\$0.00
Step 1 Interest Rate	2%
Step 1 P&I Amount	\$1,089.72
Step 1 P&I Change Date	06/01/2018
Step 2 Interest Rate	3%
Step 2 P&I Amount	\$1,214.34
Step 2 P&I Change Date	09/01/2018
Step 3 Interest Rate	4%
Step 3 P&I Amount	\$1,341.90
Step 3 P&I Change Date	09/01/2019
Step 4 Interest Rate	4.25%
Step 4 P&I Amount	\$1,373.70
Step 4 P&I Change Date	09/01/2020

Loan Data Search -> Delinquency Modification Data -> Accepted P&I Amount or Fannie Mae calculated P&I Amount



Exhibit B – Payment is Not Accepted

Here is an example of how Scenario 2, Exhibit B will appear in the LAR83 Projection and Tracking Report, within Fannie Mae Connect.

Fannie Mae Loan Number	Servicer Loan ID	Pool Number	Maturity Date	Reported Effective Date	Reported Note Rate	Reported Pass Through Rate	Reported Loan P&I Payment Amount	Trans 83 Status	Exception Message
345678901	111122223	BN0548	8/1/2043	6/1/2018			\$ 1,089.72	Accepted	
345678901	111122223	BN0548	8/1/2043	9/1/2018			\$ 1,230.15	Rejected	Servicer data reported does not match Fannie Mae data

FM Connect -> Report Center -> LAR83 Projection and Tracking Report

Here is an example of how Scenario 2, Exhibit B will appear in LSDU.

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Loan Activity Search ▾ Loan Data Search Cash Position Search

LAR 83 search results (10 loans)

Search Results as of 10/15/2018 at 3:22pm EST DOWNLOAD

Servicer Number: 132040001 Transaction Type: LAR 83 Status Type: All Statuses

SERVICER NUMBER	FANNIE MAE LOAN NUMBER	SERVICER LOAN NUMBER	NEXT INTEREST RATE CHANGE DATE	NEXT P&I CHANGE DATE	REPORTED EFFECTIVE DATE	REPORTED P&I AMOUNT	TRANSACTION STATUS	REJECT REASON
123456789	3456789001	111122223			06/01/2018	\$1,089.72	Accepted	
123456789	3456789001	111122223			09/01/2018	\$1,230.15	Rejected	Servicer data reported does not match Fannie Mae data

Loan Activity Search -> Payment & Rate Change (LAR 83) Status

Loan Servicing Data Utility
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Loan Activity Search ▾ Loan Data Search Cash Position Search

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or Name: **Servicer Name, N.A.**

or Loans: **11223411234**

ID: (MERS ID)

ales Type: **MBS**

or Number: **1023443201**

Remittance Type: **S/S**

Pool Number: **12345**

Pool Prefix Code: **BI - The Conventional Intermediate Term**

Results as of 10/15/2018
At 1:15pm EST

LOAN ATTRIBUTE	FANNIE MAE DATA
Forbearance Amount	\$0.00
Interest Forgiveness Amount	\$0.00
Mod Effective Date	09/01/2013
Mod UPB Amount	\$299,027.37
UPB Forgiveness Amount	\$0.00
Step 1 Interest Rate	2%
Step 1 P&I Amount	\$1,089.72
Step 1 P&I Change Date	06/01/2018
Step 2 Interest Rate	3%
Step 2 P&I Amount	\$1,214.34
Step 2 P&I Change Date	09/01/2018
Step 3 Interest Rate	4%
Step 3 P&I Amount	\$1,341.90
Step 3 P&I Change Date	09/01/2019
Step 4 Interest Rate	4.25%
Step 4 P&I Amount	\$1,373.70
Step 4 P&I Change Date	09/01/2020

Loan Data Search -> Delinquency Modification Data -> Accepted P&I Amount or Fannie Mae calculated P&I Amount



Scenario 3: Here is an example of how Scenario 3 will appear in the LAR83 Projection and Tracking Report, within Fannie Mae Connect.

Fannie Mae Loan Number	Servicer Loan ID	Pool Number	Maturity Date	Reported Effective Date	Reported Note Rate	Reported Pass Through Rate	Reported Loan P&I Payment Amount	Trans 83 Status	Exception Message
345678901	111122223	BN0548	8/1/2043	6/1/2018			\$ 1,095.00	Rejected	Servicer data reported does not match Fannie Mae data
345678901	111122223	BN0548	8/1/2043	9/1/2018			\$ 1,214.34	Rejected	Servicer data reported does not match Fannie Mae data
345678901	111122223	BN0548	8/1/2043	9/1/2019			\$ 1,341.90	Rejected	Servicer data reported does not match Fannie Mae data
345678901	111122223	BN0548	8/1/2043	9/1/2020			\$ 1,373.70	Rejected	Servicer data reported does not match Fannie Mae data

FM Connect -> Report Center -> LAR83 Projection and Tracking Report

Here is an example of how Scenario 3 will appear in LSDU.

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LAR 83 search results (10 loans)

Search Results as of 10/15/2018 at 3:22pm EST

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Servicer Number: 132040001 Transaction Type: LAR 83 Status Type: All Statuses

SERVICER NUMBER	FANNIE MAE LOAN NUMBER	SERVICER LOAN NUMBER	NEXT INTEREST RATE CHANGE DATE	NEXT P&I CHANGE DATE	REPORTED EFFECTIVE DATE	REPORTED P&I AMOUNT	TRANSACTION STATUS	REJECT REASON
123456789	3456789001	111122223			06/01/2018	\$1,089.72	Accepted	Servicer data reported does not match Fannie Mae data
123456789	3456789001	111122223			09/01/2018	\$1,214.34	Accepted	Servicer data reported does not match Fannie Mae data
123456789	3456789001	111122223			09/01/2019	\$1,341.90	Accepted	Servicer data reported does not match Fannie Mae data
123456789	3456789001	111122223			09/01/2020	\$1,373.70	Accepted	Servicer data reported does not match Fannie Mae data

Loan Activity Search -> Payment & Rate Change (LAR 83) Status



Scenario 3 (Continued)

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Servicer Name: **Servicer Name, N.A.**

Loan: **11223411234**

ID: **(MERS ID)**

Sales Type: **MBS**

Loan Number: **1023443201**

Results as of 10/15/2018
At 1:15pm EST

Remittance Type: **S/S**

Pool Number: **12345**

Pool Prefix Code: **BI - The Conventional Intermediate Term**

Delinquency Modification Data

LOAN ATTRIBUTE	FANNIE MAE DATA
Forbearance Amount	\$0.00
Interest Forgiveness Amount	\$0.00
Mod Effective Date	09/01/2013
Mod UPB Amount	\$299,027.37
UPB Forgiveness Amount	\$0.00
Step 1 Interest Rate	2%
Step 1 P&I Amount	\$1,089.72
Step 1 P&I Change Date	06/01/2018
Step 2 Interest Rate	3%
Step 2 P&I Amount	\$1,214.34
Step 2 P&I Change Date	09/01/2018
Step 3 Interest Rate	4%
Step 3 P&I Amount	\$1,341.90
Step 3 P&I Change Date	09/01/2019
Step 4 Interest Rate	4.25%
Step 4 P&I Amount	\$1,373.70
Step 4 P&I Change Date	09/01/2020

Loan Data Search -> Delinquency Modification Data -> Accepted P&I Amount or Fannie Mae calculated P&I Amount