



## Servicing Guide Announcement SVC-2018-10

December 19, 2018

### Foreclosure Time Frames and Compensatory Fee Requirements

This Announcement describes policy changes related to foreclosure time frames and compensatory fee requirements.

These changes are not applicable to reverse mortgage loans.

### Foreclosure Time Frames and Compensatory Fee Requirements

At the direction of the Federal Housing Finance Agency (FHFA) and in alignment with Freddie Mac, we are

- revising our allowable foreclosure time frames, and
- updating our policy related to assessing compensatory fees for delays in foreclosure.

#### Date of *Servicing Guide* Update

We have posted a revised [Foreclosure Time Frames and Compensatory Fee Allowable Delays Exhibit](#) and will update A1-4.2-02, Compensatory Fees for Delays in the Liquidation Process and F-2-01, Compensatory Fee Calculation Examples to reflect these policy changes in the February 2019 *Servicing Guide* update.

#### Allowable Foreclosure Time Frames

First, we have revised the maximum number of allowable days within which routine foreclosure proceedings are to be completed in twenty jurisdictions as described in the [Foreclosure Time Frames and Compensatory Fee Allowable Delays Exhibit](#).

- The maximum number of allowable days has been increased for the following jurisdictions: Alabama, Arizona, Idaho, Maine, Maryland, Michigan, Missouri, Nebraska, New Jersey, New York, New York City, Nevada, Tennessee, Utah, Virginia, Vermont, and West Virginia.
- In the following jurisdictions, the maximum number of allowable days has been decreased: Connecticut, Delaware, and Oregon.

#### Compensatory Fees for Delays in the Liquidation Process

Next, we are replacing the current monthly compensatory fee process, which involves issuing compensatory fees for failure to comply with foreclosure time frames, with a process that focuses on identifying and resolving root causes of performance issues utilizing our Servicer Total Achievement & Rewards (STAR™) Program performance management framework.

As outlined in the *Servicing Guide*, we may select compensatory fees as the appropriate remedy for delays in connection with a completed foreclosure. We may assess a compensatory fee if the entire period from the date the delinquency began (the last paid installment (LPI) date) through the foreclosure sale date is longer than our maximum number of allowable days in the applicable jurisdiction in the [Foreclosure Time Frames and Compensatory Fee Allowable Delays Exhibit](#).

Additionally, we leverage our STAR Program performance management framework to evaluate a servicer's overall performance based on operational assessments and scorecards. Effective with this Announcement, we will leverage the STAR Program to manage foreclosure time frame risks. As part of this process change, we are updating our compensatory fee policy.



Through the STAR Program, we will measure by servicer the magnitude and severity of mortgage loans that exceed allowable foreclosure time frames. A servicer will be subject to a mortgage loan-level review, as described in [A2-4-01, Quality Control Reviews](#), if for three consecutive months either:

- (1) more than 25% of its greater than or equal to 90 day delinquent mortgage loan portfolio exceeds Fannie Mae allowable foreclosure time frames, or
- (2) the average number of days beyond Fannie Mae allowable foreclosure time frames is greater than 650 days for its mortgage loan portfolio that exceeds Fannie Mae allowable foreclosure time frames.

Compensatory fees will be assessed if, after identification of a chronic issue with a servicer's compliance with foreclosure time frames and completion of a performance improvement plan, the servicer does not meet the terms of a performance improvement plan designed to remediate the issue as described in [A1-1-03, Evaluating a Servicer's Performance](#).

**NOTE:** *Servicers may be exempt from compensatory fee assessments based upon the number of mortgage loans serviced as well as the number of mortgage loans in excess of the allowable foreclosure time frame. These specific thresholds are determined as part of the STAR Program servicer inclusion criteria for foreclosure time frame management.*

### Calculating Compensatory Fees for Delays in the Liquidation Process

Compensatory fees will be applied based on the unpaid principal balance (UPB) of the mortgage loan, the applicable pass-through rate (PTR), the length of the delay, and any additional costs that are directly attributable to the delay. We assess the servicer's foreclosure time frame performance on a monthly basis at the mortgage loan level using the process in the following table.

Step	Calculating Compensatory Fees
1	<ol style="list-style-type: none"><li>a. Calculate the number of days the servicer took to complete the foreclosure process, from the LPI date through the foreclosure sale date.</li><li>b. Determine if the days are in excess of the allowable foreclosure time frame.</li></ol>
2	Calculate the compensatory fee for each mortgage loan using <ul style="list-style-type: none"><li>• the UPB of the mortgage loan,</li><li>• the applicable PTR, and</li><li>• the number of days the mortgage loan exceeded the allowable foreclosure time frame.</li></ul>

**NOTE:** *The total compensatory fee amount billed will be adjusted based on the results of the mortgage loan-level review as described in [A2-4-01, Quality Control Reviews](#) and the servicer's implementation of remediation under the performance improvement plan as described in [A1-1-03, Evaluating a Servicer's Performance](#).*

### Effective Date

Servicers must implement these policy changes by January 1, 2019.

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Contact your Fannie Mae account team, Portfolio Manager, or Fannie Mae's Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643) with any questions regarding this Announcement.

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