

# Pledges of Servicing Rights and Transfers of an Interest in Servicing Income At-a-Glance

Fannie Mae's [Servicing Guide](#) allows servicers to pledge their Fannie Mae Mortgage Servicing Rights (MSRs) to a secured party as collateral for a financing facility or to transfer a portion of their contractual interest in their servicing income to a third party for an upfront payment. Proceeds from such transactions may be used only for certain permitted purposes under the *Servicing Guide*, which include funding the acquisition of additional servicing, performance of required servicing activities, accessing warehouse lines of credit, or funding a management buy-out. *Proceeds generated from financing Fannie Mae MSRs must be used ONLY for purposes permitted by the Servicing Guide.*

**NOTE:** Servicers must obtain Fannie Mae's consent prior to pledging Fannie Mae MSRs or transferring an interest in servicing income derived from Fannie Mae MSRs.

This document explains such financing transactions and provides information on Fannie Mae's approval process, including:

- Pledges of servicing
- Sales of excess servicing income
- Amendments to existing agreements
- Financing of servicing advance receivables

## Standard process for all transaction types

1 As early as possible in your negotiations with a financier, please email your Fannie Mae Customer Delivery Team or [msr\\_pledges@fanniemae.com](mailto:msr_pledges@fanniemae.com) to request consent.

Email requests should include:

- Servicer's name
- 5-digit seller/servicer number
- Financier's name
- Proposed transaction type
- Proposed closing date

2 We will contact you to discuss the transaction, including the purpose of the transaction, required documentation, and proposed timing. You may choose to include your financier in these discussions.

At that time, we will request *drafts* of the applicable loan documents, such as:

- Loan and Security Agreement/Sale Agreement
- Related UCC financing statement(s)
- Loan list, if applicable
- Other documents, as applicable
- Chart reflecting the structure of the transaction

3 Once we receive substantially complete *drafts* of documents requested in Step 2, we begin our review. During the review, we may:

- Request additional information or documentation to clarify the financing arrangement
- Comment or provide feedback on the draft documents you have provided

4 If we approve the *draft* loan documents, we will email an Acknowledgment Agreement (AA) in the case of a pledge, or Subordination of Interest Agreement (SOIA), in the case of a sale of excess servicing income, for your review.

You and your financier will sign the AA or SOIA, and **after** we receive the required *executed* transaction documents (and the final version of any UCC Financing Statements), Fannie Mae will sign and return the fully executed AA/SOIA to you and your financier, which evidences Fannie Mae's consent to the underlying transaction.

**NOTE:** Fannie Mae requires at least 45 days from the receipt of substantially completed draft financing documents to review and prepare the AA. Highly structured financings, excess servicing sales and advance reimbursement facilities are generally more complex and require at least a 60–90 day review period.



## Pledge of servicing (standard pledge)

With Fannie Mae's prior consent, a servicer may pledge its Fannie Mae MSR as collateral for a financing facility. A servicer may pledge its **entire Fannie Mae MSR portfolio**, including all of its future MSRs, or a **specific portion** of the MSRs. A servicer may not "double pledge" its MSRs to more than one secured party and Fannie Mae will only recognize the security interest granted to a single secured party for a particular MSR.



### What documents do we need to review?

Forms of agreements and other documents may vary by transaction and by financier. In general, we review those documents where collateral (including Fannie Mae MSRs) is defined, permitted uses of proceeds are detailed, and Fannie Mae's rights are described. Provisions are typically disclosed in a **loan and security agreement** and we will need to review a draft copy of such an agreement. We will also review a draft of the **UCC-1** financing statement and any accompanying exhibits to ensure that the pledge to the secured party is subordinate to all of Fannie Mae's rights.

If the servicer elects to pledge a portion of its MSRs, we request a **spreadsheet** with the Fannie Mae loan numbers of the serviced loans so we can confirm the loans are eligible to be pledged (i.e., owned by the servicer and not already pledged). Servicers may subsequently request to add loans to the pledge no more frequently than **once per calendar quarter**. If the servicer wishes to pledge its MSRs that have been approved for a servicing transfer to it (via the Form 629 transfer process), we may grant consent on the basis of this approval. For Fannie Mae to confirm approval, we ask that the Transfer of Servicing Log Number (example: "D-1234") that appears on the transfer approval letter be submitted with the servicer's request for consent.

When the pledge of MSR transaction is replacing a prior pledge, the servicer will need to provide a **payoff/termination letter** and a copy of the **filed UCC-3 financing statement** (or evidence of the filing if the stamped filing is not immediately available) to evidence that the security interest granted previously to the prior financier has been released.



### How long does our review and consent take?

Timing depends on the complexity of the financing, completeness of documentation, level of negotiation involved, and number of transactions in our queue. Typically, once substantially all of the required information and draft transaction-related documents are submitted, review and consent on a standard pledge transaction takes about 30 days.



### What can be expected from our review?

Generally, we review documents to confirm that the purpose of the financing is permitted per our *Servicing Guide*, that Fannie Mae's interests are not impaired, that the secured party's security interest in the MSR is subordinate to Fannie Mae's rights under its contract with the servicer (including the right to terminate the servicer with or without cause), and that Fannie Mae is adequately protected. Additionally, if a portion of the Fannie Mae MSRs are pledged, we review the loan list to ensure that the servicer owns the MSR and that the MSR is eligible to be pledged (i.e., not already pledged). We provide the servicer with any comments to the transaction documents or the loan list, based on our review of these items. We draft the AA based on our review of the transaction-related documents and provide it to the servicer. Once the transaction-related documents are finalized, the servicer must email us the following:

- copy of the *executed* transaction-related documents (including termination documents, if applicable);
- copy of the *filed* UCC-1 financing statement(s) (or evidence of the filing if the stamped filing is not immediately available); and
- AA signed by the servicer and the financier.

**After we receive and approve these documents**, we countersign the AA and release the fully executed agreement to the servicer and the financier. If we did not receive the filed UCC-1, we ask that a stamped copy be provided as a trailing document when it is made available by the applicable filing office.



## Excess servicing sale (ESS)

A servicer may find that its actual cost to service Fannie Mae loans is less than the servicing fee paid per the lender contract between Fannie Mae and the servicer. In those cases, the servicer may wish to monetize the “excess servicing income” by selling it to a purchaser for a lump sum payment. If the servicer can demonstrate that excess servicing income exists above the amount needed to meet its servicing obligations (e.g., properly service the loans, minimize credit losses, remain compliant with applicable regulations and Fannie Mae *Servicing Guide* requirements), we may consent to the excess servicing sale. It is important to note that the purchaser’s right to receive the excess servicing fee is fully subordinate to Fannie Mae’s rights under the lender contract, and that the purchaser not receive the full amount that it expects to receive.



### What documents do we need to review?

Forms of agreements and other documents may vary by transaction and by financier. In general, we review those documents where the purchased assets (including the excess servicing income) is defined, payment streams and waterfalls are detailed, and Fannie Mae’s rights are described. Provisions are typically disclosed in a **purchase and sale agreement**. We will also review a draft of the **UCC** financing statement(s) (if applicable) and any accompanying exhibits to ensure that the purchaser’s interest in the excess servicing income is subordinate to all of Fannie Mae’s rights under the Fannie Mae contract with the servicer, including the right to terminate the servicer with or without cause.

If the servicer elects to sell its excess servicing fee on a portion of its MSR, we request a **spreadsheet** with the Fannie Mae loan numbers of the serviced loans so that we can confirm that the excess servicing is eligible to be sold (i.e., owned by servicer and not already sold). Servicers may subsequently request to add loans to the sale no more frequently **once per calendar quarter**. If the servicer is selling excess servicing interest on MSR that have been approved for a servicing transfer to it (via the Form 629 transfer process), we may grant consent on the basis of this approval. For Fannie Mae to confirm approval, we ask that the Transfer of Servicing Log Number (example: “D-1234”) that appears on the transfer approval letter be submitted with the servicer’s request for consent.



### How long does our review and consent take?

Timing depends on the complexity of the financing, completeness of documentation, level of negotiation involved, and number of transactions in our queue. Typically, once substantially all of the required information and draft transaction-related documents are submitted, review and consent on an excess sale takes about 60–90 days.



### What can be expected from our review?

Generally, we review documents to confirm that the purpose of the financing is permitted by the *Servicing Guide*, that the servicer will retain sufficient compensation to perform its duties, that Fannie Mae’s interests are not impaired, that the purchaser’s interest in the excess servicing is subordinate to Fannie Mae’s rights under its contract with the servicer, and that Fannie Mae is adequately protected. Additionally, if the excess servicing income that will be sold relates to only a portion of the servicer’s Fannie Mae MSR, we review the loan list to ensure that the servicer owns the MSR and that the excess servicing income related to that population of MSR is eligible for sale (i.e., has not previously been sold). We provide the servicer with any comments to the transaction documents or the loan list based on our review of these items. We draft the subordination of interest agreement (SOIA) based on our review of the transaction-related documents and provide it to the servicer. Once the transaction-related documents are finalized, the servicer must email us the following:

- copy of the *executed* underlying agreement(s);
- copy of the *filed* UCC financing statement(s) (if any) (or evidence of the filing if the stamped filing is not immediately available); and
- SOIA signed by all parties to the transaction, except for Fannie Mae.

**After we receive and approve these documents**, we countersign the SOIA and release the fully executed agreement to the servicer and the financier. If we did not receive the filed UCC statement(s), we ask that a stamped copy be provided as a trailing document when it is made available by the applicable filing office.



## Amendment to existing agreement

A servicer may wish to amend an existing loan and security agreement or excess servicing sale agreement for purposes beyond revising financing or renewal terms as is common in the normal course of business. Such proposed amendments may need to be reviewed and approved by Fannie Mae, and may give rise to the need to amend the servicer's Fannie Mae AA or SOIA. Note that the consent contained in an AA/SOIA applies only to the pledge/sale in the underlying document(s) described in the executed AA/SOIA, and does not automatically apply to amendments to those documents.



### What documents do we need to review?

Forms of agreements and other documents may vary by transaction and by financier. In general, we review amendments to underlying agreements (if required by the terms of the AA or SOIA). We will also review the proposed **UCC-3** financing statement and any accompanying exhibits.

If the servicer requests an amendment to a pledge of all of its Fannie Mae servicing rights or a sale of all of its excess servicing income with the result that it becomes a pledge of less than all of its Fannie Mae servicing rights or a sale of less than all of its excess servicing income, we request a **spreadsheet** with the Fannie Mae loan numbers of the serviced loans that will continue to be subject to the pledge or sale, so that we can confirm that the pledge/excess servicing sale population is eligible to be pledged/sold (i.e., owned by servicer and not already pledged/sold).



### How long does our review and consent take?

Timing depends on the complexity of the financing, completeness of documentation, level of negotiation involved, and number of transactions in our queue. Typically, once substantially all of the required information and draft transaction-related documents are submitted, review and consent on an amendment takes about 30 days from Fannie Mae's receipt of all information and documentation related to the requested addition.



### What can be expected from our review?

Generally, we review documents to confirm that the purpose of the amendment to the financing is permitted per our *Servicing Guide*, that the servicer will be compensated to perform its duties, that Fannie Mae's interests are not impaired, that the purchaser's interest in the excess servicing is subordinate to Fannie Mae's rights under its contract with the servicer, and that Fannie Mae is adequately protected. Additionally, if the servicer is proposing to add MSR's to an existing pledge or sell its excess servicing income on additional MSR's, we will review the loan list to ensure that the servicer owns the additional MSR's and that the MSR's or excess servicing income, as applicable, are eligible for pledge/sale (i.e., not already pledged/sold) before granting consent to the pledge of the additional Fannie Mae MSR's or sale of excess servicing income. We provide the servicer with any comments to the transaction documents or the loan list based on our review of these items. If deemed necessary, Fannie Mae will prepare the amendment of the AA or SOIA and provide a draft to the servicer. Once the transaction-related documents are finalized, the servicer must email us the following:

- a copy of the *executed* underlying amendment documents;
- copy of the *filed* UCC financing statement(s) (or evidence of the filing in the event that the stamped filing is not immediately available), if applicable; and
- amendment of the AA/SOIA, if required, signed by all parties to the transaction, except for Fannie Mae.

**After we receive and approve these documents**, we countersign the amendment of the AA/SOIA, if one is required, and release the fully executed agreement to the servicer and the financier. If we did not receive the filed UCC statement(s), if applicable, we ask that the stamped copy be provided as a trailing document when it is made available by the applicable filing office.



## Financing of Servicing Advance Reimbursements

Per the lender contract between Fannie Mae and a servicer, the servicer is required to advance its own funds to cover certain expenses as necessary to protect Fannie Mae's interests (such as taxes, insurance, homeowners' association dues, or condominium fees). The servicer may wish to transfer to a financier an interest in the right to receive reimbursement from Fannie Mae for such servicing advances.

Please note that Fannie Mae does not generally waive (i) its right to offset against the reimbursement due to cover servicing liabilities of the servicer, or (ii) its right to determine whether advances are contractually eligible for reimbursement.



### What documents do we need to review?

Forms of agreements and other documents may vary by transaction and by financier. In general, we review agreements where the servicing advance reimbursements at issue and the financier's interest in such items is described. Provisions are typically disclosed in a **loan and security agreement or a purchase and sale agreement, depending on the structure of the transaction**. We will also review the proposed **UCC-1** financing statement and any accompanying exhibits to ensure that the financier's interest in the servicing advance reimbursements are subordinate to Fannie Mae's rights under the contract between Fannie Mae and the servicer.



### How long does our review and consent take?

Timing depends on the complexity of the financing, completeness of documentation, level of negotiation involved, and number of transactions in our queue. Typically, once substantially all of the required information and draft transaction-related documents are submitted, review and consent on a servicing advance receivable financing transaction takes about 60–90 days.



### What can be expected from our review?

Generally, we review documents to confirm that the purpose of the financing is permitted per our *Servicing Guide*, that the servicer will be compensated to perform its duties, that Fannie Mae's interests are not impaired, that the financier's interest in the servicing advance reimbursements is subordinate to Fannie Mae's rights under its contract with the servicer, and that Fannie Mae is adequately protected. We provide the servicer with any comments to the transaction documents or the loan list based on our review of such documents and items. We draft the AA/SOIA based on our review of the transaction-related documents and provide it to the servicer and the financier. Once the transaction-related documents are finalized, the servicer must email us the following:

- copy of the *executed* loan and security agreement or purchase agreement, as applicable;
- copy of the *filed* UCC-1 financing statement(s) (or evidence of the filing in the event that the stamped filing is not immediately available); and
- AA/SOIA signed by all parties, except Fannie Mae.

**After we receive and approve these documents**, we countersign the AA/SOIA and release the fully executed agreement to the servicer and the financier. If we did not receive the filed UCC-1, we ask that a stamped copy be provided as a trailing document when it is made available by the applicable filing office.