

# Path to Approval Toolkit

**An Easy-to-Use Reference Guide for  
Prospective Fannie Mae Seller/Serviceers**





# Path to Approval Toolkit

Thank you for your interest in becoming a Fannie Mae seller and/or servicer! Fannie Mae brings together a nationwide network of lenders, servicers, and other industry participants to serve the need for liquidity, stability, and affordability in the U.S. housing finance market. We are committed to working with approved seller/servicers nationwide to meet their business objectives and goals.

Doing business with Fannie Mae can increase your company's profitability and liquidity while helping to manage your risk by leveraging our vast array of products and services to support your business, such as:

- Sustainable loan products and features
- Diverse business solutions, including Desktop Underwriter®, Day 1 Certainty® products, and Collateral Underwriter®
- Comprehensive capital markets and trading support
- Ongoing webinars for Loan Quality, Origination & Underwriting, Desktop Underwriter, Collateral Underwriter, Servicing, Investor Reporting and many others
- Extensive training materials, eLearning courses, and job aids
- Knowledgeable industry professionals dedicated to supporting your growth and strategic targets

We are providing information for you in this easy-to-use *Path to Approval Toolkit* to help clarify the process and address the questions most frequently asked by potential sellers and servicers. Should you have questions after reviewing the toolkit, please e-mail the [onboarding team](#).

After you have reviewed the *Path to Approval Toolkit*, click the link below to initiate the Seller/Servicer Readiness Tool and begin the seller/servicer approval process.

[Seller/Servicer Readiness Tool](#)

Our Approval and Onboarding Team is happy to assist you and looks forward to getting to know your organization better.



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# Application and Approval Process Overview

## General Information

When a company seeks approval to do business with us, Fannie Mae evaluates its qualifications by reviewing its financial condition, organization, staffing, experience, written policies and procedures, and other relevant factors.

Fannie Mae's standard approval is for the sale and/or servicing of single-family loans (excluding loans delivered under a negotiated contract). Seller/servicers must obtain special approval to sell and/or service certain loans with unique requirements.

Lenders who apply for Fannie Mae seller or seller/servicer approval engage in a two-stage approval process. Provisionally Approved lenders are able to sell loans (servicing released only). Seller/servicers who gain Full Approval are able to start servicing at this time. Customers applying for servicer-only status engage in a single-stage approval process.

The review time is dependent on an applicant's ability to provide a complete package and timely responses to requests for additional information. Therefore, we highly encourage organizations to identify a single point of contact to drive the process.

## Application Review Fee

An application review fee of \$5,000, or the amount indicated by a Fannie Mae team member, for new lenders is payable by wire and is non-refundable.

## Eligibility

To be approved by Fannie Mae to sell and/or service residential first lien mortgage loans, a seller/servicer must, at a minimum:

- Have as its principal business purpose the origination, selling, and/or servicing of residential mortgages for a minimum of 24 months.
- Have demonstrated the ability to originate, sell, and/or service the types of mortgages for which approval is being requested.
- Have adequate facilities and staff experienced in originating, selling, and/or servicing the types of mortgages for which approval is being requested.
- Be duly organized, validly existing, properly licensed (in good standing), or otherwise authorized to conduct its business in each of the jurisdictions in which it originates, sells, and/or services residential mortgages.
- Have a 24-month history of delegated underwriting authority on behalf of your current secondary market investors.
- Have internal audit and management control processes to evaluate and monitor the overall quality of its loan production and servicing.
- Have written procedures for quality control, servicing and the approval and management of vendors and other third-party service providers.
- Have a fidelity bond and an errors and omissions policy in effect with such coverage amounts as Fannie Mae requires, and agrees to modify them as necessary to meet Fannie Mae requirements.
- Meet Fannie Mae's counterparty requirements. Additional information can be found in the Counterparty Requirements section of the Fannie Mae *Selling Guide* (A4-1-01).
- Satisfy any additional eligibility criteria Fannie Mae imposes. Such additional criteria may apply to individual seller/servicers, all seller/servicers that are seeking approval to sell and/or service certain types of mortgages, all seller/servicers that share certain characteristics, or all seller/servicers. Fannie Mae approves or declines a seller/servicer based on an assessment of its total circumstances; therefore, a seller/servicer that satisfies Fannie Mae's general eligibility criteria or any special criteria does not have an absolute right to be approved and should not expect automatic approval. Approval or rejection of a seller/servicer's application is at Fannie Mae's sole discretion and is based on Fannie Mae's business judgment with respect to the totality of the seller/servicer's circumstances and Fannie Mae's interests.



For more information on these requirements, please review the *Selling Guide* and the *Servicing Guide* (“Guides”) on the Single-Family portal at [fanniemae.com](https://www.fanniemae.com). In the event of a conflict between the provisions of this Toolkit and the Guides, the Guides will govern.

## Maintaining Seller and Servicer Approval

To maintain eligibility, the seller/servicer must comply with the minimum requirements described in the Fannie Mae *Selling Guide* (A4-1-01). As part of these requirements, sellers must sell Fannie Mae at least 12 loans during the prior calendar year, and servicers must service at least one loan for Fannie Mae as of December 31 of the prior calendar year. If a seller/servicer fails to maintain any of these requirements or fails to comply with its Lender Contract, such failure is a breach of the Lender Contract.

Failure to meet these minimum requirements will result in termination of selling or servicing approval status (or both). Sellers or servicers must reapply following our then current approval requirements to become an approved seller or servicer in the future.

For more information on these requirements, please review the *Selling Guide* and the *Servicing Guide* (“Guides”) on the Single-Family portal at [fanniemae.com](https://www.fanniemae.com). In the event of a conflict between the provisions of this Toolkit and the Guides, the Guides will govern.

## Counterparty Requirements

### Minimum Financial Requirements for Fannie Mae Seller/Servicers

Fannie Mae requires a seller/servicer to meet minimum net worth requirements to become and remain approved. Seller/servicer net worth, as defined and calculated by Fannie Mae, is the seller/servicer’s Total Equity Capital as determined by Generally Accepted Accounting Principles (GAAP), less goodwill and other intangible assets (excluding Mortgage Servicing Rights) and, based on Fannie Mae’s assessment of associated risks, a possible deduction of “affiliate receivables”, “pledged assets net of associated liabilities” and “deferred tax assets net of associated deferred tax liabilities” (hereinafter referred to as “Adjusted Net Worth”).

The following table outlines the updated minimum financial requirements for sellers/servicers.

**Table 1 – Financial Requirements**

Applicable To	Category	Description
Depository and Non-Depository sellers/servicers	Minimum Net Worth	<p>All depository and non-depository sellers/servicers must maintain at all times an Adjusted Net Worth of at least \$2.5 million, plus an amount equal to or greater than the sum of the following:</p> <ul style="list-style-type: none"> <li>▪ 0.25% of the portion of the seller/servicer’s Residential First Lien Mortgage Servicing UPB serviced for Fannie Mae and Freddie Mac; plus</li> <li>▪ 0.35% of the portion of the seller/servicer’s Residential First Lien Mortgage Servicing UPB serviced for Ginnie Mae; plus</li> <li>▪ 0.25% of the Other Servicing UPB.</li> </ul> <p>See <i>Seller Eligibility Criteria for Servicing Marketplace</i> in <i>Selling Guide A3-3-02</i>, Concurrent Servicing Transfers for additional requirements for SMP lenders.</p> <p>For entities such as nonprofit corporations whose financial reporting requirements or standards do not facilitate calculation of Adjusted Net Worth, Fannie Mae will use equivalent financial data to determine compliance with the minimum net worth requirements.</p>
Depository sellers/servicers	Minimum Capital	Sellers/servicers that are depository institutions are required to meet at all times the minimum regulatory capital requirements of their primary regulator.



Applicable To	Category	Description
Non-Depository sellers/servicers	Minimum Liquidity	<p>Non-depository sellers/servicers must maintain at all times an Allowable Liquidity at a level equal to or greater than the sum of the following:</p> <ul style="list-style-type: none"> <li>▪ 0.07% of the portion of the seller/servicer’s Residential First Lien Mortgage Servicing UPB serviced for Fannie Mae and Freddie Mac with scheduled/scheduled or scheduled/actual remittance types; plus</li> <li>▪ 0.035% of the portion of the seller/servicer’s Residential First Lien Mortgage Servicing UPB serviced for Fannie Mae and Freddie Mac with actual/actual remittance types; plus</li> <li>▪ 0.10% of the portion of the seller/servicer’s Residential First Lien Mortgage Servicing UPB serviced for Ginnie Mae; plus</li> <li>▪ 0.035% of the Other Servicing UPB.</li> </ul>
	Minimum Capital	<p>Non-depository sellers/servicers must maintain at all times a minimum Adjusted Net Worth/total assets ratio of 6%, or equivalent, as determined by Fannie Mae.</p>
	Origination Liquidity	<p>Effective Dec. 31, 2023, non-depository sellers/servicers who originate greater than \$1 billion in one- to four-unit residential first lien mortgage loans (excluding reverse mortgages, one-to four-unit residential construction-to-permanent loans to home buyers, and lot loans to consumers) in the most recent four-quarter period must maintain an origination liquidity of 0.5% of the sum of the following:</p> <ul style="list-style-type: none"> <li>▪ one- to four-unit residential first lien mortgage loans (excluding reverse mortgages, one- to four-unit residential construction-to-permanent loans to home buyers, and lot loans to consumers) held for sale, at lower of cost or market; plus</li> <li>▪ one- to four-unit residential first lien mortgage loans (excluding reverse mortgages, one- to four-unit residential construction-to-permanent loans to home buyers, and lot loans to consumers) held for sale, at fair value; plus</li> <li>▪ UPB of interest rate lock commitments after fallout adjustments.</li> </ul>
Large Non-Depository sellers/servicers	Supplemental Liquidity	<p>In addition to the minimum liquidity requirements for non-depository sellers/servicers above, Large Non-Depository sellers/servicers must maintain supplemental Allowable Liquidity at all times at a level equal to or greater than the sum of the following:</p> <ul style="list-style-type: none"> <li>▪ 0.02% of the portion of the seller/servicer’s Residential First Lien Mortgage Servicing UPB serviced for Fannie Mae and Freddie Mac; and</li> <li>▪ 0.05% of the portion of the seller/servicer’s Residential First Lien Mortgage Servicing UPB serviced for Ginnie Mae.</li> </ul>
	Capital and Liquidity Plan	<p>Effective Mar. 31, 2024, and annually by March 31<sup>st</sup> each year thereafter, Large Non-Depository sellers/servicers must submit a plan to Fannie Mae that describes how the seller/servicer intends to manage its capital and liquidity in a manner consistent with our requirements.</p> <p>The capital and liquidity plan must include the following at a minimum:</p>



Applicable To	Category	Description
		<ul style="list-style-type: none"><li>▪ a description of the seller/servicer’s corporate governance over the capital and liquidity planning process, such as oversight responsibilities of senior management and its board of directors, and a discussion of the seller/servicer’s risk management framework;</li><li>▪ a description of the processes to monitor and measure liquidity risks, such as business activity reports and financial forecast and cashflow projections;</li><li>▪ capital and liquidity contingency funding plans, including providing for testing and reaffirmation of such plans at least annually;</li><li>▪ an annual liquidity stress test, including a stress test of the value of mortgage servicing rights in an adverse scenario as developed by the seller/servicer, or as prescribed by Fannie Mae, or both; and</li><li>▪ a requirement to provide written notice to Fannie Mae<ul style="list-style-type: none"><li>○ within five business days following any material change to or material deviation from the plan; and</li><li>○ within one business day of any material changes during times of stress.</li></ul></li></ul> <p><b>NOTE:</b> <i>The seller/servicer is authorized to run the stress test either in-house or using a third-party vendor.</i></p> <p>We will provide details regarding submitting the plan and providing notification of changes to Fannie Mae at a later date.</p>
	Third-Party Servicer Rating	<p>Effective Dec. 31, 2023, Large Non-Depository seller/servicers must maintain a Rating Agency rating as follows:</p> <ul style="list-style-type: none"><li>▪ Sellers/servicers servicing equal to or greater than \$50 billion in Residential First Lien Mortgage Servicing UPB plus Other Servicing UPB must have one primary Servicer Rating or master Servicer Rating, as applicable;</li><li>▪ Sellers/servicers servicing greater than \$100 billion in Residential First Lien Mortgage Servicing UPB plus Other Servicing UPB must have<ul style="list-style-type: none"><li>○ one primary Servicer Rating or master Servicer Rating, as applicable; and</li><li>○ one Long-Term Senior Unsecured Debt Rating or Long-Term Corporate Family Rating.</li></ul></li><li>▪ Sellers/servicers servicing greater than \$150 billion in Residential First Lien Mortgage Servicing UPB plus Other Servicing UPB must have<ul style="list-style-type: none"><li>○ one primary Servicer Rating or master Servicer Rating, as applicable; and</li></ul></li></ul>



Applicable To	Category	Description
		<ul style="list-style-type: none"> <li>○ issued by two Rating Agencies, a Long-Term Senior Unsecured Debt Rating or a Long-Term Corporate Family Rating.</li> </ul>

In accordance with *Additional Financial Requirements in Selling Guide A4-1-01, Maintaining Seller/Servicer Eligibility*, we may, at any time based on our view of a seller/servicer’s financial strength or our assessment of market conditions or other relevant factors, impose additional financial requirements, including enhanced net worth, capital, or liquidity requirements. Any additional requirements we impose may apply to a particular seller/servicer, a defined group or type of seller/servicer, or all sellers/servicers. A seller/servicer’s failure to comply with any additional requirements may result in us declaring a breach of the Lender Contract.

## Profitability

Audited financial statements and unaudited financial statements, including MBFRF reports and Call Reports, should indicate a track record of profitability.

## Quality Control Requirement Details

To be eligible to sell mortgages to Fannie Mae, every seller/servicer is required to have a quality control program in place and must agree that the program will function for as long as the seller/servicer continues to do business with us.

All seller/servicers are expected to design, implement, and administer quality control programs that work best for their own businesses. At a minimum, the quality control program must:

- Cover the full scope of the seller/servicer’s business, including all channels of production (e.g., retail, correspondent, broker), all product types (e.g., FRM, ARM, etc.), all employees involved in originating loans, and all vendors or contractors involved in the process, including appraisers;
- Be designed to detect deficiencies in the loan origination process;
- Be capable of evaluating and monitoring the overall quality of mortgage production;
- Include regular reporting of review results and trends to the company’s senior management;
- Provide that senior management must take an active role in overseeing the resolution of defects and remediation of gaps discovered in the origination process;
- Have an audit process to ensure that the seller/servicer’s QC process and procedures are followed by the QC staff, and that assessments and conclusions are recorded and consistently applied; and
- Ensure that mortgages sold to Fannie Mae meet specific Fannie Mae eligibility requirements as stated in the Selling Guide (and subsequent announcements).





A Lender must be compliant with Part D: Ensuring Quality Control (QC) of the *Selling Guide* in its entirety and be able at a minimum to answer “yes” to the following:

- Do you have a Pre-Funding QC process in place and have detailed written policies and procedures for the Pre-Funding QC process?
- Do you have a Post-Closing QC process in place & have detailed written policies and procedures for the Post-Closing QC process?
- Are the Post-Closing QC Review Cycles within Fannie Mae’s guidelines (90)?
- Do you have a history of completing QC Reviews?
- Do you have a history of utilizing delegated underwriting authority of conventional product?

We believe that a quality review of a mortgage file must be comprehensive enough to:

- Assess the accuracy and integrity of the data used to underwrite the mortgage (this applies to mortgages underwritten manually and those underwritten through an automated underwriting system);
- Assess whether the mortgage was properly underwritten based on prudent and sound underwriting and appropriate risk assessment; and
- Determine compliance with Fannie Mae’s requirements, the seller/servicer’s particular contract requirements, and the seller/servicer’s internal requirements.

It may be cost-effective for a seller/servicer to outsource all or various aspects of the quality control process. However, a seller/servicer that chooses this option is ultimately responsible to maintain written quality control procedures that include parameters for monitoring and measuring the quality of the outsourced work. The seller/servicer must ensure the work meets Fannie Mae requirements and have staff and procedures in place to evaluate the outsourced work and take appropriate action based on the findings of mortgage reviews completed by contractors.

## Servicing options

**Servicing In-house** – Be approved as a Fannie Mae servicer and service the loans. Must have experience servicing loans sold to investors, have written servicing procedures and an electronic loan servicing system.

**Utilize a Subservicer** – Be approved as a Fannie Mae master servicer and utilize a Fannie Mae approved sub-servicer. Must have contract in place, written procedures for monitoring the sub-servicer and a designated employee to oversee the sub-servicer, who has experience servicing loans sold to investors.

**Sell Loans Servicing Released** – Elect not to be the servicer and have a servicing transfer agreement with an approved Fannie Mae servicer. The agreement must state that the servicer will acquire the servicing asset at the time of loan asset sale to Fannie Mae. This can be accomplished through the use of our Servicing Marketplace® (SMP) via our Pricing & Execution – Whole Loan® application. With SMP, all loans are bifurcated – selling reps/warrants stay with the seller. In addition, approved seller/servicers may also sell loans to Fannie Mae with a concurrent transfer of sale in accordance with the Guides.

If you plan on servicing loans in-house or using a subservicer, your institution must have experienced staff and written procedures in the functional areas as described in Table 2, General Requirements for Servicing Fannie Mae Loans.

**Table 2 – General Requirements for Servicing Fannie Mae Loans**

Functional Area	Specific Area
Escrow Management	Tax disbursements
	Mortgage Insurance
	Hazard and Flood Insurance
General Servicing	Loan Boarding/New Loan Setup
	Payment processing: <ul style="list-style-type: none"> <li>▪ Amortization schedules (monthly vs. daily simple; bi-weekly)</li> <li>▪ Fee collection and disbursement</li> <li>▪ Monitoring</li> </ul>
Investor Reporting	Reporting <ul style="list-style-type: none"> <li>▪ Automated loan-level reporting</li> <li>▪ Timing</li> </ul>
	Remitting Principal and Interest <ul style="list-style-type: none"> <li>▪ Timing</li> <li>▪ Advances</li> </ul>
	Reconciliations <ul style="list-style-type: none"> <li>▪ Principal and Interest</li> <li>▪ Taxes and Insurance</li> <li>▪ Portfolio</li> <li>▪ Interest rate vs. pass-through rate difference</li> <li>▪ Shortage/Surplus</li> </ul>
Custodial Funds	Who holds funds
	Cash Receipts Processing
	Custodial Account Maintenance and Reconciliations
Default Management	Contact/Collections
	Property Inspection Reports
	Repayment and Forbearance Plans
	Bankruptcy <ul style="list-style-type: none"> <li>▪ Pre- and Post-Petition payments</li> </ul>
	Foreclosure/Real Estate Owned <ul style="list-style-type: none"> <li>▪ Timeline tracking</li> </ul>



Functional Area	Specific Area
	Loss Mitigation <ul style="list-style-type: none"> <li>▪ Loss Severity reports</li> <li>▪ Home Affordable Modification Program (HAMP)</li> <li>▪ Home Affordable Foreclosure Alternatives (HAFA)</li> <li>▪ Fannie Mae Modifications</li> <li>▪ Deed-in-lieu</li> <li>▪ Pre-foreclosure sale</li> <li>▪ Forbearance</li> </ul>
Quality Control	Procedures Written document covering: <ul style="list-style-type: none"> <li>▪ Custodial Accounting</li> <li>▪ Investor Reporting</li> <li>▪ Escrow Administration</li> <li>▪ Special Loan Servicing</li> <li>▪ Default Management</li> </ul>
	Reports <ul style="list-style-type: none"> <li>▪ Management of Servicing QC process</li> <li>▪ Findings and Resolutions</li> <li>▪ Senior Management Reporting</li> </ul>
Audit	Internal Audit of the servicing process

## Using a Fannie Mae Servicer for Subservicing

For a variety of business reasons, a Fannie Mae-approved servicer may elect to have a subservicer fulfill some or all of their mortgage loan servicing obligations specified in the Fannie Mae *Servicing Guide*.

### Subservicing Overview

Subservicing is the use of another Fannie Mae approved servicer to perform some or all servicing functions on behalf of the lender (also known as a "Master Servicer"). The master servicer remains contractually responsible to Fannie Mae for all servicing function(s) throughout the duration of the subservicing agreement. The lender shall not service directly but at all times use an acceptable subservicer for all the lender's servicing activities.

Subservicing is not the use of a computer service bureau for accounting and reporting functions and is not the use of outsource vendors for discrete servicing functions and is not transferring of servicing from the originating seller/servicer to another servicer. The subservicer and the servicer may or may not be affiliated companies.

NOTE: If you plan on becoming an approved Fannie Mae servicer and plan to use an approved subservicer, your institution must have at least one employee experienced in the functions noted in Table 2, General Requirements for Servicing, to monitor the subservicer, in addition to having the following in place before approval:

- Subservicing Contract
  - Approved Fannie Mae Servicer
  - Contract Fully Executed



- Subservicing Monitoring Procedures
  - Initial Due-Diligence Review
  - New Loan Set Up
  - Monitoring (Annual, Semi-Annual, Quarterly, Monthly)

## Subservicing Facts

Subservicing allows originating mortgage seller/servicers to establish a direct relationship with Fannie Mae without the resource and operational commitment that mortgage servicing requires. It avoids the sale of the servicing asset to another servicer or investor, allowing the originating seller/servicer to leverage the opportunity to enhance borrower relationships through ongoing borrower communications that servicing entails. Finally, servicers may find it economically beneficial to use sub-servicers by retaining a share of servicing fees paid by Fannie Mae in excess of fees paid out to the subservicer.

## Selling Loans Servicing Released

Applicants planning on applying to Fannie Mae for seller-only approval must have a contract in place with an approved Fannie Mae servicer to begin servicing loans delivered to Fannie Mae. This can be accomplished through the use of our Servicing Marketplace® (SMP) via our Pricing & Execution – Whole Loan® application. SMP brings sellers and servicers together to deliver pricing certainty, transparency, and operating efficiency. With this option, all loans are bifurcated - selling reps/warrants stay with the seller. In addition to this tool, sellers may also sell loans to Fannie Mae with a concurrent transfer of sale in accordance with the Guides.

## Additional Resources

### General Resources

Here are some additional resources to help you through the application/review process:

- E-mail questions to the [onboarding team](#)
- [Fannie Mae Selling and Servicing Guides](#)
- [Partner with Fannie Mae](#)

### Servicer Resources

Follow the link below, then choose “Resources” on the lower left, to see a list of some subservicing providers that are Fannie Mae approved servicers. Each vendor confirmed its desire to be included in this list as well as the services it offers and is for informational purposes only. The list of subservicers is not meant to be, nor should it be interpreted to imply, a representation, warranty or endorsement of any kind by Fannie Mae with respect to the individual firm’s performance as a provider of subservicing related services. Fannie Mae expressly disclaims any obligation to provide any update of the information provided herein.

<https://singlefamily.fanniemae.com/media/document/pdf/servicing-retainedreleased-resource-guide>



## References

### Eligibility and Financial Requirements

See: [Fannie Mae Selling Guide](#), Part A1-1-01, "Application and Approval of Seller/Servicer"

See: [Fannie Mae Selling Guide](#), Part A4-1-01, "Maintaining Seller/Servicer Eligibility"

### Quality Control Requirements

See: [Fannie Mae Selling Guide](#), Part D

### Servicing/Subservicing

See: [Fannie Mae Servicing Guide](#), Part A2-1, "Servicer Duties and Responsibilities"