



**Compensatory Fee Information:  
Servicer Timeline Management  
December 2020**



On December 19, 2018, Fannie Mae announced a policy update in [Servicing Guide Announcement SVC-2018-10](#) that changed the way we assess compensatory fees when a servicer fails to effectively manage their foreclosure timeframes.

This policy provides a more transparent framework under which servicers work with Fannie Mae's Servicer Total Achievement and Rewards™ (STAR™) Team to identify loans that do not comply with foreclosure time frames, determine and resolve root causes, and then may remediate the issue prior to further action being taken by Fannie Mae to bill for compensatory fees. Through the STAR Program, servicer performance is evaluated annually through an operational review along with the distribution of a monthly STAR Performance Scorecard.

Below is how the STAR Performance Scorecard, along with the annual STAR Compliance Review, will be used to evaluate a servicer's effectiveness to manage foreclosure timelines and the compensatory fee process.

## **PERFORMANCE SCORECARD**

Each month, servicers in the STAR Program's Timeline Management will receive their STAR Scorecard, which includes two new metrics to measure the magnitude and severity of mortgage loans that exceed allowable foreclosure time frames. The two new supplemental metrics – Average Days Above Timeline and Percentage of Severely Delinquent (SDQ) Above Timeline – are shown on the Operational Metrics tab on the STAR Scorecard. An indicator for the Comp Fee Metric will be displayed if one of these two metrics exceeds the set threshold.

The STAR program monitors servicers monthly that do not meet the defined Compensatory Fee thresholds for three consecutive months. For servicers that are underperforming on the Compensatory Fee metric, an assessment will be made on whether a previous STAR Operational Assessment was performed to evaluate a servicer's ability to properly manage foreclosure timelines and avoid any controllable delays.

### **A PREVIOUS REVIEW WAS PERFORMED**

If a previous review was performed and the servicer is deemed to have the appropriate controls in place, an additional review will not be completed until the next scheduled STAR Operational Assessment, if the servicer maintains the same controls in place that were demonstrated during the review. However, if an assessment was performed but a significant degradation is evidenced in the servicer's performance through the compensatory fee metric, a servicer may be evaluated for a targeted review of the loans identified beyond timelines.

### **A PREVIOUS REVIEW WAS NOT PERFORMED**

When the servicer has not received a previous STAR Operational Assessment, including the test to validate timeline management, the STAR Team will look at the timing of the servicer's next review compared to the current timing of the servicer's failure to meet the compensatory fee thresholds. If the next review is scheduled within the next three months, the STAR Team will wait until the next scheduled review. If the review is more than three months away, the STAR Team will decide whether a targeted review of a servicer's ability to manage foreclosure timelines is necessary at that time.

## **OPERATIONAL ASSESSMENT**

Servicers included in STAR's Timeline Management can expect an annual review, in which Fannie Mae will evaluate the servicer's ability to manage foreclosure timelines and the actions taken to prevent controllable delays.



## REVIEW CONTENT

During the review, the Foreclosure Processing compliance test is conducted to measure the accurate and timely processing of the activity impacting the foreclosure timeline through the foreclosure process. The following areas are included in the Foreclosure Timeline Management Review:

- Foreclosure Referral
- Foreclosure certification to attorney
- Foreclosure motion for judgment/order of sale
- Foreclosure bidding instructions
- Managing controllable/uncontrollable foreclosure delays

Fannie Mae may elect to expand or reduce the review beyond the topics listed above, if necessary, for effective risk management.

When a STAR servicer is identified through the review as not meeting our performance requirements in managing foreclosure timeline management, Fannie Mae will work with the servicer to identify the root causes for the delays and implement an effective remediation process. If, after implementing new controls, the servicer continues to show a declining performance on the timeline metric, the Fannie Mae STAR Team may initiate a loan-level review of the specific loans over timeline to validate the servicer’s processes are still controlling for delays.

If, and only if, the servicer does not successfully remediate the issue(s) identified, would Fannie Mae review the servicer for compensatory fee billing. Fannie Mae’s ultimate objective is to prevent timeline management issues and avoid issuing compensatory fees.

## INDIVIDUAL SERVICER EXAMPLE

Below is an individual servicer example of what the process may look like should a servicer begin showing signs of performing outside of the set compensatory fee thresholds.

