

Compensatory Fee Information

Servicer Timeline Management





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In alignment with [Section A1-4.2, Imposition of Compensatory Fees](#) in the *Fannie Mae Servicing Guide*, compensatory fees may be assessed 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 Servicing Compliance Team to identify loans that do not comply with foreclosure time frames; determine and resolve root causes; and potentially remediate issues prior to further action from Fannie Mae to bill for compensatory fees. Servicer compliance is evaluated through the Servicer Compliance Review process. In addition, under Fannie Mae's Servicer Total Achievement and Awards™ (STAR™) Program a STAR Performance Scorecard is distributed to certain servicers monthly.

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

STAR Performance Scorecard

Each month, servicers in the STAR Program's Strategic and Premier categories will receive their STAR Performance Scorecard, which includes one metric to measure the magnitude and severity of mortgage loans that exceed allowable foreclosure time frames. The supplemental metrics – Average Days Above Timeline and Percentage Above Timeline – are shown on the Operational Metrics tab on the STAR Performance Scorecard. An indicator for the Compensatory 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 Metric thresholds for three consecutive months. For servicers that are underperforming on the Compensatory Fee Metric, an assessment will be made on whether a previous Servicer Compliance Review, formerly referred to as a STAR Operational Assessment (a "Review"), was performed within the prior year to evaluate the servicer's ability to properly manage foreclosure timelines and avoid any controllable delays.

A previous review was performed

If the review was performed within the past year and the servicer is deemed to have the appropriate controls in place, a Servicer Compliance Review will not be completed until the next scheduled Servicer Compliance Review. However, if a previous review is performed and 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 review within the previous year, including the test to validate Foreclosure Timeline Management, the Servicing Compliance Team will look at the timing of the servicer's next Servicer Compliance Review compared to the current timing of the servicer's failure to meet the compensatory fee thresholds. If the next Servicer Compliance Review is scheduled within the next three months, the Servicing Compliance Team will wait until the next scheduled Servicer Compliance Review. If the next Servicer Compliance Review is greater than three months away, the Servicing Compliance Team will decide whether a targeted review of a servicer's ability to manage foreclosure timelines is necessary at that time.

Review content

During the review, the Foreclosure Processing compliance test is conducted to measure the accurate and timely processing of activity impacting the foreclosure timeline. The following areas are included in the Foreclosure Timeline Management Review portion of the 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 servicer is identified through the review as not meeting our performance requirements in 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 Servicing Compliance Team may initiate a loan-level review of the specific loans over timeline to validate the servicer’s processes are still controlling for delays.

In the case where the servicer does not successfully remediate the issue(s) identified, Fannie Mae would 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.

