

Servicing Guide Announcement SVC-2015-08

May 20, 2015

Servicer Eligibility and Oversight Requirements

Fannie Mae is amending its policies and requirements related to the following:

- Seller/Servicer Net Worth and Liquidity Requirements
- Subservicing and Outsource Vendor Requirements

Seller/Servicer Net Worth and Liquidity Requirements

Servicing Guide [A3-3-01, Net Worth, Liquidity, and Credit Rating Requirements](#)

Fannie Mae is updating its policies and requirements related to the seller/servicer's net worth and liquidity. All approved sellers/servicers must have and maintain a Lender Adjusted Net Worth of at least \$2.5 million, plus a dollar amount that represents 0.25% of the UPB of the seller/servicer's total portfolio of mortgage loans serviced.

NOTE: *The Lender Adjusted Net Worth for subservicers does not include mortgage loans serviced under a subservicing arrangement.*

Seller/servicers that are depository institutions are required to meet the minimum regulatory capital requirements to be classified as "well capitalized" by their primary regulator.

All other entities must have a minimum Lender Adjusted Net Worth/Total Assets ratio of 6%, or equivalent, as determined by Fannie Mae.

Approved non-depository sellers/servicers must have and maintain a minimum liquidity requirement based on the Agency Serious Delinquent Rate (SDQ), as described in the following table.

NOTE: *The Agency SDQ is defined as $100 * (\text{UPB of mortgage loans 90 days or more delinquent or in foreclosure for Fannie Mae, Freddie Mac, and Ginnie Mae} / \text{Total UPB of mortgage loans serviced for Fannie Mae, Freddie Mac, and Ginnie Mae})$.*

If the Agency SDQ is...	Then the minimum liquidity requirement is...
less than or equal to 6%	.035% of the UPB of the seller/servicer's portfolio of mortgage loans serviced for Fannie Mae, Freddie Mac, and Ginnie Mae.
greater than 6%	<ul style="list-style-type: none"> ▪ .035% of the UPB of the seller/servicer's portfolio of mortgage loans serviced for Fannie Mae, Freddie Mac, and Ginnie Mae; plus ▪ 2% of the UPB of the SDQ rate over 6%. <p>Example:</p> <ul style="list-style-type: none"> • Total UPB for mortgage loans serviced for Fannie Mae, Freddie Mac, and Ginnie Mae = \$100,000,000 • SDQ = 7% • Base liquidity = .035% * \$100,000,000 = \$35,000 • Incremental liquidity amount = 2% * \$100,000,000 * (7%-6%) = \$20,000 • Minimum Liquidity Requirement = \$35,000 + \$20,000 = \$55,000

The minimum liquidity requirement for subservicers does not include mortgage loans serviced under a subservicing arrangement. Available liquidity includes unrestricted cash and cash equivalents, Allowable for Sale or Held for Trading investment grade securities including Agency MBS, obligations of GSEs and U.S. Treasury obligations, and unused/available portion of committed servicing advance lines.

Policy Change Effective Date

The servicer must implement these policy changes by December 31, 2015.

Date of Servicing Guide Update

These policy changes will be reflected in the June 2015 monthly update of the *Servicing Guide*.

Subservicing and Outsource Vendor Requirements

Updates to the Servicing Guide Glossary

Servicing Guide [F-3, Glossary](#)

Fannie Mae is adding the following terms:

- **Servicer:** A Fannie Mae approved servicer that is contractually obligated to service one or more mortgage loans for Fannie Mae. Also refers to a subservicer if there is a subservicing arrangement.
- **Subservicing transfer:** A transfer of the physical servicing of one or more Fannie Mae mortgage loans from a master servicer to a subservicer, from a subservicer to another subservicer, or from a subservicer back to the master servicer for substantially all of the Fannie Mae required servicing functions.
- **Outsource vendor:** A third party engaged by a servicer or subservicer to perform select servicing functions according to the terms of an outsource or vendor agreement.

Fannie Mae is amending the definitions of the following terms:

- Master servicer: A Fannie Mae approved servicer that is contractually obligated to service one or more mortgage loans for Fannie Mae and has contracted with a subservicer under a subservicing arrangement.
- Subservicer: A Fannie Mae approved servicer that is contractually obligated to a master servicer to perform substantially all of the ongoing servicing activities for one or more mortgage loans for the master servicer.
- Subservicing arrangement: An arrangement wherein the master servicer of one or more Fannie Mae mortgage loans hires a subservicer to subservice substantially all of its servicing functions.

Requirements for Subservicing Arrangements
Servicing Guide [A2-1-06, Subservicing](#)

The subservicer must satisfy the additional requirements described in the following table.

✓	The subservicer must...
	Be approved by Fannie Mae to service special products, if applicable.
	Continue subservicing until an acceptable disposition of the subserviced portfolio is reached.
	Ensure it has the necessary resources to appropriately support the subserviced portfolios and to govern the required interaction with the master servicer and service level agreements.
	Remove funds from principal & interest (P&I), taxes & insurance (T&I), or other custodial accounts only as allowed in accordance with the <i>Servicing Guide</i> .
	Disclose any and all Fannie Mae assessments or reviews to the master servicer upon request by the master servicer.
	Disclose to Fannie Mae if it discovers that it and/or the master servicer is in material breach of the Lender Contract or subservicing arrangement in connection with the Fannie Mae subserviced mortgage loans, or has been subject to any material legal, regulatory or administrative proceeding or order relating to the subservicing arrangement or Fannie Mae subserviced mortgage loans.

The master servicer must satisfy the additional requirements described in the following table.

✓	The master servicer must maintain policies and procedures...
	For selecting and assessing a subservicer.
	To evaluate the subservicer's compliance with the master servicer's Lender Contract, which includes, without limitation, the <i>Servicing Guide</i> .

The master servicer and subservicer must provide copies of the following upon request by Fannie Mae:

- the subservicing agreement and the master servicer's audits and quality control reviews of the subservicer's performance under the subservicing arrangement; and
- policies and procedures for monitoring compliance in accordance with the *Servicing Guide* and performance of outsource vendors, including services performed outside the United States.

Fannie Mae will not pay the master servicer or subservicer any servicing compensation or other fees that may be payable under a subservicing arrangement.

General Servicer Duties and Responsibilities
Servicing Guide [A2-1-01, General Servicer Duties and Responsibilities](#)

The servicer or master servicer must perform the additional responsibilities described in the following table.

✓	The servicer or master servicer must...
	Require the subservicer/outsource vendor to have policies and procedures for the contracted servicing activities.
	Conduct audits and quality control reviews on the subservicer/outsource vendor for contracted servicing activities, including services performed outside the United States, to ensure compliance with Fannie Mae requirements.
	Conduct operational assessments and reviews that measure the subservicer/outsource vendor performance in various departments.

Policy Change Effective Date

The servicer must implement these policy changes by September 1, 2015.

Date of Servicing Guide Update

These policy changes will be reflected in the June 2015 monthly update of the *Servicing Guide*.

The servicer should contact its Servicing Consultant, Portfolio Manager, or Fannie Mae's Credit Portfolio Management's Servicer Support Center at 1-888-FANNIE5 (1-888-326-6435) with any questions regarding this Announcement.

Malloy Evans
Vice President
Credit Portfolio Management