



Compensatory Fees – Foreclosure Time Frame Delays Frequently Asked Questions

Q1. For servicers that have been issued compensatory fee invoices in the past, what is changing under the new framework?

As indicated in *Servicing Guide* Announcement [SVC-2018-10](#), Fannie Mae is replacing the monthly process of issuing invoices with a process focusing on identifying and resolving root cause performance issues utilizing the Servicer Total Achievement and Rewards™ (STAR™) Program.

For loans that liquidate on or after Jan. 1, 2019, compensatory fees will be assessed only if, after identification of a chronic issue with a servicer's compliance with foreclosure time frames and completion of a performance improvement plan, the servicer does not meet the terms of the performance improvement plan designed to remediate the issue.

Q2. Does the new framework apply to all servicers?

Servicers may be exempt from the new compensatory fee framework based upon the number of mortgage loans serviced by the servicer as well as the number of mortgage loans serviced by the servicer that are in excess of Fannie Mae's allowable foreclosure time frame. These specific thresholds are determined as part of the STAR servicer inclusion criteria for foreclosure time frame management. Additional details on the STAR servicer inclusion criteria is available within the [STAR Reference Guide](#).

Q3. If a servicer does not meet the STAR timeline management inclusion criteria, will compensatory fee invoices related to foreclosure time frame management continue to be issued?

Only those servicers that meet the STAR timeline management inclusion criteria will be included in the new compensatory fee framework review process that may result in a compensatory fee invoice being issued for the loans that exceed timelines.

Q4. What are the potential impacts for subservicers that meet the STAR timeline management inclusion criteria?

Fannie Mae will monitor the active portfolios for servicers that meet inclusion criteria for the new performance management framework. If a chronic performance issue is identified with an included servicer's compliance with foreclosure time frames, completion of the performance improvement plan will include all impacted loans where it is either the master or subservicer. If the servicer does not meet the terms of a performance improvement plan designed to remediate the issue, it may be issued compensatory fees related to both master and subservicing obligations.

Q5. How will servicer performance results be monitored as part of the new framework?

Fannie Mae will leverage STAR to measure and monitor both the magnitude and severity of loans beyond allowable foreclosure time frames. Servicers will receive monthly reporting on two new STAR supplemental metrics for their mortgage loan portfolio:

- proportion of mortgage loans that are delinquent by 90 days or more that exceeds Fannie Mae allowable foreclosure time frames; and
- the average number of days beyond Fannie Mae allowable foreclosure time frames.



Additional detail on the metric definitions will be available within the [STAR Performance Scorecard White Paper](#) when 2019 updates are published in Mar. 2019.

Q6. What is the impact to servicers if performance results do not meet defined thresholds?

Servicers will be subject to a STAR operational assessment review if, for three consecutive months, either:

- more than 25% of the portion of their delinquent mortgage loan portfolio that is delinquent by 90 days or more exceeds Fannie Mae allowable foreclosure time frames; or
- the average number of days beyond Fannie Mae allowable foreclosure time frames is greater than 650 days for that portion of their mortgage loan portfolio that exceeds Fannie Mae allowable foreclosure time frames.

Q7. What is the purpose of a STAR operational assessment review?

Fannie Mae will leverage the operational assessment review to determine the root cause of the servicer's allowable foreclosure time frame performance results. If the operational review identifies a chronic issue with a servicer's compliance with foreclosure time frames, Fannie Mae and the servicer will develop a performance improvement plan to remediate the issue. An overview of STAR operational assessment reviews is available within the [STAR Reference Guide](#).

Q8. Has Fannie Mae made updates to the allowable foreclosure time frames methodology?

Yes. Effective for loans with foreclosure sale dates on or after Jan. 1, 2019, all jurisdictions have a single foreclosure time frame as opposed to multiple foreclosure time frames based on Last Paid Installment (LPI) date. The updated time frames can be found on the Foreclosure Time Frames and Compensatory Fee Allowable Delays [exhibit](#). For additional information on changes to individual jurisdictions, refer to Servicing Guide Announcement [SVC-2018-10](#).

Q9. As a servicer, when will I be subject to compensatory fee billing under the new framework?

Servicers will only be subject to compensatory fees for foreclosure time frame delays if, after identification of a chronic issue with a servicer's compliance with foreclosure time frames and completion of a performance improvement plan, the servicer does not meet the terms of a performance improvement plan designed to remediate the issue.

Q10. How will the monthly billing process work under the new framework?

Compensatory fees will only be invoiced for loans that liquidate after the agreed upon remediation time period set forth in the performance improvement plan has expired. Servicers will receive monthly compensatory fees until the agreed upon remediation described in the performance improvement plan is successfully completed.

Q11. Will the compensatory fee billing for foreclosure time frame delays calculation be changed as well?

The loan level calculation will be the same for loans that are in excess of the allowable foreclosure time frames. Bills will continue to be calculated based on the formula of:

Mortgage loan Unpaid Principal Balance X (the applicable Pass-Through Rate / 365) X number of days mortgage loan exceeded allowable foreclosure time frame



However, servicers will no longer receive “credit” for loans that liquidate within allowable foreclosure time frames. In addition, for bills issued after 2019, there will be no longer be a minimum threshold of \$25,000 for issuing compensatory fees.

Q12. What is the effective date for these changes?

The changes apply to all foreclosure sale dates on or after Jan. 1, 2019.

Q13. Do the changes apply to loans that were referred to foreclosure prior to Jan. 1, 2019?

Yes. These changes apply to all foreclosure sale dates on or after Jan. 1, 2019 regardless of the foreclosure referral date.

Q14. How will the wind down of the previous monthly billing process work?

Fannie Mae issued the last compensatory fee invoice, under the previous framework, on Dec. 3, 2018 for Sept. 2018 foreclosure sales (the 2018-09 Billing Period). Servicers will continue to receive monthly invoices for the loans billed on or before Dec. 3, 2018 until all outstanding balances are resolved.

Q15. Will servicers receive a compensatory fee invoice for foreclosure sales that occurred between Oct. 1, 2018 and Dec. 31, 2018?

No. Invoices will be suspended for foreclosure sales between Oct. 1, 2018 and Dec. 31, 2018 under the previous framework.

Q16. Will servicers have an opportunity to submit rebuttals for the invoices issued on or before Dec. 3, 2018?

Yes. Servicers will have 60 days to submit rebuttals from the initial invoice date. Below are the rebuttal deadlines for the most recent invoices:

Billing Period	Initial Invoice Date	Rebuttal Submission Deadline
2018-08	11/1/2018	12/31/2018
2018-09	12/3/2018	2/1/2019

Q17. Must servicers remit payment to Fannie Mae for compensatory fees assessed on or before Dec. 3, 2018?

Yes. Servicers are responsible for resolving all outstanding compensatory fees assessed under the previous framework as outstanding balances will not be waived. Fannie Mae asks that servicers resolve all outstanding compensatory fees balances by May 31, 2019.

Q18. Will servicers continue to submit rebuttals for compensatory fees under the new framework?

Fannie Mae will no longer allow servicer rebuttals for compensatory fees. However, as exists within STAR today, servicers selected for an operational review are given an opportunity to respond to the evaluation and provide follow-up evidence. Fannie Mae will consider the new evidence and update its assessment accordingly. Monthly compensatory fee billing will then be adjusted based on the final operational review results.

[Learn more](#) | Read the [STAR Reference Guide](#) and the [STAR Program White Paper](#).