

# Lender Letter (LL-2022-04)

Sept. 21, 2022

## To: All Fannie Mae Single-Family Sellers and Servicers Maintaining Seller/Servicer Eligibility

Sellers/servicers must comply with the requirements described in *Selling Guide* [A4-1-01](#), Maintaining Seller/Servicer Eligibility to maintain their status as a Fannie Mae-approved seller/servicer.

At the direction of our regulator, the Federal Housing Finance Agency, and in coordination with Freddie Mac, we are updating our minimum financial requirements, including:

- an enhanced minimum net worth requirement applicable to all sellers/servicers,
- an enhanced minimum liquidity requirement applicable to all non-depository sellers/servicers,
- a new origination liquidity requirement applicable to certain non-depository sellers/servicers, and
- new requirements applicable to large non-depository sellers/servicers.

**Effective:** Sellers/servicers are encouraged to comply with the updated requirements immediately but must comply by Sept. 30, 2023, with the exception of certain requirements that have other effective dates described in this Lender Letter. See the Origination Liquidity, Capital and Liquidity Plan, and Third-Party Servicer Rating rows in the table below for other effective dates.

Additionally, we are removing an existing requirement related to maintaining a servicer rating effective immediately.

The changes within this Lender Letter will be incorporated into the *Selling Guide* in Q1 2023.

## Definitions

The following table provides the definition of terms related to the updated minimum financial requirements for sellers/servicers.

Term	Definition
Adjusted Net Worth	<p>Adjusted Net Worth is defined as:</p> <ul style="list-style-type: none"> <li>▪ total equity capital as determined by Generally Accepted Accounting Principles (GAAP); minus</li> <li>▪ goodwill and other intangible assets (excluding mortgage servicing rights); minus</li> <li>▪ affiliated receivables; minus</li> <li>▪ pledged assets net of associated liabilities; minus</li> <li>▪ deferred tax assets net of associated deferred tax liabilities.</li> </ul>



Term	Definition
	<p><b>NOTE:</b> <i>If the deferred tax liabilities are greater than the deferred tax assets, then the deduction from the Adjusted Net Worth will be zero.</i></p>
Allowable Liquidity	<p>Allowable liquidity includes:</p> <ul style="list-style-type: none"> <li>▪ unrestricted cash and cash equivalents;</li> <li>▪ unpledged, available-for-sale or held-for-trading investment grade securities limited to the following: <ul style="list-style-type: none"> <li>○ Fannie Mae, Freddie Mac, and Ginnie Mae MBS;</li> <li>○ obligations of GSEs; and</li> <li>○ U.S. Treasury obligations; and</li> </ul> </li> <li>▪ 50% of the unused portion of committed servicing advance lines of credit of one- to four-unit residential first lien mortgage loans serviced for Freddie Mac, Fannie Mae, and Ginnie Mae.</li> </ul>
Large Non-Depository sellers/servicers	<p>An entity servicing \$50 billion or more in Residential First Lien Mortgage Servicing UPB plus Other Servicing UPB as determined at the end of each calendar quarter.</p>
Long-Term Corporate Family Rating	<p>A long-term rating that reflects the relative likelihood of a default on a corporate family’s debt and debt-like obligations and the expected financial loss suffered in the event of default from a Rating Agency.</p>
Long-Term Senior Unsecured Debt Rating	<p>A rating assigned to a financial obligation with an original maturity of one year or more that reflects the likelihood of a default on contractually promised payments on senior unsecured debts and the expected financial loss suffered in the event of default on such debts from a Rating Agency.</p>
Other Servicing UPB	<p>The outstanding UPB of a seller/servicer’s portfolio of one- to four-unit residential first lien mortgage loans the seller/servicer is contractually obligated to service for all investors other than Fannie Mae, Freddie Mac, and Ginnie Mae, plus the following regardless of the investor:</p> <ul style="list-style-type: none"> <li>▪ second lien mortgage loans;</li> <li>▪ funded home equity lines of credit;</li> <li>▪ reverse mortgage loans; and</li> <li>▪ construction and land development mortgage loans.</li> </ul> <p>The outstanding UPB of mortgage loans serviced by a seller/servicer under a subservicing arrangement is excluded.</p>
Rating Agency	<p>An entity that is a “Nationally Recognized Statistical Rating Organization” as defined by Section 78c(a) of Title 15 of the United States Code (15 U.S.C. 78c(a)).</p>



Term	Definition
Residential First Lien Mortgage Servicing UPB	<p>The outstanding UPB of a seller/servicer’s portfolio of one- to four-unit residential first lien mortgage loans the seller/servicer is contractually obligated to service for Fannie Mae, Freddie Mac, or Ginnie Mae, as applicable, excluding:</p> <ul style="list-style-type: none"> <li>▪ funded home equity lines of credit;</li> <li>▪ reverse mortgage loans; and</li> <li>▪ construction and land development mortgage loans.</li> </ul> <p>The outstanding UPB of mortgage loans serviced by a seller/servicer under a subservicing arrangement is excluded.</p>
Servicer Rating	<p>An evaluation of a seller/servicer for its capacity to carry out servicing business, which is different from evaluations of financial instruments or credit standing of corporations, from a Rating Agency. Servicer Ratings may be conducted based upon the type of servicing actions performed, including evaluations for entities that act as primary servicers, special servicers or master servicers.</p>

## Minimum financial requirements

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

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	<p>Sellers/servicers that are depository institutions are required to meet at all times the minimum regulatory capital requirements of their primary regulator.</p>



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>

**NOTE:** The maintenance fee and reactivation fee requirements described in *Minimum Financial Requirements in Selling Guide A4-1-01, Maintaining Seller/Servicer Eligibility* remain unchanged.

As a reminder, 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.

Additionally, we are retiring our existing servicer rating requirement as described in *Minimum Financial Requirements in Selling Guide A4-1-01, Maintaining Seller/Servicer Eligibility*, which requires that if the servicer has an external servicer rating, it must meet a minimum required rating.

Lenders may also contact their Fannie Mae Account Team if they have questions about this Lender Letter. Have guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).

**Let your voice be heard!** We want your feedback on our policy communications to help us improve the clarity of new and updated policy and understand any implications to borrowers. Click below to take a short survey regarding this Lender Letter.

