Private Mortgage Insurer Eligibility Requirements Guidance 2024-02

Guidance Effective Date: March 31, 2025

Under FHFA's oversight and in coordination with *Freddie Mac*, *Fannie Mae* issues this Private Mortgage Insurer Eligibility Requirements Guidance 2024-02 ("Guidance") to supersede and replace the Private Mortgage Insurer Eligibility Requirements Guidance 2021-01 issued on June 30, 2021 (the "2021 Guidance"). This Guidance is being issued now that the COVID-19 national emergency has ended. Effective March 31, 2025, *approved insurers* must hold *risk-based required asset amounts* in accordance with the standard non-performing loan requirements of *PMIERs* (Exhibit A, Table 8) for any insured loans still subject to COVID-19 forbearance plans.

Some provisions of the 2021 Guidance have expired by their own terms, and no amendments are intended to be made to such expired provisions. The expired provisions are included in Appendix A to this Guidance, which is attached hereto and incorporated herein by this reference, for convenient reference only. Further, Sections II. (Delinquency Reporting) and III. (Glossary) below are not being substantively amended but are included herein in the interests of completeness.

Pursuant to *Private Mortgage Insurer Eligibility Requirements (PMIERs) Fannie Mae* may, in its sole discretion, modify, waive, or amend any provision of the *PMIERs*. Further, *Fannie Mae* may issue guidance to each *approved insurer* to amend the *PMIERs* or to provide updates to or clarifications of *PMIERs* provisions (Guidance). Italicized terms in this Guidance have the meanings ascribed to them in the *PMIERs*.

This Guidance supplements existing *PMIERs* requirements and, unless expressly noted below, it is not intended to supersede existing requirements. To the extent there is a conflict between this Guidance and a previously issued Guidance or the *PMIERs*, this Guidance shall control.

I. *Risk-Based Required Asset Amount* Factors

a) Exhibit A (*Risk-Based Required Asset Amount* Factors), Table 8 (*Non-Performing Loans*), footnote 1 of the *PMIERs* is amended and restated in its entirety as follows:

"For each *non-performing primary mortgage guaranty insurance* loan backed by a property located in a FEMA Declared Major Disaster Area eligible for Individual Assistance ("Major Disaster Declaration") and that either

1) is subject to a forbearance plan granted in response to a Major Disaster Declaration, the terms of which are materially consistent with terms of forbearance plans offered by *Fannie Mae* or *Freddie Mac*, or
2) has an initial *missed monthly payment* occurring up to either (i) 30 days prior to the first day of the incident period specified in the Major Disaster Declaration or (ii) 90 days following the last day of the incident period specified in the Major Disaster Declaration, not to exceed 180 days from the first day of the incident period specified in the Major Disaster Declaration,

the *risk-based required asset amount* factor for the *non-performing primary mortgage guaranty insurance* loan will be the greater of a) the applicable *risk-based required asset amount* factor for a *performing primary mortgage guaranty insurance* loan were it not delinquent, and b) the product of a 0.30 multiplier and the applicable *risk-based required asset amount* factor for a *non-performing primary mortgage guaranty insurance* loan as determined in Table 8.

In the case of 1) above, loans subject to a forbearance plan include those that are either in a repayment plan or loan modification trial period following the forbearance plan, and the relief described in this Section I. shall apply until the earlier of (i) the date such loans are reported to the *approved insurer* as no longer in such forbearance plan, repayment plan, or loan modification trial period or (ii) 18 months following the date of the initial *missed monthly payment*.

In the case of 2) above, absent a forbearance plan described in 1) above, the 0.30 multiplier shall be applied to the *risk-based required asset amount* factor for a *non-performing primary mortgage guaranty insurance* loan for no longer than three calendar months beginning with the month the loan becomes a *non-performing primary mortgage guaranty insurance* loan by reaching two *missed monthly payments*. For example, for a loan first reported to the *approved insurer* in May as having missed its payments due on April 1 and May 1, the initial *missed monthly payment* shall be deemed to have occurred on April 30. In this example, the loan would become a *non-performing primary mortgage guaranty insurance* loan in May and the 0.30 multiplier would be applied for May, June, and July, but not for August, assuming the loan was not subject to a forbearance plan by August 31 and the initial *missed monthly payment* occurred during the timeframe described in 2) above."

To be clear, loans backed by a property located in a FEMA Declared Major Disaster Area eligible for Individual Assistance, where the only applicable disaster referenced by FEMA is the COVID-19 pandemic, are not eligible for the PMIERs relief described in this Section I.a).

b) Effective June 30, 2020 through March 31, 2025, with respect to *non-performing primary mortgage guaranty insurance* loans resulting from a COVID-19 hardship, Exhibit A (*Risk-Based Required Asset Amount* Factors), Table 8 (*Non-Performing Loans*) of the *PMIERs* is <u>temporarily</u> amended to add the following as footnote 2 to Table 8:

"For each *non-performing primary mortgage guaranty insurance* loan that either

1) has an initial *missed monthly payment* occurring on or after March 1, 2020 and prior to April 1, 2021 (COVID-19 Crisis Period), or
2) is subject to a forbearance plan granted in response to a financial hardship related to COVID-19 (which shall be assumed to be the case for any loan that has an initial *missed monthly payment* occurring during the COVID-19 Crisis Period and is subject to a forbearance plan), the terms of which are materially consistent with terms of forbearance plans offered by *Fannie Mae or Freddie Mac*,

the *risk-based required asset amount* factor for the *non-performing primary mortgage guaranty insurance* loan will be the greater of a) the applicable *risk-based required asset amount* factor for a *performing primary mortgage guaranty insurance* loan were it not delinquent, and b) the product of a 0.30 multiplier and the applicable *risk-based required asset amount* factor for a *non-performing primary mortgage guaranty insurance* loan as determined in Table 8.

In the case of 1) above, absent a forbearance plan described in 2) above, the 0.30 multiplier shall be applied to the *risk-based required asset amount* factor for a *non-performing primary mortgage guaranty insurance* loan for no longer than three calendar months beginning with the month the loan becomes a *non-performing primary mortgage guaranty insurance* loan by reaching two *missed monthly payments*. For example, for a loan first reported to the *approved insurer* in May as having missed its payments due on April 1 and May 1, the initial *missed monthly payment* shall be deemed to have occurred on April 30. In this example, the loan would become a *non-performing primary mortgage guaranty insurance* loan in May and the 0.30 multiplier would be applied for May, June, and July, but not for August, assuming the loan was not subject to a forbearance plan by August 31 and the initial *missed monthly payment* occurred during the timeframe described in 1) above.

In the case of 2) above, loans subject to a forbearance plan include those that are either in a repayment plan or loan modification trial period following the forbearance plan, and the relief described in this section I.b) shall apply until the earlier of (i) the date such loans are reported to the *approved insurer* as no longer in such forbearance plan, repayment plan, or loan modification trial period, or (ii) March 31, 2025."

For the avoidance of doubt, the 0.30 multiplier referenced in Table 8, footnote 1 and 2 may not be applied simultaneously on the same *non-performing primary mortgage guaranty insurance* loan.

II. Delinquency Reporting

Section 802 (Additional Quarterly Reports and Processes, #3 & #6), are deleted and replaced with:

"3) Quarterly Portfolio and Financial Supplement (Exhibit D). For purposes of reporting *missed monthly payments* and calculating delinquency rates in Exhibit D, the *approved insurer* must reflect all scheduled borrower payments not reported as paid in the loan activity reports it receives from servicers by the last day of the last month of the reporting quarter. For example, if servicer loan activity reports received by the *approved insurer* by June 30 show that a loan was current through the April 1 payment, but that the May 1 and June 1 scheduled payments had not been fully paid, such loan must be reported in the *approved insurer's* second quarter Exhibit D as having missed 2 payments, reflected in the category "2-3 *missed monthly payments*, no claim filed" in the "Delinquent Loans" tab."

"6) Quarterly Portfolio Loan Level Dataset (Exhibit F). For purposes of reporting *missed monthly payments* in Exhibit F, the *approved insurer* must reflect all scheduled borrower payments not reported as paid in the loan activity reports it receives from servicers by the last day of the last month of the reporting quarter. For example, if servicer loan activity reports received by the *approved insurer* by June 30 show that a loan was current through the April 1 payment, all prior scheduled payments were paid timely, but that the May 1 and June 1 scheduled payments had not been fully paid, such loan must be reported in the *approved insurer's* second quarter Exhibit F as follows:

- Field 63: "6" (60 days past due)
- Field 64: "CCCCCCCCCCC6" (for this example, only reflecting the status of the most recent 12 months)
- Field 65: missed "2" payments
- Field 66: "A" (2-3 *missed monthly payments*)"

III. Glossary

The Glossary is amended to add the following defined term:

"Missed Monthly Payment – A loan is considered to have a *missed monthly payment* when the borrower fails to pay all amounts due by the last day of the month in which the payment was due and the *approved insurer* has not received loan activity reporting from the servicer by the last day of the month evidencing the payment was made. For purposes of reporting delinquencies in *PMIERs* Exhibit D and Exhibit F, a loan with one *missed monthly payment* is considered 30 days past due, two *missed monthly payments* are considered 60 days past due, etc. See Section 802 Additional Quarterly Reports and Processes, #3 & #6 for examples."

All references to "*missed monthly payment*" in the *PMIERs* shall have the meaning of this defined term.

Appendix A
to PMIERs Guidance 2024-02

The National Emergency related to COVID-19, which was declared on March 13, 2020, ended on April 10, 2023.

As noted above, the following provisions of the 2021 Guidance have expired by their own terms, and no amendments are intended to be made to such expired provisions; they are merely included herein for convenient reference.

I. Capital Preservation

a) Effective June 30, 2020 through June 30, 2021, Section 705 (Limitations Triggered by an *Available Assets Shortfall*) of the *PMIERs* is temporarily amended to add the following to the end of the Section:

"Even if an *approved insurer* has an *available assets* surplus, the *approved insurer* must obtain *Fannie Mae's* prior written approval before taking any of the following actions:

1. Pay dividends, make payments of principal or increase payments of interest beyond those commitments made prior to the Guidance Effective Date associated with surplus notes issued by the *approved insurer*, make any other payments, unless related to expenses incurred in the normal course of business or to commitments made prior to the Guidance Effective Date, or pledge or transfer asset(s) to any affiliate or investor, or
2. Enter into any new arrangements or alter any existing arrangements under tax sharing and intercompany expense-sharing agreements other than renewals and extensions of agreements in effect prior to the Guidance Effective Date."

b) Effective July 1, 2021 through September 30, 2021, Section 705 (Limitations Triggered by an *Available Assets Shortfall*) of the *PMIERs* is temporarily amended to add the following to the end of the Section:

"If an *approved insurer* has an *available assets* surplus greater than 50% of the total *risk-based required asset amount* (i.e., after any PMIERs credit that *Fannie Mae* has granted in connection with any applicable credit risk transfer on its insured loans) and after applying the COVID-19-related reduction to its *risk-based required asset amount* on its *non-performing primary mortgage guaranty insurance* loans resulting from the application of Section I of the 2021 Guidance, the *approved insurer* may pay dividends or take other actions described in Section I.(a) above as long as such actions do not cause the *available assets* surplus to fall below 50% as of the end of the quarter as of September 30, 2021.

If an *approved insurer* has an *available assets* surplus less than 50% of the total *risk-based required asset amount*, the *approved insurer* must obtain *Fannie Mae's* prior written approval before taking any of the following actions:

1. Pay dividends, make payments of principal or increase payments of interest beyond those commitments made prior to June 30, 2020 associated with surplus notes issued by the *approved insurer*, make any other payments, unless related to expenses incurred in the normal course of business or to commitments made prior to June 30, 2020, or pledge or transfer asset(s) to any affiliate or investor, or
2. Enter into any new arrangements or alter any existing arrangements under tax sharing and intercompany expense-sharing agreements other than renewals and extensions of agreements in effect prior to June 30, 2020.

c) Effective October 1, 2021 through December 31, 2021, Section 705 (Limitations Triggered by an *Available Assets Shortfall*) of the *PMIERs* is temporarily amended to add the following to the end of the Section:

"If an *approved insurer* has an *available assets* surplus greater than 15% of the total *risk-based required asset amount* (i.e., after any *PMIERs* credit that *Fannie Mae* has granted in connection with any applicable credit risk transfer on its insured loans) and after applying the COVID-19-related reduction to its *risk-based required asset amount* on its *non-performing primary mortgage guaranty insurance* loans resulting from the application of Section I of the 2021 Guidance, the *approved insurer* may pay dividends or take other actions described in Section I.(a) above as long as such actions do not cause the *available assets* surplus to fall below 15% as of the end of the quarter as of December 31, 2021.

If an *approved insurer* has an *available assets* surplus less than 15% of the total *risk-based required asset amount*, the *approved insurer* must obtain *Fannie Mae's* prior written approval before taking any of the following actions:

1. Pay dividends, make payments of principal or increase payments of interest beyond those commitments made prior to June 30, 2020 associated with surplus notes issued by the *approved insurer*, make any other payments, unless related to expenses incurred in the normal course of business or to commitments made prior to June 30, 2020, or pledge or transfer asset(s) to any affiliate or investor, or
2. Enter into any new arrangements or alter any existing arrangements under tax sharing and intercompany expense-sharing agreements other than renewals and extensions of agreements in effect prior to June 30, 2020.

On its PMIERs Exhibit D for the quarters ending June 30, 2021, September 30, 2021, and December 31, 2021, an *approved insurer* must provide, alongside all other reporting then required, its estimate of an adjusted *risk-based required asset amount* calculated without any impact of a multiplier applied to the *risk-based required asset amount* on its *non-performing primary mortgage guaranty insurance* loans resulting from the application of Section I of the 2021 Guidance. *Approved insurers* should provide this on a separate tab within the Exhibit D worksheet and include the aggregate *risk-based required asset amount* for all insured loans using the attached template.

II. *Master Policy* Alternatives and Flexibilities

Effective June 30, 2020 through March 31, 2021, Section 305 (*Master Policies*) of the *PMIERs* is temporarily amended to add the following at the end of the Section:

> "*Approved insurers* have agreed to notify *Fannie Mae* of their intent to cancel coverage for non-payment of premium and give *Fannie Mae* the opportunity to pay the premium on behalf of the servicer to keep the coverage in force."

III. Quality Control Reviews

Effective June 30, 2020 through June 30, 2021, Section 501 (Discretionary Reviews) and 502 (Post Closing Review) of the *PMIERs* are temporarily amended as follows:

A. Early Payment Defaults

Approved insurers currently have discretion to define what constitutes an "early payment default," including the ability to review less than 100% of early payment defaults that are subject to natural disaster-related forbearance plans. We are clarifying that such discretion extends to loans in a COVID-19 forbearance plan that become early payment defaults prior to July 1, 2021. However, each *approved insurer* must include in its discretionary reviews 100% of the loans it insures that become new early payment defaults on or after July 1, 2021, if such new early payment defaults are subject to a COVID-19 related forbearance plan, regardless of the date the borrower entered into a COVID-19-related forbearance plan. Approved insurers are still permitted to include in their QC program a methodology that does not require review of 100% of loans in natural-disaster-related (but not COVID-19-related) forbearance plans.

Effective June 30, 2020 through March 31, 2021, Sections 501 (Discretionary Reviews) and 502 (Post Closing Review) of the *PMIERs* are temporarily amended as follows:

B. Completion Timeline

During the COVID-19 Crisis Period and only if necessary, *approved insurers* may exercise discretion to extend the 120-day completion deadline by up to 60 days to give servicers more time to deliver the required origination and closing file documents and give themselves more time to complete reverifications. In addition, *approved insurers* may use any of the income, employment, and asset reverification flexibilities that *Fannie Mae* has extended to lenders in LL-2020-03.

C. Field Reviews

During the COVID-19 Crisis Period, in lieu of a field review and only if necessary, *approved insurers* may use any form of review that *Fannie Mae* has extended to lenders in LL-2020-03 for meeting their quality control, property value reverification requirements.

