Submitting Transaction Type 89 to notify Fannie Mae of Mortgage Insurance discontinuance

Servicers must maintain Mortgage Insurance (MI) coverage in accordance with the Fannie Mae Single-Family *Servicing Guide*, Section B-8.1-01, Conventional Mortgage Insurance Servicer Responsibilities. Servicers are responsible for terminating MI in accordance with applicable law, including, as applicable, consideration of the amortization schedule related to the mortgage loan.

- Servicers must maintain the **borrower-paid MI (BPMI)** for conventional loans, which was in effect when Fannie Mae acquired the mortgage loan, unless the conditions Fannie Mae imposes for replacing or cancelling the coverage are met. See B-8.1-03, Replacing Conventional Mortgage Insurance Policies and B-8.1-04, Termination of Conventional Mortgage Insurance for additional information.
  - Effective September 1, 2019, Servicers must use Servicing Management Default Underwriter™ (SMDU™) to evaluate borrower-initiated requests to cancel MI based on Original Value or Current Value as well as ordering the valuation. This can be done via the SMDU UI and/or the MI Termination Evaluation and Loan Servicing Property Valuation Order Management Application Programming Interfaces (APIs). Refer to the SMDU UI Borrower-Initiated Request for MI Termination Servicer User Guide for additional information.
  - Servicers must report the **borrower-initiated** cancellation of MI to Fannie Mae by the last reporting day of the reporting period in which the effective date of the termination occurs. See "Reporting a Transaction 89 (Discontinuance of Mortgage Insurance)" in the Investor Reporting Manual for additional information.
- Servicers must **report rescissions, mortgage insurer-initiated cancellations, and claim denials** to Fannie Mae no more than 30 days from the date of notification of the MI company's rescission, mortgage insurer-initiated cancellation, or claim denial.
  - Servicers must follow the procedures in Notifying Fannie Mae of MI Rescissions, Claim Denials, or Cancellations in F-1-02, Escrow, Taxes, Assessments, and Insurance for details on Fannie Mae's requirements.
- **Lender-paid MI (LPMI)** for conventional loans is not subject to cancellation by the borrower and must be maintained until the mortgage is paid in full.

Steps to create and upload a Transaction Type 89 file

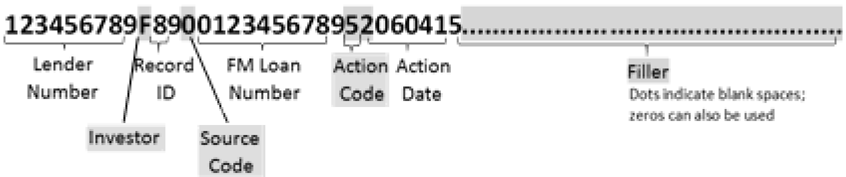
To report MI discontinuance to Fannie Mae, submit *Transaction Type 89 – MI Discontinuance (LAR 89)* using an 80-character, fixed width file format via Loan Servicing Data Utility (LSDU).

1. **Create a text file that contains all of the records you want to submit. When formatting the LAR file:**
   a. LAR File submissions must be in .txt or .dat format, created using a basic text editor such as Microsoft Notepad®.
2. Multiple records can be reported within a single file upload, with each transaction on a separate row. Every LAR record row must have 80 characters.
   a. Do not add any spaces to the beginning or end of the fields.
3. Only one carriage return after the end of each record.
4. A file can contain records with mixed transaction types (81, 83, 89, 96, and 97).
   a. Refer to the *File Fields, Positions and Format Requirements* and *Action Codes and Action Dates* below for definitions and guidelines specific to reporting LAR 89.
5. **After entering all records to be reported, save the .txt file to a drive or directory on your computer.**

6. **Upload the .txt file in [LSDU](#) user interface (UI), following steps in the "[How to Upload Transaction Type 89 in LSDU](#)" section below.**

Sample record

123456789F8900123456789520604150000000000000000000000000000000000000000000000000



File fields, positions and format requirements

Identifier / Field	Position(s)	Format
Lender Number	1-9	*Numeric*. 9-digit Fannie Mae Seller/Servicer number
Investor	10	*Alphanumeric*; always "***F***" (for Fannie Mae)
Record	11-12	Always "***89***" (for transaction type 89)
Source code	13	Always zero (**0**)
Fannie Mae Loan Number	14-23	*Numeric*. 10-digit Fannie Mae loan number
Action Code	24-25	*Numeric*. **Note:** The action code that must be reported differs based on whether the MI is automatically terminated or is canceled based on the borrower's request. Refer to the table below for the list of action codes.
Action Date	26-31	*MMDDYY format*. **Note:** The action date cannot be **prior** to the loan's origination date, **after** the liquidation date, or a future date.
Filler	32-80	*Blanks or zeros*

Action codes and action dates

The servicer must notify Fannie Mae about an automatic termination or a borrower-initiated cancellation of MI coverage via a Transaction Type 89. The termination or cancellation must be reported by the last reporting day of the reporting period in which the effective date of the termination occurs.

The reason for MI discontinuance is distinguished by action codes. The proper action code must be reported according to whether the MI discontinuance is borrower-initiated, automatically terminated, or due to rescission.

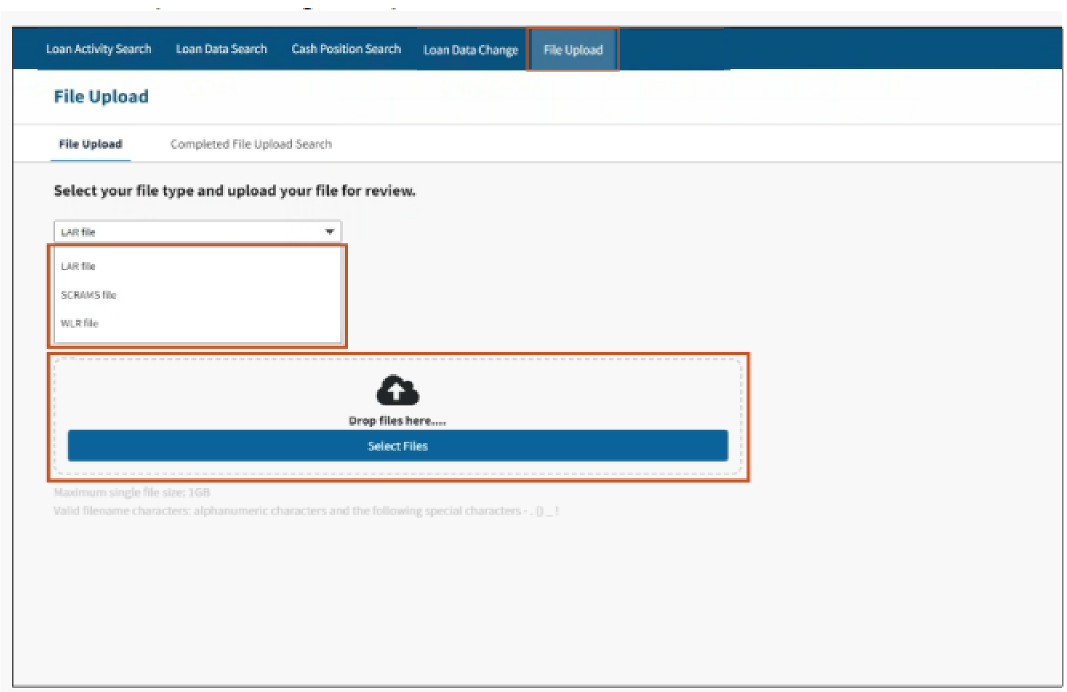
Action codes are further described in the following table.

Action Code	Action Date Definitions
51	Reports **borrower-initiated cancellation** based on the ***original*** value of the property. In the case of a second-lien mortgage loan, value of the property at the time the second-lien loan originated. The action date is the date of the borrower-initiated cancellation.
52	Reports **borrower-initiated cancellation** based on the ***current*** value of the property. The action date is the date of the borrower-initiated cancellation.
53	Reports **automatic termination**, regardless of whether termination is based on the scheduled LTV ratio or the date that is the mid-point of the amortization period based on the amortization schedule. The action date is the date of automatic termination of MI.
54	Reports **termination due to high risk**. The action date is the date of the mandatory termination for the high-risk loan.

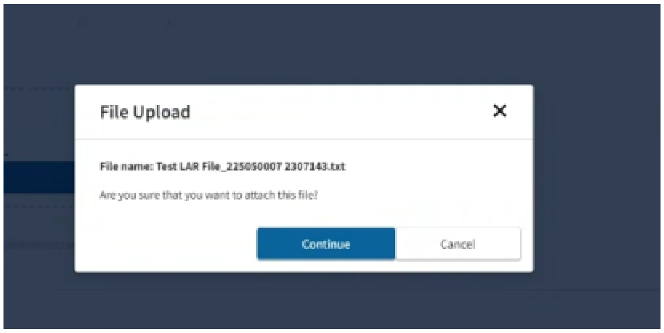
How to upload Transaction Type 89 file in LSDU

LAR 89 file submissions must be in .txt or .dat format, created in a basic text editor such as Microsoft Notepad®.

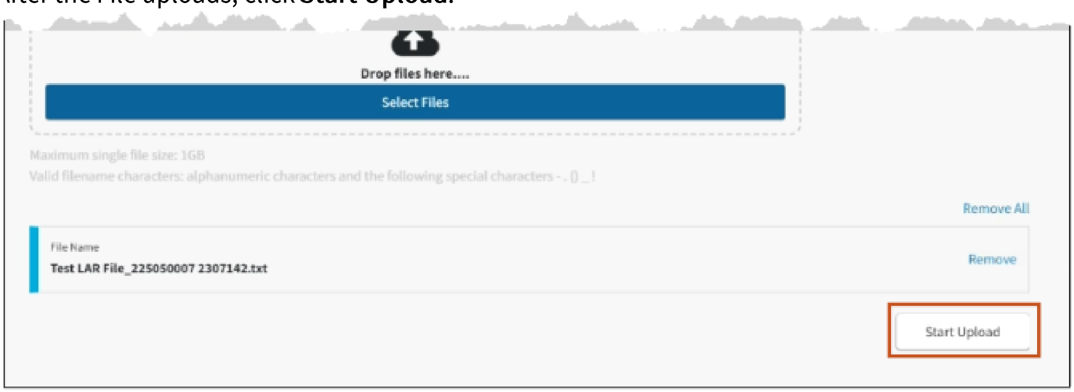
1. Click the **File Upload** tab.
2. Select **File Type**.
3. **Select a file** from your computer or drag and drop.



4. Click **Continue.**

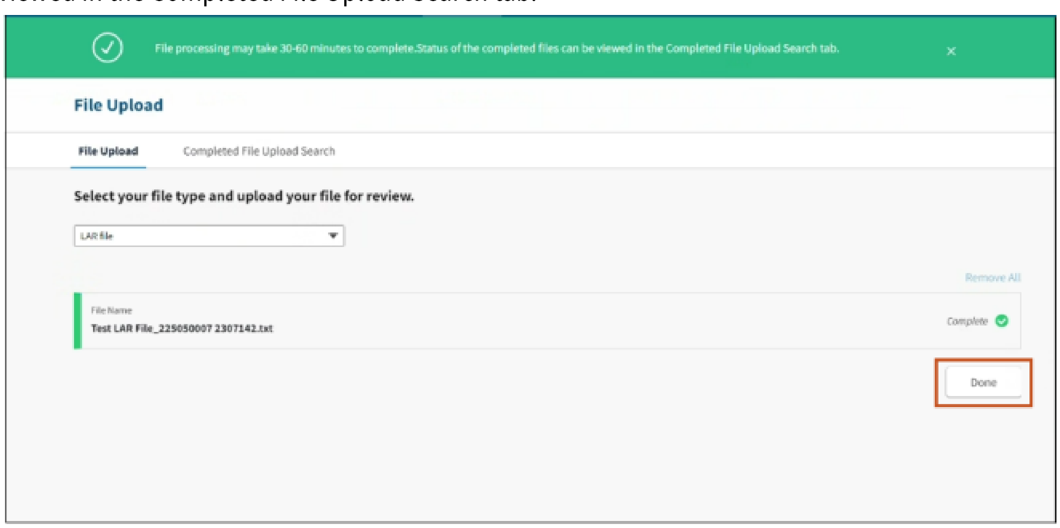


5. After the File uploads, click **Start Upload**.



6. Click **Done** when file shows as complete.

   Note: File processing may take 30-60 minutes to complete. The status of completed files can be viewed in the Completed File Upload Search tab.



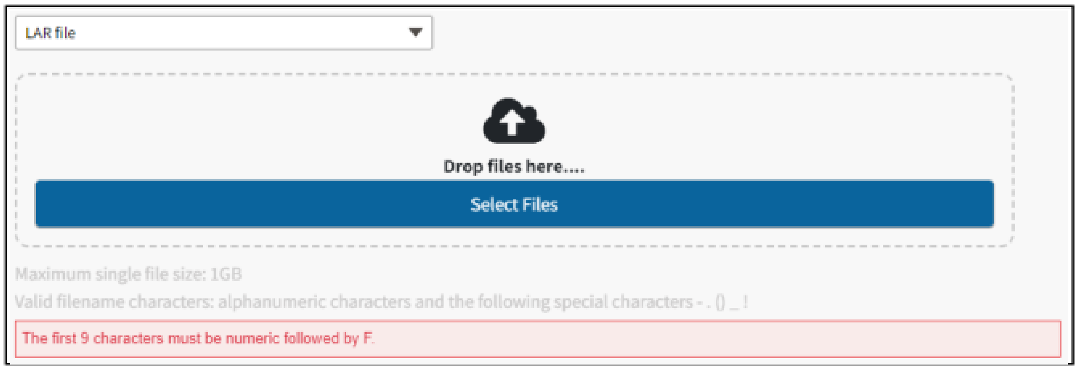
Troubleshooting common LAR upload errors

File type mismatch error

The following file type error message may be received if the file type selected doesn't match the uploaded file:

- The first 9 characters must be numeric followed by F.

Note: If such errors occur, ensure the correct drop-down option is selected or correct the file format and re-upload.



Invalid LAR file format errors

The following error messages may be received if an invalid LAR file format is used. If you encounter one of these errors, make updates to your file and re-upload:

- X records in the file are more than 80 characters long
- X records in the file have blank lines
- The end of the file is missing a carriage return
- *Note: The blank-line error can appear either at the end of the LAR records or between LAR records.*