



## Lender Letter (LL-2020-13)

Sept. 30, 2020

### To: All Fannie Mae Single-Family Servicers Automatic Reclassification of Delinquent MBS Mortgage Loans

This Lender Letter provides advance notice of upcoming changes related to

- the criteria for automatic reclassification for MBS mortgage loans serviced under the special servicing option, including those which Fannie Mae bears the entire foreclosure loss risk and those which we share that risk with servicers; and
- guaranty fee advances and reimbursement of principal and interest (P&I) advances.

Currently, we will generally select for reclassification special servicing option MBS mortgage loans when the mortgage loan is four consecutive months delinquent as measured by the LPI date. These mortgage loans include those for which we have the entire foreclosure loss risk and those for which we share the foreclosure loss risk with the servicer, with Fannie Mae having the responsibility for marketing the acquired property. We will reclassify an MBS mortgage loan that satisfies its selection criteria as an actual/actual remittance type portfolio mortgage loan. However, PFP mortgage loans with an original scheduled/scheduled remittance type will remain a scheduled/scheduled remittance type even after being removed from the pool.

Fannie Mae, in alignment with Freddie Mac, will change the trigger for automatic reclassification from four consecutive months delinquent to 24 consecutive months delinquent (measured by LPI date). This practice will be subject to the following exceptions where the timing of the removal of a mortgage loan may be earlier than when the mortgage loan is 24 months delinquent. A mortgage loan

- that is paid in full, or where the related lien is released or charged-off;
- repurchased by a seller/servicer under applicable selling and servicing requirements;
- entering a permanent modification, which generally requires it to be removed from the MBS pool. During any modification trial period, the loan will remain in the MBS until the trial period ends;
- subject to a short sale or Mortgage Release; or
- referred to foreclosure.

All MBS mortgage loans removed from MBS pools that are subsequently held in our portfolio will remain subject to repurchase requirements and recourse obligations.

These changes will become effective for mortgage loans that become greater than four consecutive months delinquent on or after Feb. 2021 remittance activity (based on Jan. 2021 reporting activity).

**NOTE:** *Servicers will remain responsible for only advancing four consecutive scheduled P&I payments in the event of borrower delinquency.*

As a part of the change to the automatic reclassification of MBS loans, and at a future effective date to be determined, we will also update our policies on guaranty fee advances and reimbursement of P&I advances to provide that immediately after the mortgage loan is four consecutive months delinquent servicers will no longer be required to advance guaranty fees and will be reimbursed for any P&I advances. The details for these changes will be communicated at a future date. We will also communicate any additional procedural requirements for reclassification of mortgage loans at a later date.



Servicers who have questions about this Lender Letter should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae's Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643). Have Guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).