Lender Letter (LL-2021-12)

Updated: Sept. 29, 2021

To: All Fannie Mae Single-Family Servicers
Advance Notice of Changes to Master Servicing Processes and Systems

This Lender Letter provides advance notice of upcoming changes to our Master Servicing processes and systems. These changes further simplify and streamline servicer reporting and will be introduced in a phased approach beginning September 2021 and continue through 2022.

Sept. 29, 2021

- Announce effective dates for Cash Simplification changes

Jun. 16, 2021

- Reimbursement of gross servicing fee and guaranty fee for mortgage loans with a payment deferral
- Elimination of servicer's advance payment of UPB at foreclosure
- Streamline investor reporting with LSDU self-serve capabilities
- 2022 cash simplification changes
- Guaranty fee relief after four months delinquency

Reimbursement of gross servicing fee and guaranty fee for mortgage loans with a payment deferral

When a mortgage loan with a completed payment deferral, COVID-19 payment deferral, or disaster payment deferral later matures or is paid-in-full, we currently reimburse the servicer for applicable servicing fees, guaranty fees, and excess servicing fees through a credit to the servicer's custodial account, as stated in F-1-05, Expense Reimbursement. With this Lender Letter, once a payment deferral is completed, the servicer will be able to obtain advance notice of the reimbursable amounts by utilizing Fannie Mae Connect™ or the Loan Servicing Data Utility (LSDU) application. Specifically, these amounts will be available in the Fannie Mae Connect DARTS Delinquency Modification and Payment Deferral Closed Report and LSDU's Loan Data Search.

For applicable mortgage loans that are paid-in-full or matured, we will provide the reimbursement amounts for scheduled/scheduled (S/S) and scheduled/actual remittance type mortgage loans via two new adjustment type options: PD Servicer Reimbursement Gfee and PD Servicer Reimbursement Gross Sfee. For actual/actual (A/A) remittance type mortgage loans, we will continue to provide a shortage/surplus adjustment through existing adjustment types.

Effective: These changes are effective with the September 2021 mortgage loan activity reporting.

Elimination of servicer's advance payment of UPB at foreclosure

We are eliminating the requirement for servicers to advance payment of outstanding scheduled UPB upon completion of the foreclosure for all S/S remittance type mortgage loans for which we bear the foreclosure loss risk or which is shared risk with us being responsible for marketing the property. For applicable mortgage loans, we will no longer draft outstanding scheduled UPB reported on the Loan Activity Report (LAR). Additionally, our investor reporting system will now reimburse advanced P&I through new adjustment types: FCL Reimbursement Adv Principal and FCL Reimbursement Adv Interest, which will be netted against the respective P&I drafts. There are no other related changes to investor reporting requirements, and the servicer must continue to follow existing investor reporting requirements for S/S remittance type mortgage loans.

> **NOTE:** *The servicer may also access additional resources for these updates on our website.*

Effective: These changes are effective with the September 2021 mortgage loan activity reporting.

Streamline investor reporting with LSDU self-serve capabilities

We will be introducing Master Servicing Portfolio Manager, a loan servicing management tool that allows servicer self-service and oversight in managing master servicing performance, portfolios, and loan activity.

In addition, we will enhance LSDU and retire SURF™ in conjunction with these updates. The enhancements in LSDU will allow submission of all LAR types individually or in bulk for original submission or correction of a previous submission, as well as to allow for submission of REMIC whole loan files and files involving mortgage loans requiring changes pursuant to SCRA. Servicers will be able to access LSDU for loan and cash information and to submit files.

> **NOTE:** *For detailed information about LAR types refer to the Investor Reporting Manual.*

Effective: The Master Servicing Portfolio Manager tool will be available by the fourth quarter of 2021, and the enhancements to LSDU are targeted for an effective date in the first quarter of 2022. We will communicate further details on both changes at a later date.

2022 cash simplification changes

In 2022, we are changing the reporting due date for summary reporting mortgage loans, expanding the transaction type 96 (LAR) format, and changing P&I remittance requirements for summary reporting A/A remittance type mortgage loans.

Reporting due date for summary reporting mortgage loans

For summary reporting mortgage loans, regardless of remittance type, servicers will be required to submit a LAR 96, reporting borrower payment activity, no later than the first business day after the servicer processes the payment transaction in its system. If no payment is received from the borrower, a LAR 96 must still be reported by the twenty-second calendar day of the month of the reporting period. If the twenty-second calendar day falls on a weekend or holiday, the LAR 96 is due on the preceding business day. Corrections to reported activity and any additional activity must be reported by the first business day after the servicer processes the activity in its system but no later than 8 p.m. Eastern Time on the first business day of the month following the reporting period.

> **NOTE:** *Aligned with the current process, we will continue to record activity for the last LAR 96 successfully processed.*

Effective: These changes are effective with the March 2022 mortgage loan activity reporting.

LAR 96 format expansion

The LAR 96 summary reporting format will be expanded to include the data displayed in the following table.

Data Element	Description
Date of Last Full Payment	The date the last fully paid installment was received from the borrower.
Full LPI Date	The LPI date for the loan. Month and year must agree with the month and year reported in LAR 96 position 24 (LPI date).
Mortgage Principal and Interest Amount	The P&I portion of the borrower's regular installment payment for the reporting time period.
Mortgage Taxes and Insurance Amount	The T&I (i.e., escrow) portion of the borrower's regular installment payment for the reporting time period.
Trial Period Plan Payment Amount	For borrowers in the trial period plan of a modification, the amount of the trial payment for the reporting time period.
Deferred UPB	The amount of the deferred (non-interest bearing) portion of the UPB.
Escrow Balance Amount	The balance of funds held in escrow for the loan, including taxes and insurance.

Data Element	Description
Curtailment Date	The date of the curtailment. Up to twenty curtailments can be recorded during the reporting time period.
Principal Curtailment Amount	The curtailment amount applied to the interest bearing portion of the UPB. Up to twenty curtailments can be recorded during the reporting time period.

Effective: These changes are effective with the March 2022 mortgage loan activity reporting. Beginning with the July 2022 mortgage loan activity reporting, Fannie Mae will only accept the LAR 96 expanded format.

P&I remittance for summary reporting A/A mortgage loans

To simplify the servicer's responsibilities for remitting a P&I payment for an A/A remittance type mortgage loan, we will automatically initiate a draft of the remittance amount from the servicer's custodial account within 48 hours. This change will align to remitting requirements for summary and detailed reporting A/A remittance type mortgage loans and will also eliminate the monthly shortage/surplus balance reconciliation using *Schedule 3 – Reconciliation of Shortage Surplus* (Form 472). Once the change becomes effective, we will settle-up any outstanding shortage/surplus balances at that time. There are no remitting changes for any other remittance types.

Effective: These changes are targeted for an effective date by the fourth quarter of 2022.

Guaranty fee relief after four months delinquency

In LL-2020-13, we informed servicers that at a future effective date to be determined, we will update our policies to provide that immediately after an MBS mortgage loan is four consecutive months delinquent, servicers will no longer be required to advance guaranty fees. We are now providing more information and a target effective date for these changes, which will apply to all S/S remittance type mortgage loans in MBS pools that are 120+ days delinquent, regardless of whether we or the servicer bears the foreclosure loss risk.

For S/S remittance type mortgage loans where we bear the foreclosure loss risk, in the Loan Reporting Cycle that an S/S MBS mortgage loan becomes 120+ days delinquent, we will place the mortgage loan in the Stop Delinquency Advance process. No monthly guaranty fee will be drafted during the Stop Delinquency Advance process unless the servicer reports a movement in the LPI date and actual UPB to reflect the receipt of a full contractual payment from the borrower. Guaranty fee relief ends upon exiting the Stop Delinquency Advance process

For S/S remittance type mortgage loan where the servicer bears the foreclosure loss risk, in the Loan Reporting Cycle that an S/S MBS mortgage loan becomes 120+ days delinquent, we will inform the servicer that the loan has guaranty fee relief. No monthly guaranty fee will be drafted unless the servicer reports a movement in the LPI and Actual UPB to reflect the receipt of a full contractual payment from the borrower. At that point, we will draft the guaranty fee associated with the payment.

Effective: These changes are targeted to become effective with the May 2022 cash remittance cycle (based on Apr. 2022 loan activity reporting). Further details on these changes will be provided at a later date.

Servicers who have questions about this Lender Letter should contact
the Future of Servicing mailbox at future_of_servicing@fanniemae.com.
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.

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