

THE HFA INSTITUTE 2024

Servicing Mortgage Loans with Fannie and Freddie



National Council of
State Housing Agencies



**MRBs and
Other Federal
Homeownership
Programs**
JANUARY 10 – 12



Housing Credit
JANUARY 9 – 11



**Section 8 and
Other Federal
Multifamily
Programs**
JANUARY 10 – 12



**HOME and
Housing Trust
Fund**
JANUARY 7 – 9



DISCUSSION LEADER

Chuck Kracht

Vice President, Loan Servicing | Idaho Housing and Finance Association

SPEAKERS

Jay Hill

Mortgage Servicing Policy Senior | Freddie Mac

Vanessa Barron Washington

Servicer Relationship and Performance Management Senior Business Lead | Freddie Mac

Mona Fettkether

Senior Director, Counterparty Risk Oversight | Fannie Mae

Mark Graves

Senior Manager, Business Account Management Solutions | Fannie Mae

Freddie Mac Resources

[Seller/Servicer Guide](#)

[Resolve® Web Page](#)

[Servicer Success Scorecard Tutorial](#)

[HFA Resource Center](#)

[Freddie Mac CreditSmart®](#)





Servicing Compliance Findings Overview

Mona Fekkether, Senior Director Counterparty Risk Oversight

Mark Graves, Senior Manager Business Account Management Solutions

Updated January 2024

Servicing Reviews - Evaluating Compliance with our Guidelines

Servicer Total Achievement & Rewards™ (STAR™) and Cash Management Reviews (CMR) assess servicers' operational risks.

- A key component of each review is **process evaluation** — a review of policies, procedures, management reports, and file-level testing. These activities validate adherence to Fannie Mae requirements and assesses operational capabilities.
- The STAR & CMR programs assess controls in **key process areas** in Organizational Overview and Shared Processes (OOSP), Servicing Requirements, and Cash Management, Reconciling, Reporting, and Remittances.
- All reviews produce a **final assessment** — findings, applicable corrective actions, and any strengths and recommendations based on tests, interviews, and ratings.
- If **remediation** is needed, servicers will establish an Action Plan with the support of the Single-Family Remediation team. This team tracks findings, confirms completion of corrective actions, and/or retests to evidence effectiveness of the correction.



Frequent Non-Compliance Cited Findings & Details

Below are process areas observed with the most frequently cited findings with operational details during the 2023 STAR Program

1 Delinquency Servicing & Collections

- Inaccurate delinquency status codes - maintain business line reporting while leveraging centralized view of exceptions/illogical codes.
- Property inspection not ordered as required per Fannie Mae Guidelines - regularly view the codes which suppress property inspections from being ordered.
- Borrower eligibility requirements for payment deferrals not documented on system of record - confirm system of record documents Quality Right Party Contact (QRPC) requirements for Payment Deferrals when captured through interactive voice response or self-serve tool.

2 Custodial ACCT / Invest. Reporting

- Late or inaccurate completion of monthly bank reconciliations - ensure custodial accounts reconciliations properly identify all differences.
- Servicer fees not deposited prior to drafting funds by Fannie Mae - refer to online training - [Custodial Account Reconciliation Training](#).
- Aged resolution of application of borrower unapplied / suspense funds - ensure investor reporting schedules are completed and accurately identify all differences.
- Late or inaccurate completion of Schedules 1-3 - refer to online training - [Investor Reporting Reconciliation Training](#)

3 Escrow Administration

- Disbursement of hazard loss draft funds does not align with Fannie Mae Guidelines - ensure the amount of funds released for loss draft align with Fannie Mae requirements based upon loan status, estimate of repairs, and completion inspections performed.
- Hazard insurance does not meet required coverage amount - required hazard insurance coverage amount must at a minimum cover the lesser of the Replacement Cost Value (RCV) or the unpaid principle balance as long as it isn't less than 80% of the RCV.

4 Loss Mitigation & Retention

- Delayed execution of modification process - Loan Modification Agreement must be provided to borrower prior to the effective date of the modification. Ensure the modification is generated early enough to be received and accepted by the borrower prior to the effective date of the loan modification.
- Late fees not waived upon completion of loan modification - upon completion of a loan modification, all outstanding late fees must be waived.
- Capitalized escrow does not align with policy - escrow amounts capitalized must only include expenses paid, or expected to be paid, prior to the effective date of the modification. Escrow shortage amounts must not be included in capitalization.



Servicer Self Assessment

The Self-Assessment is intended to help our clients in their own analysis with managing their Fannie Mae book of business. The document includes required elements and best practices for managing the book of business.

Processing and posting daily receipt of payments, payoffs, and liquidations, Automated Clearing House management, remitting and reconciling Principal & Interest and Taxes & Insurance accounts

Reconciling portfolio balances, shortage/surplus, and managing hard and soft rejects

Document Custody, Fidelity Bond Errors & Omissions (FBEO) coverage regularly evaluated, payoff proceeds posted timely, and Servicemembers Civil Relief Act (SCRA)

Mortgage Insurance, Hazard loss drafts, flood zone monitoring, uninsured losses, lender placed insurance, and Homeowner Association verification

Manage delinquency Status Code Reporting and Delinquency Exception Report Reconciliations, establish borrower contact, and offer solutions

Business continuity and disaster recovery, third-party management, reporting suspicious activities

Maintain and oversight process of sub-servicer's compliance

Timely notifications and management of chapter 7 & 13 from filing to dismissal

Manage law firms and default related legal services, state timelines, pre / post foreclosing process adherence

Evaluation of a short sale or mortgage-release decision, borrower eligibility; and compliance with MI delegation



Resources

Use the links below to access the resources listed.

- [Fannie Mae Servicing Guide](#)
- [STAR Reference Guide](#)
- [Fannie Mae Investor Reporting Manual](#)
- [Servicing Training Resources](#)
- [Servicer Self-Assessment](#)





Fannie Mae[®]

DISCUSSION LEADER

Chuck Kracht

Vice President, Loan Servicing | Idaho Housing and Finance Association

SPEAKERS

Jay Hill

Mortgage Servicing Policy Senior | Freddie Mac

Vanessa Barron Washington

Servicer Relationship and Performance Management Senior Business Lead | Freddie Mac

Mona Fettkether

Senior Director, Counterparty Risk Oversight | Fannie Mae

Mark Graves

Senior Manager, Business Account Management Solutions | Fannie Mae