



Co-Issue Resource Guide

This Resource Guide is for informational purposes only; the information should not be construed as legal, accounting, or tax advice. This document is meant to provide guidance; it is not a contract and does not in any way represent an agreement to approve a servicing transfer. Please refer to the Selling Guide and Servicing Guide to review concurrent servicing transfer requirements, and consult with your own advisors to determine how the information presented may apply to your specific situation.

To support Fannie Mae sellers and servicers in successfully executing concurrent transfers of servicing (a.k.a. co-issue sales), this resource guide outlines key operational considerations, suggested best practices, and contact information for certain co-issue servicing buyers active in the market today.

Definition

A concurrent transfer of servicing, or co-issue transaction, occurs when a selling lender transfers the servicing rights for a mortgage loan to a Fannie Mae–approved servicer at the same time it sells the loan to Fannie Mae. The seller gets paid by Fannie Mae for the loan asset and by the servicing buyer for the mortgage servicing rights (MSRs). The co-issue sale is considered an “automatic” transfer because Fannie Mae’s prior approval of the transaction is not required. However, the co-issue transaction requires extensive coordination of data, documents, and cash settlement between the seller and servicer.

Specific seller and servicer requirements related to co-issue transactions can be found in the following Fannie Mae Selling and Servicing Guide sections:

- **Selling Guide:** [A3-3-02: Concurrent Servicing Transfers](#)
- **Servicing Guide:** [A2-7-01: Concurrent Servicing Transfers](#)

Selecting a Co-Issue Servicing Buyer

To ensure a successful co-issue relationship, sellers should seek out a servicing partner that has experience with co-issue transactions, has a solid existing relationship with Fannie Mae, controls its own technology, and is generally a good business partner. Several key areas that sellers should review and confirm with their potential co-issue servicing partner(s) include:

- Servicers have separate and unique loan data and document delivery requirements. Sellers should review and ensure they understand and can satisfy the servicer’s delivery requirements before initiating any co-issue transactions.
- Sellers should ensure that the co-issue servicer partner has Fannie Mae special approval to service any products (e.g. Texas 50(a)(6); co-ops, etc.) that seller is approved to sell and wants to include in the co-issue transactions.

Each co-issue servicer will have its own unique Servicing Released Premium (SRP) pricing requirements. Sellers should review sample or indicative SRP pricing levels, with associated effective dates, prior to initiating any transactions with the co-issue servicer.

Treatment of Representations and Warranties

In a co-issue transaction, representations and warranties (reps and warrants) can be handled on a Guide standard (i.e. non-bifurcated) or on a bifurcated basis:

- Standard or non-bifurcated reps and warrants: With a co-issue sale, effective as of the date of transfer (the date Fannie Mae purchases the loan) to the servicer, the servicer:
 - Accepts the servicing portfolio and agrees to service the mortgage loans in accordance with Fannie Mae requirements; and



- Assumes responsibility for all of the seller's contractual obligations related to the mortgage loans (including all selling reps and warrants and any other liabilities that arise in connection with the loans or the servicing of them prior to the delivery of the loans to Fannie Mae).

This type of co-issue arrangement does not require Fannie Mae's prior approval of the transfer of the servicing.

- **Bifurcated reps and warrants:** In a co-issue sale with bifurcated reps and warrants, effective as of the date of transfer, the seller is responsible for selling reps and warrants and the servicer is responsible for servicing obligations. Since bifurcated co-issue transactions result in a "splitting" of the Fannie Mae selling and servicing representations and warranties, Fannie Mae special approval is required for both the seller and the servicer prior to initiating any transaction activity.

For more information on the Fannie Mae Bifurcation program and the approval requirements, please contact your Fannie Mae Customer Account Manager.

NOTE: Please refer to Exhibit I, for a summary of the Fannie Mae co-issue options available.

Fannie Mae Delivery and Investor Reporting Requirements

When a seller delivers a loan to Fannie Mae and concurrently sells the servicing to a servicer, the seller is required to enter the new servicer's nine-digit Fannie Mae seller/servicer number in the appropriate field in Fannie Mae's loan delivery system.

The servicer is responsible to Fannie Mae for the servicing of the loan as of the date Fannie Mae purchases the loan. The servicing rights are considered transferred to the new servicer as of the Fannie Mae purchase date.

The new servicer is responsible for investor reporting in the month following the date the servicing was transferred (the date Fannie Mae purchases the loan). If a borrower payment is received before the end of the month in which Fannie Mae purchased the loan, the servicer is responsible for remitting funds to Fannie Mae. Sellers and servicers must ensure they adhere to the Fannie Mae Selling and Servicing Guide requirements when entering into and completing co-issue transactions. A few of the key areas on which sellers and servicers should focus include:

1. **Good delivery** – Sellers must ensure good delivery of the loan to Fannie Mae; all data provided in the loan delivery process must accurately reflect the current status of the loan (e.g. UPB, LPI date, etc.) as of the date the loan is submitted to Fannie Mae for purchase and settlement of the loan sale transaction. It is critically important that the seller accurately delivers the loan data to avoid post-purchase adjustments, which often involve multiple parties to correct (seller, servicer, Fannie Mae), and to avoid any impact to the borrower.
2. **Servicing activities and reporting** – Servicers must ensure they have all the data, funds and information available, have successfully boarded the loan to their servicing system, are able to fulfill their servicing obligations from the date of loan acquisition by Fannie Mae and are able to meet their monthly investor reporting requirements with Fannie Mae.

NOTE: Servicers should ensure they follow the Fannie Mae investor reporting requirements, and be prepared for the upcoming changes expected in 2017. Please see the IR page on Fannie Mae's business portal: <https://www.fanniemae.com/singlefamily/mbs-call-in-elimination>

3. **Borrower disclosures** – Both the seller and the servicer in a co-issue sale must ensure that all notices are provided to borrowers in accordance with applicable law, including the Real Estate Settlement



Procedures Act (“RESPA”) and any state law requirements. Note that RESPA provides that both the transferor (the seller of servicing rights) and the transferee (the buyer of the servicing rights) servicers are obligated to notify the borrower, in writing, of the assignment, sale, or transfer of the servicing of the loan.

Sellers and servicers should ensure their legal and compliance advisors review all transaction agreements, timelines, and disclosures to assure compliance with RESPA and all other legal and regulatory requirements prior to initiating any transactions.

Best Practices

Our research has identified the following best practices for sellers and servicers that engage in co-issue executions to help mitigate potential delivery and/or settlement errors.

1. Institute a loan delivery black-out period – To ensure timely receipt from the seller of loan data and documents needed to meet Fannie Mae’s investor reporting requirements, servicers should consider including in their servicing purchase and sale agreements with sellers a loan delivery black-out period near the end of each month.
2. Document Transaction Timelines – To avoid potential delivery and settlement errors, servicers should develop a transaction timeline and/or monthly schedule for sellers to follow when completing co-issue transactions. The timelines should be constructed for each type of loan execution (MBS and/or Cash) the servicer supports in their co-issue offerings.
3. Detailed Delivery Instructions – It is important that the servicer and seller agree to the specific requirements related to delivery of the loan data, complete credit package, documentation, etc. In addition, the parties should agree on the applicable timeframes required for information and documents to be received by the servicer and the document custodian. These detailed requirements should be incorporated into the servicing purchase and sale agreement that the seller and the servicer execute before initiating production activity under the co-issue arrangement.

For Further Information

If you have any questions, or are considering a co-issue option as part of your overall business strategy, please contact your Fannie Mae Customer Account Manager.



Exhibit I

Fannie Mae Servicing Solutions			
	Co-Issue	Servicing Execution Tool	Servicing Marketplace
Reps & Warrants	Guide Standard	Bifurcated	Bifurcated
Execution Options	Mandatory and Best Efforts	Loan level Mandatory and Best Efforts	Mandatory
	Whole loan and MBS	Whole loan	Whole loan
Additional Fannie Mae Approvals	None	None	None
Eligibility Criteria	N/A	Fannie Mae-approved sellers with a minimum net worth of \$2.5MM plus the greater of 25bps of servicing UPB or 25bps of bifurcated deliveries for the past 3 years.	Fannie Mae-approved sellers with a minimum net worth of \$2.5MM plus the greater of 25bps of servicing UPB or 25bps of bifurcated deliveries for the past 3 years.
Master Agreement Required	No	No	No
Additional Fannie Mae Agreement	No	Bifurcation Addendum to MSSC	Bifurcation Addendum to MSSC
DU Required	No	Yes	Yes
Purchase and Sale Agreement Between Seller and Servicer	Yes	Yes	Yes
Seller-Servicer Relationships	Seller identifies and negotiates own servicer relationships	Facilitated thru SET auction	Facilitated thru Servicing Marketplace
Seller Number	Seller's original 9- digit seller number	Seller's original 9- digit seller number	Seller's original 9- digit seller number
Operational Considerations: Transmittal of Data from Seller to Servicer	Transmit servicing data to servicer at time of sale to Fannie Mae; Credit/collateral package due to servicer per servicer requirements.	None. SET transmits servicing data to servicer.	None. Servicing Marketplace transmits servicing data to servicer.