



Successfully Managing the Selling and Servicing Compliance and Performance Review

February 2018

Fannie Mae conducts regular reviews to evaluate compliance with our guidelines and assess operational risks. Reviews are conducted by the review team, which operates independently of customer account relationship management in Fannie Mae's single-family mortgage business.

A Mortgage Origination Risk Assessment (MORA) and Servicer Total Achievement and Rewards™ (STAR™) review is intended to be a joint activity conducted by the review team with active participation of your organization. This document is designed to help prepare for the review of your organization by detailing the process, outcomes, and expectations for participation. The process steps are described below and include expectations for successful engagement.



1. Organization Selection (Fannie Mae Activity)

Fannie Mae selects organizations for review on a quarterly and annual basis and advance notice of scheduling is given. The lifecycle of a review runs approximately 110 days from beginning to end. A member of the review team begins the process by compiling the organization's pertinent contact information to start the review before moving to Step 2.

2. Confirmation and Engagement (Fannie Mae and Organization Activity)

First, the review team will collaborate with your Fannie Mae customer account team to:

- a) Understand any changes in your organization and/or contract;
- b) Confirm the main contact and location for the review; and



- c) Discuss any outstanding items from previous reviews.

The review team will then work to confirm dates to conduct the review and identify a main contact in your organization to assist in the submission of documents and/or communications with the review team.

NOTE: *Every attempt is made to accommodate scheduling conflicts; however, scheduling is based on:*

- *Last scheduled review;*
- *Status of any remediation; and*
- *Review team's scheduling/staff capacity.*

Reviews are conducted over two days, and Fannie Mae will determine whether to meet onsite at your location or via telephone.

IMPORTANT

Main Contact – It is important that the organization's assigned main contact for the review be well-versed in your processes and able to access loan files and other documents. This is critical in ensuring that the appropriate documentation is submitted and the individual can effectively communicate with us regarding any preliminary findings based on the documents submitted and/or process evaluation.

Assigning a clerical person to this task is not recommended if the person is not sufficiently familiar with your process to provide timely documentation/information to successfully complete the review. Lack of an appropriate contact can adversely affect the final assessment of the review.

Scheduling Staff – It is critical that the necessary staff and management be available during the review. Since the review is typically scheduled a few months in advance, it is recommended that you block staff calendars for those days. A preliminary agenda will be sent with your documentation request.

3. Documentation Request and Receipt (Fannie Mae and Organization Activity)

Approximately 65 days prior to the scheduled review date, the review team will send a comprehensive list of all required documentation to the main contact. The document will include, but not be limited to, requests for copies of policies, procedures, various reports, and loan files. The review team will use these to complete the process evaluation (Step 4) prior to the interviews.

IMPORTANT

Documentation Request Instructions – Due to the sequence of the review process, it is critical that requested documents are provided by the due date. The main contact is expected to:

- a) Read the entire documentation request carefully;
- b) Note the required due dates (when documents must be submitted to Fannie Mae);
- c) Understand the required document submission format and follow the File Transfer Portal (FTP) Submission Requirements provided with the Documentation Request; and
- d) Contact the review team with any questions or clarifications.

NOTE: Failure to provide all applicable documents by the due date can adversely affect the final assessment.

4. Process Evaluation (Fannie Mae Activity)

A key component of your review is process evaluation (also referred to as "testing"), which consists of a review of policies, procedures, management reports, and file-level testing. The objective is to "validate" adherence to Fannie Mae requirements and assess operational capabilities. The policy/business process areas reviewed may include some or all of



the following:

- Organization Overview and Shared Processes
- Selling
- Servicing
- Enterprise Risk Management
- Closing/Post-Closing/Funding
- General Servicing
- Change Management
- Origination Channels
- Solution Delivery
- People Management
- Quality Control
- Timeline Management
- Vendor Management
- Secondary Marketing
- Technology and Business Continuity and Disaster Recovery
- Underwriting/Appraisal

The review's scope will be identified in the document request form that your organization will receive as noted above in step 3.

NOTE: *To assist in expediting the review and making an accurate assessment, the review team will provide a list of preliminary findings and/or a request for additional information prior to the interview.*

IMPORTANT

Business Area Assessments – Each of the referenced areas will be assessed and a rating applied. The ratings are based on all information obtained in the overall review, including file testing, process reviews, and interviews. View [Final Assessment](#) for more information.

5. Interviews (Origination and Fannie Mae Activity)

- a) Prior to beginning the two-day review, the review team will confirm the topic areas and participants with the primary contact and/or a delegate. Interviews are a necessary component to reconcile any questions we have. These conversations are used to draw a final conclusion between your documented processes and your actual performance and/or to allow you the opportunity to provide any evidence to rebut concerns we may have.
- b) Day one will start with an “entrance” meeting to discuss what can be expected over the two days of interviews and what happens after the two days. The remainder of the day will include business area interviews, typically concluding by 5:00 p.m. Each business area interview typically requires approximately one hour. The review team may work with you to modify the schedule if appropriate.
- c) Day two is generally a half day, but may be extended if additional time is needed to review processes and/or conduct walkthroughs of the physical site and/or systems. The day will conclude with an “exit” meeting to recap all findings and discuss next steps.

IMPORTANT

Staff Availability – It is critical that the appropriate staff are present and on time for the respective interview. The review team may request participation of staff in addition to those originally selected by your organization if the review team considers it necessary to fully understand your day-to-day operations.

Logistics – It is highly recommended, whenever possible, that one conference room be used for all staff interviews. A conference phone, access to a copier and internet access are also requested.



6. Final Assessment (Fannie Mae Activity)

All reviews result in a final assessment report that includes the findings, applicable corrective actions, any recommendations based on the results of testing and interviews and business area ratings. This final report compiled by the review team always receives a second-level review and is then approved by Fannie Mae.

IMPORTANT

Business Area Ratings – The final report provides the review team’s final assessment by business area, each being applied one of the following ratings (definitions included):

- **Acceptable** – Indicates minimal or no findings identified. Overall, the controls or outcomes in this business area are satisfactory; however, minor remediation and/or recommendations may be provided to strengthen the business area.
- **Needs Improvement** - Indicates findings or inconsistencies identified and corrective action will be required to address the deficiencies within a specified time period. An Action Plan and/or other remedies available may be assessed.
- **Unsatisfactory** - Indicates findings identified and corrective actions have been cited to address the deficiencies within a specified time period. Significant and/or accelerated remediation will be required as stated in the Action Plan and/or other remedies may be assessed.

NOTE: *The overall assessment of a business area is based on the findings identified and the severity of those findings – e.g., high, medium, or low.*

For more information regarding the scope and content of both the MORA and STAR reviews, follow the links below to access:

- The Loan Quality webpage for [Beyond the Guide – How to get the most from your quality control program.](#)
- The [STAR webpage.](#)

7. Remediation (Organization Activity)

Once you receive the final report, the following steps are required:

- a) Review the final results and corrective actions;
- b) Use the Action Plan template to document the steps you plan to take to resolve the finding(s);
- c) Within 30 days of the report date, submit the proposed Action Plan to the Single Family Remediation team. The Remediation team is responsible for tracking findings, confirming completion of corrective actions, and/or any retesting to evidence the effectiveness of the correction; and
- d) Begin the remediation process.

*IMPORTANT

Contacts – In the event a finding is identified, the Single Family Remediation team will be your primary contact for questions regarding your Action Plan. The Remediation Analyst assigned to this review will establish an Action Plan Kick-Off call with you to discuss the remediation strategy for this review within five business days. It is highly recommended that you share your draft plan with your assigned Remediation Analyst prior to the due date (30 days after the report date). All communication should be sent to the sf_remediation@fanniemae.com for review during remediation.