



**FHFA REQUIREMENTS FOR NON-  
PERFORMING LOAN SALES BY FANNIE MAE  
AND FREDDIE MAC**



# FHFA STRATEGIC PLAN AND SCORECARD:

- **MAINTAIN**, in a safe and sound manner, credit availability and foreclosure prevention activities for new and refinanced mortgages to foster liquid, efficient, competitive, and resilient national finance markets.
- **REDUCE** taxpayer risk through increasing the role of private capital in the mortgage market.

**2015 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions:** Develop and execute additional strategies to reduce the number of severely aged delinquent loans held by the Enterprises, considering tools such as loan modifications, short sales, deeds in lieu of foreclosure, and non-performing loan sales. The strategies should be informed by the Neighborhood Stabilization Initiative and have an emphasis on improving outcomes in hardest hit markets.

# FHFA ENHANCED REQUIREMENTS FOR NPL SALES:

On March 2, 2015, FHFA announced enhanced requirements for sales of non-performing loans (NPLs) by Freddie Mac and Fannie Mae.

## **These enhanced requirements include:**

- Bidder qualifications ;
- Loss mitigation waterfall requirements;
- Modification requirements;
- REO sale requirements;
- Subsequent servicer requirements;
- Bidding transparency; and
- Reporting requirements.



# BIDDER QUALIFICATIONS:

- Bidders will be required to identify their servicing partners and must complete a servicing questionnaire to demonstrate a record of successful resolution of loans through alternatives to foreclosure.

# LOSS MITIGATION WATERFALL REQUIREMENTS:

- Servicers must apply a waterfall of resolution tactics that includes evaluating borrower eligibility for a loan modification, a short sale, and a deed-in-lieu of foreclosure.
- Foreclosure must be the last option in the waterfall.
- The waterfall may consider net present value to the investor.

# MODIFICATION REQUIREMENTS:

- The new servicer will be required to evaluate all pre-2009 borrowers (other than those whose foreclosure sale date is imminent or whose property is vacant) for Treasury's MHA programs, including HAMP.
- All post-January 1, 2009 borrowers (other than those with an imminent foreclosure sale date or vacant property) must be evaluated for a proprietary modification.
- Proprietary modifications must not include an upfront fee or require prepayment of any debt, and must provide a benefit to the borrower with the potential for a sustainable modification.

# REO SALE REQUIREMENTS:

- Servicers are encouraged to sell properties that have gone through foreclosure and entered Real Estate Owned (REO) status to individuals who will occupy the property as their primary residence or to non-profits.
- For the first 20 days after any NPL that becomes an REO property is marketed, the property may be sold only to buyers who intend to occupy the property as their primary residence or to non-profits.

# SUBSEQUENT SERVICER REQUIREMENTS:

- Servicing transfers from the initial servicer are permitted, but subsequent servicers must assume the responsibilities of the initial servicer.



# BIDDING TRANSPARENCY:

- To facilitate transparency and encourage robust participation by all interested participants, each Enterprise will develop a process for announcing upcoming NPL sale offerings.
- This will include an NPL webpage on the Enterprise's website, email distribution to small, non-profit and minority – and women owned business (MWOB) investors, and proactive outreach to potential bidders.
- Additionally, each Enterprise will host training sessions for interested non-profit and MWOB investors to facilitate better understanding of the NPL sales process.
- The Enterprises will also offer small pools of NPLs, where feasible.

# REPORTING REQUIREMENTS:

- NPL buyers and servicers, including subsequent servicers, are required to report detailed loan resolution results and borrower outcomes to the Enterprises for four years after the NPL sale.
- These reports will help inform whether the NPL buyer and NPL servicer continue to be eligible for future sales based on pool level borrower outcomes, adjusted for subsequent market events.
- Consistent with applicable law, FHFA and/or the Enterprises will provide public reports on aggregate borrower outcomes at the pool level.