

# Lender Letter (LL-2020-09)

Jun. 10, 2020

## To: All Fannie Mae Single-Family Servicers Incentive Fees for Retention Workout Options

*Servicing Guide F-2-02, Incentive Fees for Workout Options* provides the incentive fee that Fannie Mae will pay for completed workout options where we bear the risk of loss. Further, Lender Letter [LL-2020-05, Payment Deferral](#) provides the incentive fee for a payment deferral and Lender Letter [LL-2020-07, COVID-19 Payment Deferral](#) states that we will provide information on the incentive fee related to a COVID-19 payment deferral at a future date.

At the direction of the Federal Housing Finance Agency (FHFA) and in alignment with Freddie Mac, we are introducing a new temporary structure for incentive fees for completed repayment plans, payment deferrals/COVID-19 payment deferrals, and Fannie Mae Flex Modifications.

The following table lists the incentive fees for retention workout options that will be paid on mortgage loans where Fannie Mae bears the risk of loss.

Workout Option	Incentive Fee	Conditions
Repayment Plan	\$500	<ul style="list-style-type: none"> <li>▪ The mortgage loan must be 60 days or more delinquent when first reported with a delinquency status code 12 – Repayment Plan.</li> <li>▪ The mortgage loan must be brought current upon the successful completion of the repayment plan.</li> <li>▪ The mortgage loan must not be brought current in the same month as the delinquency status code 12 – Repayment Plan is reported.</li> <li>▪ The mortgage loan must not be paid in full or repurchased after the delinquency status code 12 – Repayment Plan is reported and before the mortgage loan becomes current.</li> <li>▪ If a repayment plan incentive fee has been paid for the mortgage loan previously, a 12-month period must have elapsed from the date the mortgage loan became current.</li> </ul>
Payment deferral; COVID-19 payment deferral	\$500	The servicer must complete the payment deferral or COVID-19 payment deferral (i.e., submit the case via Fannie Mae’s servicing solutions system).
Fannie Mae Flex Modification	\$1,000	The servicer must close the Fannie Mae Flex Modification within two months of the last day of the month in which the final trial period plan payment is due.

**Effective:** The incentive fee structure described above will be effective Jul. 1, 2020 and until further notice for all



- repayment plans with a first payment due date on or after Jul. 1,
- payment deferrals and COVID-19 payment deferrals completed on or after Jul. 1, and
- Fannie Mae Flex Modifications completed with a Trial Period Plan effective date on or after Jul. 1.

Beginning on this effective date, incentive fees will be cumulatively capped at a total of \$1,000 per mortgage loan, regardless of whether the initial retention workout option and any subsequent retention workout option were as a result of the same hardship. Workout options already begun prior to this effective date will not be subject to the cumulative incentive fee cap.

**NOTE:** Existing incentive fees for liquidation workout options will remain unchanged at this time and are not subject to the incentive cap.

Servicers who have questions about this Lender Letter should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae's Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643). Have Guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).



## Appendix

### Calculating the Incentive Fee for Retention Workout Options

*Example 1:* The servicer completes a repayment plan in Oct. 2020 (first payment due date Aug. 1, 2020) and then a Fannie Mae Flex Modification in Mar. 2021 (Trial Period Plan effective date of Dec. 1, 2020). Assuming the incentive fee eligibility criteria are met, the servicer will receive a \$500 incentive fee for the repayment plan and a \$500 incentive fee for the Fannie Mae Flex Modification, for a cumulative total incentive fee of \$1,000. Note that based on the applicable dates, both of these retention workout options fall under the new incentive fee structure described in the above Lender Letter.

*Example 2:* The servicer completed a Fannie Mae Flex Modification in Apr. 2019 for a mortgage loan that was 90 days delinquent as of the first Trial Period Plan payment due date and received a \$1,600 incentive fee. The servicer subsequently completes a second Fannie Mae Flex Modification in Nov. 2020 (Trial Period Plan effective date of Aug. 1, 2020). Assuming the incentive fee eligibility criteria are met, the servicer will receive a \$1,000 incentive fee for that second Fannie Mae Flex Modification. Because the second Fannie Mae Flex Modification was completed with a Trial Period Plan effective date on or after Jul. 1, 2020 as described in the above Lender Letter, then the servicer will have met the \$1,000 cumulative incentive fee cap and will not be eligible for additional incentive fees for any future repayment plans, a payment deferrals/COVID-19 payment deferral, or Fannie Mae Flex Modifications.

*Example 3:* The servicer completed a Fannie Mae Flex Modification in Oct. 2019 for a mortgage loan that was 90 days delinquent as of the first Trial Period Plan payment due date and received a \$1,600 incentive fee. The servicer subsequently completes a payment deferral on Nov. 1, 2020. Note that the payment deferral was completed after the new incentive fee structure described in the above Lender Letter became effective; assuming the incentive fee eligibility criteria are met, the servicer will receive a \$500 incentive fee for the completed payment deferral and will be eligible for an additional \$500 in incentive fees for any future repayment plans, a COVID-19 payment deferral, or Fannie Mae Flex Modifications.