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Basics of Fannie Mae Single-Family Reperforming Loan (RPL) Securitization

Overview

In 2016, Fannie Mae began to securitize single-family, fixed-rate reperforming loans (RPLs) into Mortgage-Backed Securities (MBS). RPLs are conventional mortgage loans that are current but had been delinquent in the past and were subsequently removed from the original MBS pool. Prior to the RPL securitization program, reperforming loans remained in our retained portfolio until they prepaid or matured. RPLs may or may not have utilized a modification to become current. Fannie Mae's RPL MBS provide additional investment options for investors while increasing our balance sheet liquidity.

Quick navigation

[Single-Family Reperforming Loan Life Diagram](#)

[Modifications and Reperforming Loans](#)

[RPL Program Details](#)

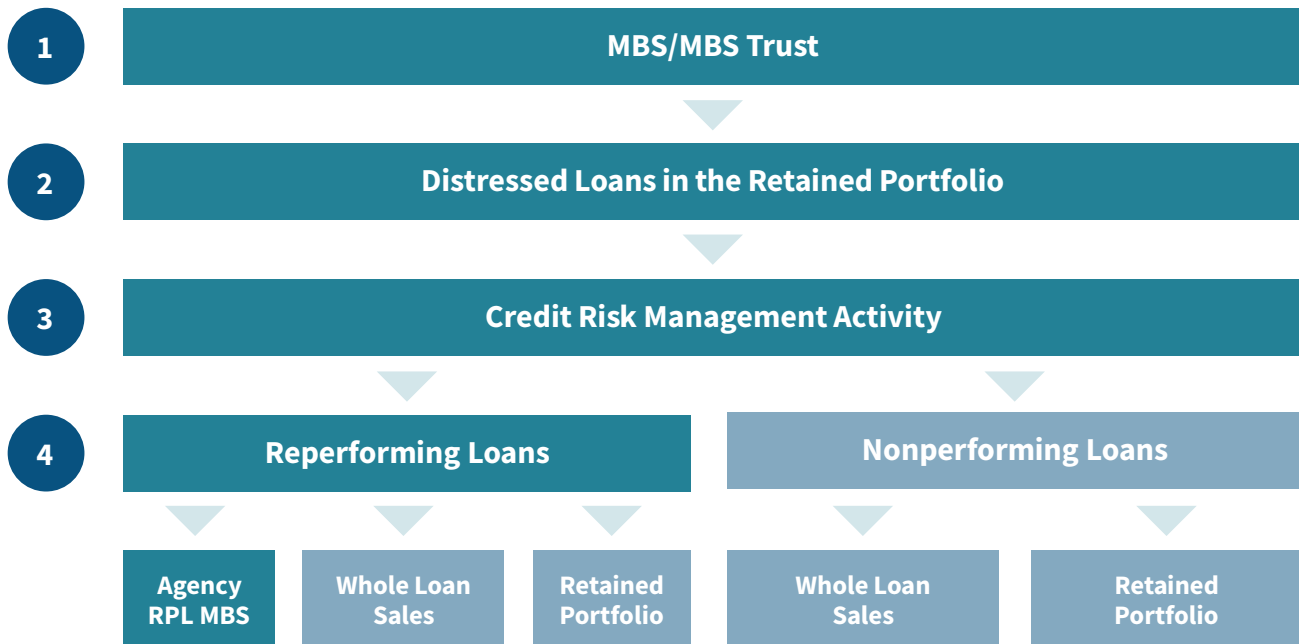
[Increasing Transparency: Disclosures](#)

Single-Family Reperforming Loan Life Diagram

1. When loans are securitized, they are placed in an MBS trust guaranteed by Fannie Mae. The guaranty ensures that Fannie Mae will supplement amounts received by the trust to permit timely payment of principal and interest to the MBS investor.
2. If a loan becomes 24 months delinquent, or meets a number of exceptions, which includes permanent modifications, Fannie Mae will remove the loan from the MBS trust and hold it in its retained portfolio as a distressed asset.¹ As of December 31, 2023, the total loss mitigation mortgage loans in our retained portfolio was \$37 billion.

1. Effective January 1, 2021, Fannie Mae, in alignment with Freddie Mac, extended the timeframe for its delinquent loan buyout policy for Single-Family Uniform Mortgage-Backed Securities (UMBS) and Mortgage-Backed Securities (MBS) from four consecutively missed monthly payments to twenty-four consecutively missed monthly payments (i.e., 24 months past due). This new timeframe will apply to outstanding single-family pools and newly issued single-family pools. We currently anticipate, however, that delinquent loans will be repurchased in most cases before the 24-month deadline under one of the exceptions listed in our announcement [here](#).

3. We employ a comprehensive credit risk management approach to manage distressed loans and offer mortgage servicers flexible options to help borrowers. A thorough loan evaluation determines the appropriate workout option potentially resulting in a loan modification. In the following section, we outline the available modification programs. Not all distressed loans reperform.
4. Once performing, these loans may be eligible for securitization into a new MBS. Details on eligibility and MBS pools are detailed below.



Modifications and Reperforming Loans

To support borrowers in need of assistance, the company has focused its efforts on several strategies, including reducing defaults through loan modifications. Servicers must evaluate the most appropriate workout program for a borrower in need of assistance based on the type of hardship, duration of delinquency, and the borrower’s intention to remain in the property. To help with this process, Fannie Mae offers servicers a workout decisioning tool called [Servicing Management Default Underwriter™ \(SMDU™\)](#). Through SMDU, servicers can offer the best available solutions to homeowners to facilitate loan reperformance and loss mitigation.

Workout options available to borrowers are different based on whether the borrower is experiencing a temporary or permanent hardship. Currently, reperforming modified loans that are securitized into MBS only include modifications for a permanent hardship.

Temporary Hardship

A temporary hardship is a situation that results in a short-term decrease in a borrower's income or increase in expenses. For temporary hardship, Fannie Mae offers short-term workout options, such as temporary payment forbearance and repayment plans. Temporary payment forbearance plans provide a period of reduced or suspended payments followed by either full reinstatement, repayment plans, payment deferral, or mortgage loan payoff.

- **Full reinstatement** is the repayment of past due amounts in a single payment.
- **Repayment plans** are arrangements made to repay delinquent installments or advances. These options do not result in a legal modification of the loan's contractual terms.
- **Payment deferral** enables borrowers who have resolved a temporary hardship and can resume making their monthly mortgage payment but cannot afford either a full reinstatement or repayment plan to bring the loan current. The borrower can defer up to two months of missed principal and interest (P&I) payments. The amount is deferred into a non-interest-bearing balance due at mortgage loan maturity, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB.
- **COVID-19 payment deferral** enables borrowers who experienced a COVID-19 related hardship and can resume making their monthly mortgage payment to defer up to 18 months of missed P&I payments, out-of-pocket escrow advances paid to third parties, and servicing advances paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by state law. The amount is deferred into a non-interest-bearing balance due at mortgage loan maturity or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB.
- **Disaster payment deferral** enables borrowers who experienced a disaster related hardship and can resume making their monthly mortgage payment to defer up to 12 months of missed P&I payments, out-of-pocket escrow advances paid to third parties, and servicing advances paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by state law. The amount is deferred into a non-interest-bearing balance due at mortgage loan maturity or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB.

Permanent Hardship

A permanent hardship is a situation that results in a permanent or long-term decrease in a borrower's income or increase in expenses. For permanent hardships, we offer loan modification options as well as foreclosure alternatives. Loan modifications typically involve changes to the original mortgage terms such as product type, interest rate, amortization term, maturity date and/or, interest-bearing unpaid principal balance.

Currently, our primary loan modification program is the Fannie Mae Flex Modification. The Flex Modification leverages components of, and replaces, prior modification programs, including the Home Affordable Modification Program (HAMP), Standard, and Streamlined Modification programs. See our [Servicing Guide](#) for details on the Fannie Mae Flex Modification.

RPL securitizations may also include loans that were modified under legacy loan modification initiatives which are no longer actively offered. These are highlighted in grey in the next page.

Loan Modification Type	Description
Fannie Mae Flex Modification	The Fannie Mae Flex modification is designed for a borrower who needs a reduced payment because they cannot maintain their existing monthly mortgage payment. To determine the borrower’s new modified mortgage loan terms, the missed principal and interest (P&I) payments and escrow advances, which include taxes and insurance (T&I) advances, are first capitalized into the mortgage balance. Thereafter, a waterfall of modification steps is applied to target a 20% reduction in the monthly mortgage payment. Disclosed as “S = Standard” in our single-family MBS disclosures.
Extend Modification for Disaster Relief	The Extend Modification for Disaster Relief results in a fixed-rate modification that extends the mortgage loan term in monthly increments to match the number of delinquent payments, not exceeding 12 months. This modification is designed for borrowers who were current or less than 31 days delinquent at the time of the disaster and meet the other eligibility requirements. Disclosed as “T = Streamlined” in our single-family MBS disclosures.
Cap and Extend Modification for Disaster Relief	The Cap and Extend Modification for Disaster Relief entail capitalization of arrearages, reduction of the interest rate under certain conditions, extension of the loan term in monthly increments up to 480 months from the mortgage loan modification effective date, and re-amortization of the mortgage loan over the term needed to achieve a monthly principal and interest (P&I) payment roughly equal to or, in some instances, lower than the pre-modification payment. Disclosed as “T = Streamlined” in our single-family MBS disclosures.
Home Affordable Modification Program (HAMP)	HAMP modifications include capitalization of interest and non-interest arrearages, extension of the mortgage term, reduction of interest rates (to a floor of 2%), and in some instances forbearance, but no reduction of principal. The HAMP program applies to mortgage loans originated on or before January 1, 2009, and expired on December 31, 2016. Disclosed as “H = HAMP” in our single-family MBS disclosures.
Regular Modification	Regular modifications allowed for a variety of modification types including capitalization of interest and non-interest arrearages, extension of the mortgage term, change in interest rate, and forbearance, but no reduction of principal. Program expired October 1, 2017. Disclosed as “R = Regular” in our single-family MBS disclosures.
Standard Modification	Standard modifications contain features previously included in the Fannie Mae Home Affordable Modification Program (HAMP), Fannie Mae Regular Modification and Fannie Mae Streamlined Modification programs. This program started October 1, 2017 (with early adoption permitted). Disclosed as “S= Standard” in our single-family MBS disclosures.
Streamlined Modification	Streamlined modifications include several programs that generally allowed capitalization of interest and non-interest arrearages, extension of the mortgage term, change in interest rate, and forbearance. These programs started in July 2013 (with earlier adoption permitted) and include Fannie Mae Standard Modifications and Fannie Mae Streamlined Modifications. Disclosed as “T = Streamlined” in our single-family MBS disclosures.

RPL Program Details

Currently, we only consider a portion of our RPL population for securitization. The table below lists the attributes of the loans that may be included in these securitizations.

Notably, beginning in 2021, loans with principal forbearance may be included in certain RPL securitizations. These are loans where the borrower has, in addition to a balance that is interest-bearing, an additional balance that is non-interest-bearing and is payable as a lump sum upon the maturity date of the mortgage loan or mortgage loan payoff. The non-interest bearing lump sum payments related to such mortgage loans are not part of the related trust and are not payable to certificateholders.

Current criteria for RPL securitization	Excluded from RPL securitization
<ul style="list-style-type: none">• Must be loans that have been performing for at least six months• Must be single-family, fixed-rate loans• Must be first liens• Can be modified or unmodified loans• Can be step rate modified loans in their final step• Can include principal forbearance	<ul style="list-style-type: none">• Loans that have been performing for less than six months• Interest-only loans• ARM loans• Government loans• Balloon loans• Loans in trial modification periods• Step rate modified loans that have not yet reached their final step• Loans under repayment plans

As the program evolves, the loan population may expand to include different loan structures and modification programs, such as loans that have not yet reached their final step. The MBS prefixes described below have been created with this flexibility in mind.

Pool Prefixes

We have created specific prefixes to support the pools collateralized by RPLs. All the prefixes are single-family, fixed-rate pools, none of which are TBA-eligible. Like the existing MBS program, the pools benefit from the Fannie Mae guaranty of timely principal and interest payments. Investors do not assume credit risk when investing in these pools.

In late 2020, we introduced four new prefixes to provide us with flexibility to issue RPLs composed entirely of reperforming modified loans with principal forbearance. These pools will be identified by prefixes I5, I6, U5, and U6 as described in the next page.

Population	Prefix	Description	Modification Program
Reperforming loans that became current without a modification (R Series)	R1	Conventional Intermediate-Term, Non-Modified Repperforming, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less.	No Modification
	R2	Conventional Intermediate-Term, Non-Modified Repperforming, Level-Payment Mortgages; Single-Family; maturing or due in 20 years or less.	
	R3	Conventional Long-Term, Non-Modified Repperforming, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.	
Reperforming loans that became current with a modification (I Series)	I1	Conventional Intermediate-Term, Repperforming Modified, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less.	<ul style="list-style-type: none"> • Flex Modification • Extend Mod for Disaster Relief • Cap and Extend Mod for Disaster Relief • HAMP • Regular (Standard) • Streamlined • Other²
	I2	Conventional Intermediate-Term, Repperforming Modified, Level-Payment Mortgages; Single-Family; maturing or due in 20 years or less.	
	I3	Conventional Long-Term, Repperforming Modified, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less.	
	I4	Conventional Extra Long-Term, Repperforming Modified, Level-Payment Mortgages; Single-Family; maturing or due in 40 years or less.	
	I5	Conventional Long-Term, Repperforming Modified Mortgages with principal forbearance, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. ³	
	I6	Conventional Extra Long-Term, Repperforming Modified Mortgages with principal forbearance, Level-Payment Mortgages; Single-Family; maturing or due in 40 years or less. ³	

2. Includes cash flow modifications and bankruptcy modifications.

3. The securitized balance includes only the interest-bearing unpaid principal balance and excludes the non-interest-bearing unpaid principal balance.

Population	Prefix	Description	Modification Program
Reperforming loans that became current with a step rate modification (U Series)	U1	Conventional Intermediate-Term, Repperforming Modified Step Rate Mortgages; Single-Family; maturing or due in 15 years or less.	Step rate modification under these programs: <ul style="list-style-type: none"> • Extend Mod for Disaster Relief • Cap and Extend Mod for Disaster Relief • HAMP • Regular (Standard) • Streamlined • Other
	U2	Conventional Intermediate-Term, Repperforming Modified Step Rate Mortgages; Single-Family; maturing or due in 20 years or less.	
	U3	Conventional Long-Term, Repperforming Modified Step Rate Mortgages; Single-Family; maturing or due in 30 years or less.	
	U4	Conventional Extra Long-Term, Repperforming Modified Step Rate Mortgages; Single-Family; maturing or due in 40 years or less.	
	U5	Conventional Long-Term, Repperforming Modified Step Rate Mortgages with principal forbearance; Single-Family; maturing or due in 30 years or less. ⁴	
	U6	Conventional Extra Long-Term, Repperforming Modified Step Rate Mortgages with principal forbearance; Single-Family; maturing or due in 40 years or less. ⁴	

4. The securitized balance includes only the interest-bearing unpaid principal balance and excludes the non-interest-bearing unpaid principal balance.

Increasing Transparency: Disclosures

In support of this program, Fannie Mae provides pool-level and loan-level disclosures for RPL securitizations. The loan level disclosure (LLD) file contains over 30 additional attributes for RPLs, including updated credit scores and LTV at issuance of the RPL MBS, performance history, delinquency status, and modification details. For loans with principal forbearance, we also disclose the non-interest-bearing UPB. Both at issuance and monthly LLD files are updated to support the program.

Due to borrower privacy considerations, we provide rounded original unpaid principal balances (UPB) for RPLs for the life of the loan and rounded scheduled UPB for the first six months after the loan is originated or modified. In addition, the format for all loan-level date fields provides month and year.

The LLD files and Single-Family MBS Disclosure Guide defining these attributes can be found on [PoolTalk®](#). Additional information on how to use PoolTalk can be found in the [PoolTalk User Guide](#).

Resources

- [Basics of Single-Family MBS](#): Information on Mortgage-Backed Securities.
- [PoolTalk](#): Data on MBS pools, including at-issuance loan-level data.
- [Pool Prefix Glossary](#): Information on the underlying loans in a given pool prefix.
- [Single-Family MBS Disclosures Guide](#): Provides definitions and calculations for data elements disclosed for our single-family securities. This document also provides the disclosure file naming convention, publication timing, and file formats.
- [2024 Holiday Calendar and Disclosure Schedule](#): Calendar for publication of MBS disclosures.

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