



SELLER/SERVICER RISK SELF-ASSESSMENT

Change Management

Change management is the governing methodology that provides an infrastructure to support and sustain change throughout multiple phases while focusing on achieving desired business results.

Sellers/servicers are under increasing pressure by regulators, borrowers, shareholders, and investors to continuously improve their business. These pressures lead to sellers/servicers initiating a wide range of company projects, including small targeted updates, process enhancements, large complex system implementations, and major business process re-engineering initiatives. A seller/servicer's ability to standardize its process and project management practices mitigates the risk of project failures and maximizes the value delivered to its own organizational processes as well as to Fannie Mae.

Change management often has two components: process management and project management.

IN THIS DOCUMENT

- Self-Assessment Checklist
- Common Findings and Documentation

RESOURCES

- *Selling Guide A1-1-01, Application and Approval of Seller/Servicer*

ONE SELLER/SERVICER'S STORY

We want to update our current loan origination system and processes. Our objectives include making better use of digitization and offering our customers a smoother experience. We need to be smart about how we manage through it to make the transition smooth for our staff and to avoid disruption of critical business processes. What steps can we take to achieve our objectives while ensuring that we continue to meet Fannie Mae's requirements during implementation?

Self-Assessment Checklist

REQUIRED

- Clear description of what change will be implemented.
- Input from stakeholders.
- Formal change plan.
- Identification of resources and data to be used.
- Communication strategy.
- Review of budget risks associated with change.

PROCESS MANAGEMENT

- A centralized repository for all policies and procedures.
- A dedicated group that oversees changes related to processes, systems, and policies.
- Key processes (policies, procedures, and support documents) are evaluated for completeness and accuracy.
- Key processes (policies, procedures, and support documents) are evaluated for current revisions.
- Regular quality assurance reviews are conducted to ensure the actual performance of employee work processes is consistent with process flows and descriptions.
- A change management tool to manage and track process updates.
- A standard policy/procedure template across the organization.
- Staff responsible for the change management process is well trained or has the necessary skills to perform these functions.
- Change management methodology that includes:
 - business ownership and governance responsibilities.
 - an impact analysis prior to process changes being implemented.
 - communication of new or revised processes to impacted business units or areas.
 - a process that ensures policies, procedures, and processes are updated to reflect remediated control deficiencies.
 - a procedure for approving new or revised processes.
 - a procedure for managing and introducing process revisions.
 - identification of training needs based on creating or updating policies and procedures.
 - validation of new or revised policies and procedures prior to implementation.
- Established controls are in place to ensure the change management methodology is applied consistently between individuals and work groups.

PROJECT MANAGEMENT

- Project management tool to track and manage projects.
- Project management tracking reports.
- Regular project tracking/inventory reports that are communicated to stakeholders.
- Project management methodology that includes:
 - communication of project goals and status.
 - milestone reviews and approvals.
 - identification and mitigation of project risk.
 - identification of stakeholders.
 - change control documentation.
 - an escalation process for projects/steps determined to be off track.
 - documentation of lessons learned.
- Projects across the organization are managed under a central group.
- Staff responsible for managing projects is adequately trained and qualified to perform the function.

Common Findings and Documentation

MORTGAGE ORIGINATION RISK ASSESSMENT (MORA) AND SERVICER TOTAL ACHIEVEMENT AND REWARDS (STAR)

Fannie Mae conducts regular reviews to evaluate compliance with our guidelines and assess operational risks. Reviews are conducted by a team that operates independently of customer account relationship management in Fannie Mae's single-family mortgage business. A Mortgage Origination Risk Assessment (MORA) or 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.

The **common findings** and **required documentation** listed below are specific to the topic of this risk self-assessment, Change Management.

COMMON FINDINGS

- The seller/servicer does not have comprehensive written policies and procedures throughout its organization.
- The seller/servicer does not have a process in place to ensure distribution of all Fannie Mae *Selling/Servicing Guide* changes and announcements within its organization.

REQUIRED DOCUMENTATION FOR A REVIEW

- Evidence of a recent project that was implemented using the project management methodology and change management governance process
- Documentation that demonstrates the initiation and implementation of a project, including project management standards, change control and governance, timelines with well-defined milestones, cost estimations, risk and impact analysis, resource requirements, lessons learned, and escalation process for projects deemed off track
- Policies, procedures, and documents that outline the process management methodology and change management governance process
- Documentation that describes the process management standards, including managing and introducing process revisions, change requests, business impact and ownership, and training
- A copy of the tracking and monitoring log for Fannie Mae *Selling Guide* announcements issued over the past six months (from the date of the review engagement)
- Documentation that evidences Fannie Mae communications are monitored and tracked for determination of process changes/change controls needed

WHAT'S NEXT?

Use the insights you've gained — especially any gaps identified in your practices and processes — to create a customized action plan.