

ATTACHMENT B

## Announcement

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**Reference**

- Selling
- Servicing
- Multifamily

**Subject**

Pledging Servicing Rights

Both the Selling and Servicing Guides include a provision stating that "a servicer may not sell -- or otherwise assign, transfer, pledge, or hypothecate -- its servicing compensation (or any portion of it) or enter into any agreement that would result in the sale, assignment, transfer, pledge, or hypothecation of that income." In response to requests from industry representatives, we re-examined our policy and have decided to allow the pledging of servicing rights under limited conditions, as long as a lender obtains our prior approval for each specific proposed transaction. We believe that the new policy not only will assist lenders by helping make more capital available to them, but also will provide Fannie Mae with continued protection of our rights under our contracts and guide provisions.

Effective immediately, Section 203 of Part I of the Servicing Guide and Section 201.07 of Part I of the Selling Guide are revised to provide for the following:

- Lenders may pledge the servicing rights to all or part of their Fannie Mae one- to four-family mortgage servicing portfolio -- whole mortgages and participation pool mortgages that we hold in our portfolio and whole mortgages and participation interests in mortgages that we have pooled to back an MBS issue. (Our prohibition against pledging servicing rights for multifamily mortgages held in our portfolio or pooled to back an MBS issue remains in effect.)
- Lenders may pledge their servicing rights only for these purposes: to fund the purchase of additional servicing portfolios, to provide collateral for warehouse lines of credit, or to effect the purchase of a mortgage banking company (including a management buyout of their existing company).
- Lenders must request Fannie Mae's prior approval of each transaction at least 30 days in advance of the proposed effective date. The transaction between the lender and the secured creditor must be documented by a security agreement. In addition, the lender and secured creditor must execute a standard Acknowledgment Agreement that sets forth the rights

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and responsibilities of the lender, the secured party, and Fannie Mae.

### Entering into a Security Agreement

The lender pledging its servicing rights and the secured party to whom the rights are pledged must enter into a legally binding security agreement. Fannie Mae will not specify precise terms or provisions that must be included in the agreement. However, since the terms and provisions of the Acknowledgment Agreement (which is executed by the lender, the secured creditor, and Fannie Mae) will prevail if there are any conflicts or inconsistencies between the security agreement and the Acknowledgment Agreement, both parties executing the security agreement should make every effort to assure that there are no conflicts or inconsistencies between the two agreements. Each request for approval of a proposed pledging transaction must include a copy of the related proposed security agreement.

The secured creditor must insert the following language in any financing statement it files for recordation in connection with the security agreement:

"The security interest created by this financing statement is subject and subordinate to all rights, powers, and prerogatives of Fannie Mae under, and in connection with, the Mortgage Selling and Servicing Contract and all applicable Pool Purchase Contracts between Fannie Mae and (\* insert name of lender named in Acknowledgment Agreement) and the Selling Guide, Servicing Guide, and other Guides, as each of such Guides is amended from time to time (collectively, the "Fannie Mae Contract"), which rights, powers, and prerogatives include, without limitation, the right of Fannie Mae to terminate the Fannie Mae Contract with or without cause and the right to sell, or have transferred, the Servicing Rights as therein provided."

The secured creditor must provide a copy of any recorded financing statement to the Fannie Mae regional office that has jurisdiction over the geographic area in which the lender's head office is located. If the security interest is released or extinguished or if the servicing rights are transferred to the secured creditor as the result of the lender's default under the security agreement (or in accordance with the terms of the Acknowledgment Agreement), the secured creditor must file for recording a proper release of the recorded security interest within five working days after the effective date of the termination, transfer, or extinguishment, notifying the appropriate Fannie Mae regional office of the filing.

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### Executing the Acknowledgment Agreement

Fannie Mae will not approve any request for the pledging of a lender's servicing rights unless the lender and the secured creditor have executed a standard Fannie Mae Acknowledgment Agreement. Lenders may obtain the standard Acknowledgment Agreement from their Lender Administration Representative in their lead Fannie Mae regional office. Some of the key points in the Acknowledgment Agreement are summarized below:

- The secured creditor's security interest is subordinate to Fannie Mae's rights, powers, and prerogatives under Fannie Mae's contracts and guides. The secured creditor will have no claim or entitlement as a secured creditor against Fannie Mae, and Fannie Mae has no duty or obligation to the secured creditor, except for those specified in the Acknowledgment Agreement.
- The lender's breach of the terms of the security agreement will not represent an automatic default or violation of Fannie Mae's contracts or guides.
- Fannie Mae, under the terms of its contracts with the lender, may terminate, sell, or transfer the mortgages for which the lender's servicing rights have been pledged and, if it does, the servicing rights will be free and clear of the secured creditor's security interest. Fannie Mae will notify the secured creditor after it terminates the lender's rights to service the mortgages for which its servicing rights have been pledged. We may select the secured creditor or its designee to act as the new servicer (or subservicer) of the mortgages or we may select another Fannie Mae-approved servicer.
- Fannie Mae has the right to all proceeds received from its termination, sale, or transfer of the mortgages for which a lender's servicing rights have been pledged. However, to the extent that Fannie Mae is fully reimbursed for all costs and expenses related to the sale or transfer and for any and all amounts due Fannie Mae for unmet obligations under the Fannie Mae contracts and guides, the secured creditor may claim all or part of any remaining sales proceeds or any applicable contract termination fees, if it has a valid power of attorney from the lender authorizing it to request distribution of the sales proceeds or any applicable contract termination fees. The secured creditor must present the power of attorney to the Fannie Mae regional office with its request that we distribute the sales proceeds or any applicable contract termination fees.

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- The secured creditor has the right to request Fannie Mae to transfer the servicing of the mortgages for which servicing rights have been pledged if it elects to enforce its security interest or any remedy for the lender's default under the security agreement. The secured creditor may request that the servicing be transferred to it (if it is an approved Fannie Mae servicer) or it may request that the servicing be transferred to another lender that is a Fannie Mae-approved servicer if it has a valid power of attorney authorizing it to make the transfer request on the lender's behalf. The secured creditor must present the power of attorney to the Fannie Mae regional office with its request that we transfer the servicing to another lender. The transfer of servicing request will be evaluated, processed, and documented under our general procedures for servicing transfers unless we agree to modify a specific requirement or amend a particular document.
- Both the secured creditor and the lender must indemnify and hold Fannie Mae harmless against all losses, claims, lawsuits, actions, damages, judgments, costs, and expenses arising or resulting from any action they take (or do not take) in compliance with the terms of the Acknowledgment Agreement or arising or resulting from any action the secured creditor or the lender takes (or does not take) in compliance with the terms of either the security agreement or the Acknowledgment Agreement. The secured creditor must also agree to indemnify and hold Fannie Mae harmless against all losses, claims, lawsuits, actions, damages, judgments, costs, and expenses arising from or connected with the security agreement or the secured creditor's foreclosure, transfer, or sale of the servicing rights under the terms of the security agreement.

A secured creditor's failure to execute the Acknowledgment Agreement may impair its ability to claim any portion of the sales proceeds or any applicable contract termination fees if we terminate the lender's Contract and sell the servicing portfolio and will impair its ability to request us to transfer the mortgages for which the servicing rights are pledged to another servicer if the lender defaults under the security agreement. A lender's failure to execute the Acknowledgment Agreement could result in a suspension of its selling and servicing rights or in the termination of its Mortgage Selling and Servicing Contract if it proceeds with an unauthorized pledging of its servicing rights.

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Lenders should contact their Lender Administration Representative in their lead Fannie Mae regional office if they have questions about this policy change, need to obtain specific procedures for requesting approval of a proposed pledging transaction, or would like to obtain a copy of the standard Acknowledgment Agreement.

*Robert J. Engelstad*

Robert J. Engelstad  
Senior Vice President -  
Mortgage and Lender Standards

ATTACHMENT C

Number: 90-10

SUBJECT: Security interests under the Uniform Commercial Code

TO: All Freddie Mac Sellers and Servicers

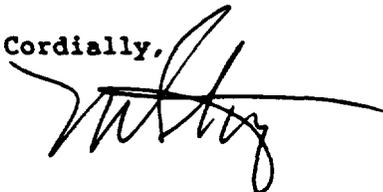
July 18, 1990

Effective immediately, we are revising sections 0104(d), 6002(d) and 6314 of the Sellers' & Servicers' Guide to provide that Freddie Mac is willing to consent to a Servicer's grant to one or more third parties of a security interest under the Uniform Commercial Code in the conditional, non-delegable contract right of the Servicer to service mortgages for Freddie Mac pursuant to the terms of the unitary, indivisible master servicing contract ("Freddie Mac servicing rights"). Freddie Mac's consent will be subject to terms and conditions specified by Freddie Mac. Those terms and conditions are set forth in an Acknowledgement Agreement, which must be executed by a Servicer and the third party to whom the Servicer grants a security interest. The terms and conditions of the Acknowledgement Agreement are standard, and are not subject to negotiation between Freddie Mac and either a Servicer or a third party. A Servicer may obtain a copy of the agreement and instructions for completing and executing it by sending a written request to the Director of Customer Administration in the applicable Freddie Mac regional office.

Under our new policy, Freddie Mac will only consent to a Servicer's grant of a security interest to a third party in the Servicer's Freddie Mac servicing rights, as more specifically defined in the agreement. Any purported or attempted grant of a security interest in any other rights or interest of the Servicer under the guide or the purchase documents (as that term is defined in the guide) is prohibited and shall be null and void. In addition, a Servicer's purported or attempted grant to a third party of a security interest in the Servicer's Freddie Mac servicing rights without the Servicer and the third party also having executed the Acknowledgement Agreement is prohibited, and shall be null and void. Any Servicer which, at any time, shall be in violation of the policies stated in this paragraph will be subject to immediate disqualification as a Seller/Servicer and immediate termination of the master servicing contract.

The changes announced in this bulletin will be incorporated into the guide in the next semi-annual update.

Cordially,



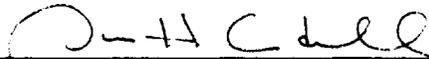
Michael K. Stamper  
Executive Vice President  
Risk Management

CERTIFICATE OF SERVICE

I, Susan H. Crandall, do hereby certify that I have this 22nd day of April, 1991, mailed by first class United States mail, postage prepaid, copies of the foregoing document to the following:

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Susan H. Crandall