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**Calculating the Payoff**

Use the system’s tool for calculating pay off, or the pay-off calculation worksheet.

All FHA loans carry interest charges through the end of the month, regardless what day the payoff occurs. Using the “as of” interest calculation with a payoff date of the 1st of the next month, unless delivery of funds have been guaranteed for the 1st day of the month.

Calculate Conventional loan payoffs using the “as of” payoff date interest calculation.

**Processing the Payoff**

Upon receipt of a payoff check, complete the payoff checklist process. Attach this checklist as a permanent record of the transaction.

	Verify the payoff amount against the system and if correct, post the payoff on the system
	For sold loans request final documents supporting the loan account from the investor
	For retained loans, retrieve the loan documents from document storage.
	Cancel Private Mortgage Insurance
	Cancel Company Name’s interest in the hazard insurance
	Cancel Tax Service Contract, if any
	Stamp Loan Documents “Paid”
If we manage payoff and release functions, we perform the following steps. If we utilize a Title Release Vendor, we forward the release and the vendor ensures recordation.	
	Prepare “Satisfaction and Release” documents
	Request check for recording fee from accounting
	Deliver Satisfaction and Release to jurisdiction for recording
	Document file for release follow up in 60 days. Add task to system.
<b>Delivery</b>	
	Return the Paid documents to the customer by registered, certified mail, or by courier.
	Verify no pending payments on escrow account
	On the 11th business day after receipt of payoff funds, disburse available funds to borrower
	Generate payoff letter and escrow funds letter to mail to the borrower along with check.

**Monthly Report – Paid off Loans with Escrow Balance**

Servicing ensures that we refund escrow balances to the borrower within 30 days of the payoff by reviewing paid in full loans against escrow balances. The report provides a list of paid in full loans that have an outstanding escrow balance. Customer service reviews this list daily to identify escrows not automatically refunded. The servicing manager generates this report twice a month.

### **Acceptable Carriers**

Each hazard insurance carrier must meet one of the following rating categories:

- Rated by A.M. Best Company Inc. must have either :
  - a “B” or better Financial Strength Rating in Best’s Insurance Reports, or
  - an “A” or better Financial Strength Rating and a Financial Size Category of “VII” or greater in Best’s Insurance Report – Non- US Edition
- Rated by Demotech, Inc.
  - must have an “A” or better rating in Demotech’s Hazard Insurance Financial Stability Ratings
- Rated by Standard and Poor’s Inc.
  - must have a “BBB” or better Insurer Financial Strength Rating in Standard and Poor’s Ratings Direct Insurance Service

We also accept coverage from a state’s FAIR plan.

For any carrier not meeting one of the above rating categories, that carrier must obtain reinsurance from a carrier which meets either the AM Best ratings or the Standard and Poor ratings as described above. Both the primary and reinsurance carriers must execute an Assumption of Liability Endorsement or an endorsement that provides 100% re-insurance of the primary insurer’s policy. This endorsement must also provide a 90-day written notice prior to cancellation of the re-insurance arrangement. If the re-insurance endorsement contains a dollar limitation, the insurance written under the policy cannot exceed that amount. The endorsement must be attached to each individual mortgagor’s hazard insurance policy - unless the servicer is covered by a mortgage impairment insurance policy.

### **Coverage Amounts**

The amount of coverage required for mortgage loans is the lesser of:

- 100% of the insurable value of the improvement - as established by the property insurer (which will normally equal the appraised value minus the lot value) OR
- The unpaid principal balance of the mortgage, as long as it equals the minimum amount - 80% of the insurable value of the improvement - required to compensate for damage or loss on a replacement cost basis.

If it does not, then we must obtain coverage that provides the minimum required amount.

Use this formula for determining the amount of required hazard insurance coverage.

1. Compare the insurable value of the improvements (as established by the property insurer) to the unpaid principal balance of the mortgage.
  - a. If the insurable value of the improvements is less than the unpaid principal balance, the insurable value will be the amount of coverage.

- b. If the unpaid principal balance of the mortgage is less than the insurable value of the improvements, go to 2.
- 2. Calculate 80% of the insurable value of the improvements.
  - a. If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance will be the amount of coverage required.
  - b. If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure will be the amount of coverage required.

Category	Property A	Property B	Property C
Insurable Value	\$ 90,000	\$100,000	\$100,000
Unpaid Balance	\$ 95,000	\$ 90,000	\$ 75,000
80% Insurable Value	-----	\$ 80,000	\$ 80,000
Required Coverage	\$ 90,000	\$ 90,000	80,000
Calculation Method	Step 1A	Step 2A	Step 2B

Coverage for condominiums must equal 100% of the insurable replacement cost of the condominium project improvements, including the individual units in the project. An insurance policy that includes either a “Guaranteed Replacement Cost Endorsement” (insurer agrees to replace the insurable property regardless of the cost) or a “Replacement Cost Endorsement” (insurer agrees to pay up to 100% of the property’s insurable replacement cost, but no more), will ensure full insurable value replacement cost coverage.

From time to time, Company Name and/or other investors may require an H06 insurance policy that provides coverage for interior walls (i.e. “walls-in”) not covered by the condo master policy. In the event, this type of coverage has been required by either Company Name or the investor, the required coverage amount will be an amount no less than 20% of the condo unit’s appraised value.

**Deductibles**

Unless a higher maximum amount is required by state law, the maximum allowable deductible for a mortgage loan is the higher of \$1,000 or 5% of the face amount of the policy. When a policy provides for a separate wind-loss deductible (either in the policy or in a separate endorsement), that deductible may be the higher of \$2,000 or 5% of the face amount of the policy.

For policies covering condominium and PUD projects unless a higher maximum deductible is required by state law, the maximum allowable deductible is the lesser of \$10,000 or 5% of the policy face amount. Funds to cover these deductibles amounts should be included in the owner’s associations operating reserve account. If the policy is a master policy, which covers individual units, the deductible related to the individual units may be the higher of \$1,000 or 5% of the replacement cost of the unit. Any wind-

### Investor Set Up

Multiple Investors/Investor Groups or banks may be set up in Mortgage Servicer to service Fannie Mae loans. However, because of the way in which the system generates and names the SURF reporting file the following parameters we use the following parameters:

- Segregate Monthly Payment Loans from Bi-Weekly mortgages
- Categorize Investors (pools) by Group
- We set up separate investor numbers for each Special Product Code and Remittance Type

Investor Information for Fannie Mae			
Bank:	02	Investor Name:	Fannie Mae
Investor:	006	Reporting Method:	Fannie Mae
Group:	001	Investor Cut-off Date:	ME
Percent Owned:	100.0000		
Interest Rate:	.00000		
Service Fee Rate:	.00000		
Investor Org Id:			
State:			
Trial Balance			
	Original	Current	Previous
Total Number Loans:			
Total Principal Balance:	.00	.00	.00
Total P&I:	.00	.00	.00
Loans Added		Loans Removed	
Number	Balance	Number	Balance
	.00		.00
Close		Date of Last Update	
		00/00/00	

Upon loan sale, Secondary Marketing will e-mail investor reporting a list of new pools. Investor reporting assigns Investor and Category numbers to each new pool sold.

- Secondary Marketing will send copies of the Form 2005, MBS Schedule of Mortgages.
- Download a copy of this form from SURF to get Fannie Mae loan numbers.
- Save to excel and calculate the service fee for each pool.
- Print copy of each pool.
- Make copies of form 2005 and give to Corporate Accounting.

### Setting Up the Lender Number

The Fannie Mae Lender Number must be entered for reporting on the Loan Activity Report, and for the files created for transmission import through SURF.

The screenshot shows a dialog box titled "Investor Information for Fannie Mae". It has tabs for "Investor" and "Bank", with "Fannie Mae" selected. The "Lender Number" field contains "216120003". Below it are several input fields for financial data, all currently showing ".00": "Principal Collected", "Curtailments Collected", "Interest Collected", "Service Fee Collected", "Total Net Interest", "Subsidy Collected", and "Other Fees Collected". The "Weighted Avg Interest Rate" field shows ".00000". "Total Custodial T&I Funds" and "Total Custodial P&I Funds" also show ".00". The "First of the Month PIF?" checkbox is unchecked. At the bottom, there are buttons for "Help", "Search", "OK", and "Cancel".

### Setting Up Individual Loans for Reporting

The screenshot shows a dialog box titled "Transfer Loan to Investor for Loan #325 - Jack Johnson". It has tabs for "Investor" and "Fannie Mae", with "Fannie Mae" selected. The "Loan Number" is "325" and the "Transfer Date" is "05/15/10". Below is a table with columns "Bank", "Investor", "Group", and "Investor Name", containing the values "02", "006", "001", and "Fannie Mae". The "Investor Loan #" field is "3250000001". The "Investor First Payment Due Date" is "06/01/10". The "Investor Principal Balance Sold" is "100,000.00" and the "Percentage Sold" is "100.000000". The "Service Fee" section has a "Type" dropdown set to "Rate" and a "Rate" field set to "25000". At the bottom, there are buttons for "Help", "Search", "Apply", and "Close".

- Investor Loan #: Enter the Fannie Mae assigned loan number.
- Investor First Payment Due Date: Enter the first payment due date to be remitted to Fannie Mae.
- Investor Principal Balance Sold: Enter the principal balance purchased by Fannie Mae.
- Percentage Sold: Enter 100.000000.
- Service Fee: Select the applicable Service Fee Type and calculation method, and enter the service fee rate.