

## Document Custody General Training Session 2007

Fannie Mae

# ARM Certification Data

- Document certification for ARM loans is this same as for Fixed Rate Mortgages. The following are the data elements required for certification of an ARM loan.

Reference # *	Certify Data on Note	Certification Description
1	Property Address	Street address indicated in the Note
2	Property City	City
3	Property State	State
4	Property Zip Code	Postal Zip Code
5	Original Loan/Line Amount	Original Loan Amount specified in the Note
6	Original Note Interest Rate	Original Interest Rate specified in the Note
7	First P&I	Due date of first Principal and Interest payment
8	Loan Term	Maturity Date on which payment of obligation is due in full
9	Loan P&I amount	Principal and Interest amount specified in the Note
10	First Interest Rate Date Change	The First Date on which the Interest Rate changes as indicated in the Note
11	Look-back Period	The number of days to "look-back" to determine the index value to calculate the interest rate change
12	Mortgage Margin	Amount added to the index value to calculate the new interest rate specified in the Note
13	Index Rounding Feature	Rounding method applied to the index and margin to determine the new interest rate indicated in the Note
14	Mortgage Rate Ceiling	The maximum allowable interest rate as specified in the Note
15	Mortgage Rate Floor (if present)	The minimum allowable interest rate as specified in the Note

# Adjustable Rate Note – Data Fields

## ADJUSTABLE RATE NOTE (1 Year Treasury Index – Rate Caps)

THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. THIS NOTE LIMITS THE AMOUNT MY INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE I MUST PAY.

- Property:
- Address ( 1 )
  - City ( 2 )
  - State ( 3 )
  - Zip Code ( 4 )

[Date] [City] [State]  
[Property Address]

### 1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$ \_\_\_\_\_ (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is \_\_\_\_\_. I will make all payments under this Note in the form of cash, check or money order.

I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

### 2. INTEREST

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of \_\_\_\_\_%. The interest rate I will pay will change in accordance with Section 4 of this Note.

The interest rate required by this Section 2 and Section 4 of this Note is the rate I will pay both before and after any default described in Section 7(B) of this Note.

### 3. PAYMENTS

#### (A) Time and Place of Payments

I will pay principal and interest by making a payment every month. I will make my monthly payment on the first day of each month beginning on \_\_\_\_\_. I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before Principal. If, on \_\_\_\_\_, 20\_\_\_\_, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make my monthly payments at \_\_\_\_\_ or at a different place if required by the Note Holder.

#### (B) Amount of My Initial Monthly Payments

Each of my initial monthly payments will be in the amount of U.S. \$ \_\_\_\_\_. This amount may change.

#### (C) Monthly Payment Changes

Changes in my monthly payment will reflect changes in the unpaid principal of my loan and in the interest rate that I must pay. The Note Holder will determine my new interest rate and the changed amount of my monthly payment in accordance with Section 4 of this Note.

### 4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

#### (A) Change Dates

The interest rate I will pay may change on the first day of \_\_\_\_\_, and on that day every 12th month thereafter. Each date on which my interest rate could change is called a "Change Date."

#### (B) The Index

Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board. The most recent Index figure available as of the date 45 days before each Change Date is called the "Current Index."

If the Index is no longer available, the Note Holder will choose a new index which is based upon comparable information. The Note Holder will give me notice of this choice.

#### (C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding \_\_\_\_\_ percentage points (\_\_\_\_\_%) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the Maturity Date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

#### (D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than \_\_\_\_\_% or less than \_\_\_\_\_%. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than one percentage point (1.0%) from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than \_\_\_\_\_%.

#### (E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

#### (F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given to me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

### 5. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of Principal at any time before they are due. A payment of Principal only is known as a "Prepayment." When I make a Prepayment, I will tell the Note Holder in writing that I am doing so. I may not designate a payment as a Prepayment if I have not made all the monthly payments due under the Note.

I may make a full Prepayment or partial Prepayments without paying a Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest on the Prepayment amount, before applying my Prepayment to reduce the Principal amount of the Note. If I make a partial Prepayment, there will be no changes in the due dates of my monthly payment unless the Note Holder agrees in writing to those changes. My partial Prepayment may reduce the amount of my monthly payments after the first Change Date following my partial Prepayment. However, any reduction due to my partial Prepayment may be offset by an interest rate increase.

### 6. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal, the reduction will be treated as a partial Prepayment.

# Adjustable Rate Notes – Data Fields

## 7. BORROWER'S FAILURE TO PAY AS REQUIRED

### (A) Late Charges for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of \_\_\_\_\_ calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be \_\_\_\_\_ % of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

### (B) Default

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

### (C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

### (D) No Waiver By Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

### (E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

## 8. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by delivering it or by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

## 9. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

## 10. WAIVERS

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

## 11. UNIFORM SECURED NOTE

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender may also require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.

If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

Borrower's Signature ( 16 )		(Seal) -Borrower
Co-Borrower's Signature ( 17 )		(Seal) -Borrower
		(Seal) -Borrower

[Sign Original Only]

# Note: Certification vs. Recertification

	<b>Note &amp; Note Related Documents, Validate that:</b>	Certification	Recertification
1	Note Data and Schedule of Mortgage Data are the same.	X	
2	The originality of the mortgage (or deed of trust) note, Lost Note Affidavit, or similar substitute documentation for a missing note for each mortgage listed on the Schedule of Mortgages (Form 2005).	X	X
4	The borrower(s) signature(s) does not contradict the name(s) typed below the signature line(s).	X	
5	All blanks have been filled in or crossed out, as applicable.	X	
6	Any "white outs" or changes to the document or to the information inserted in the blanks have been initialed by the borrower(s).	X	
7	A copy of the notarized power of attorney is included, if the attorney-in-fact executed the note on a borrower's behalf.	X	X
8	The name(s) on the power of attorney matches the name(s) on the note and the power of attorney must be dated such that it was valid at the time the note was executed.	X	
9	The power of attorney must be notarized.	X	
10	A copy of the name affidavit is present, if the borrower(s) signed the note with significant variations	X	
11	The original, recorded Modification Agreement (or a certified copy of the document submitted for recordation) is in the file if the note has been modified.	X	X
12	The note is endorsed in blank, without recourse, and there is no break in the chain of endorsements (ending to blank).	X	X

# Assignment: Certification vs Recertification

	Assignment:	Certification	Recertification
1	If the mortgage is registered with MERS, verify that an 18-digit MIN was transmitted on the Schedule of Mortgages.	X	
2	The Document Custodian should confirm with the Servicer that it is a MERS member (mortgages are registered on MERS), if no assignment is present.		X
3	If the mortgage is not registered with MERS, the Document Custodian cannot certify the pool until the Seller sends to the Document Custodian the missing unrecorded assignment to Fannie Mae.	X	
4	Other than when MERS is the mortgagee of record, the assignment to Fannie Mae must come from the entity that is servicing the loan.	X	X
5	The Assignment is an "original." Facsimile Signature with legal opinion may be acceptable*	X	X
6	The Assignment is in recordable form, but is not recorded.	X	X
7	The Document Custodian is responsible for verifying the information contained in the assignment, and should have sufficient information to be able to determine that the assignment ties back to the note.*		
8	The assignment shows either Fannie Mae or the Federal National Mortgage Association as the assignee and does <b>NOT</b> contain a recitation that the assignment of the mortgage or lien is "without recourse."	X	
9	The date the assignment was executed is not earlier than the date of the note and mortgage.	X	

\* Ensure the required recertification can be prepared within six months after the effective date of the document transfer (or within six months after the effective date of the servicing transfer, if the documents were moved because of a transfer of servicing). Recertify the MBS pool (or the individual mortgages being transferred) once any identified discrepancies or problems have been resolved. To indicate its recertification, the Document Custodian must execute an MBS Custodian Recertification (Form 2002) and return it and a copy of the trial balance (or the annotated Schedule of Mortgages (Form 2005)) to the Servicer (or the transferee Servicer) for retention. The Document Custodian must retain a copy (either in hard copy or electronic format) of the MBS Custodian Recertification and the trial balance (or the annotated Schedule of Mortgages (Form 2005)) for the MBS pool with its records for the applicable MBS pool.

The most common issue found during reviews is that the data to document validation (flow cert model) does not ensure the data used for certification is the same data delivered to Fannie Mae. In addition, we often find that the documentation to honor facsimile signatures and powers of attorney for endorsement on behalf of seller are not provided.

While a QA program is not required, we believe having one is the best practice. Fannie Mae has found that well structured quality control ("QC") processes dramatically reduces the error rates.

The data review includes a number of ARM and boutique product related fields that are not currently required for certification. As a result, delivery data errors can be included in our findings. We will work with Fannie Mae Acquisitions and Servicing personnel to address systemic errors and process corrections.

Systemic errors are identified when a process or procedure has a flaw that causes the error to be repeated for each loan that the process or procedure applies to. For instance, an ARM rounding code translation error due to a procedure or system mapping would be systemic.

Custodian Oversight and Monitoring (COM) will contact the custodian to schedule the review thirty days to six months in the future. Around thirty days prior to the review, COM will send the custodian a “Review Notice and Information Request” (please find an example on the following page).

#1 Tip – Please provide the review sample in Pool and Loan number sort order. This ordering will help ensure COM will spend the least amount of time in your shop!

#2 Tip – If you are unable to send any of the required information, please confirm it will be available on site.

# Audits and QA Programs:

Dear \_\_\_\_:

This letter is to confirm that on February \_\_ and February \_\_, 2007, Fannie Mae will be conducting a Document Custodian review at your \_\_\_\_, \_\_ location. In order to help us prepare for the review, we request the following items by \_\_\_\_, 2007.

- A listing of Pools held on Fannie Mae's behalf that have been issued from \_\_/\_\_/\_\_ through \_\_/\_\_/\_\_. Please include Pool Number, Lender Number, and Issue Date in Excel format.
- A listing of Cash Loans held on Fannie Mae's behalf that have been issued from \_\_/\_\_/\_\_ through \_\_/\_\_/\_\_. Please include Lender Number, Lender Loan ID and Certification Date in Excel format.
- Any revised written custodial procedures for receiving, certifying, tracking, storing, and releasing loan documents implemented since \_\_/\_\_/\_\_.
- Any revisions to the written business continuity (disaster recovery) plan for document custody operations implemented since \_\_/\_\_/\_\_.
- Current IDC, Fitch Rating.
- An executed copy of any revised and/or new document custodian agreements since \_\_/\_\_/\_\_.
- Updated copies of fire insurance policy, E&O policy and fidelity bond.
- Current organization chart for the document certification and custody functions.

We would appreciate receiving the information requested above via email. Other documents for which you may only have hard copies of may be sent via overnight mail to my attention at the address listed below.

Fannie Mae will provide a list of pools and loans that we wish to review during the visit by \_\_\_\_, 2007. In addition, a high level agenda has been attached.

Thank you in advance for your assistance. We look forward to working with you during the review. If you have any questions, please feel free to contact me at the number(s) below.

Sincerely,

## Q&A Session