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Fannie Mae ABOVE AVERAGE Commercial Mortgage Loan Master And Special Servicer Rankings Affirmed; Outlook Stable

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OVERVIEW

- We affirmed our overall ABOVE AVERAGE rankings on Fannie Mae® as a commercial mortgage loan master and special servicer.
- The charter for The Federal National Mortgage Association (Fannie Mae), established by Congress in 1938, was expanded in 1984 when it formed its multifamily commercial lending business. Fannie Mae has been an active purchaser of multifamily mortgage loans since 1987.
- The outlooks on the rankings are stable.

FARMERS BRANCH, TEXAS (S&P Global Ratings) July 1, 2019--S&P Global Ratings today affirmed its ABOVE AVERAGE rankings on Fannie Mae as a commercial mortgage loan master and special servicer. The outlooks on the rankings are stable.

Our rankings reflect:

- The solid depth and breadth of management and staff, with significant industry experience and meaningful company tenure;
- The dedicated focus on technology platform and applications, along with extensive data loss protection and oversight;

- The comprehensive quality control and audit environment;
- The solid multifamily underwriting guidelines and servicer oversight, which benefit from a unique risk-sharing model;
- The lengthy track record of special servicing loan resolution activity, though it is predominately limited to the traditional multifamily product;
- The historical low level of multifamily delinquencies;
- The continued financial support and implicit guarantee from the U.S. government; and
- Fannie Mae's position in the Federal Housing Finance Agency (FHFA) conservatorship, with an uncertain future.

Since our prior review (see "Servicer Evaluation: Fannie Mae," published March 14, 2018), the following changes and/or developments have occurred:
- Lending activity remained steady at $65 billion in 2018, including over $20 billion in green bond issuance.
- The FHFA issued its 2019 Conservatorship Scorecard, keeping the annual multifamily lending cap to $35 billion for 2019 (the same level as in 2018, excluding carve-outs for certain targeted business segments).
- The Director of Portfolio and Partner Surveillance left the company in May 2018. In the interim, those duties are being handled by the Vice President of Debt and Equity Asset Management. Fannie Mae is strategically approaching backfilling this position and anticipates completing this in the coming months.
- The Multifamily Chief Credit Officer retired in December 2018, and the position was filled with an experienced industry new hire.
- The company replaced the legacy disclosure system in November 2018 with DUS Disclose®, which includes more data points for servicers.
- The company consolidated from five locations in Washington D.C. to one location in Washington D.C. during the third quarter of 2018.
- The company relocated its Dallas operations to a Plano office campus, which is approximately 10 miles north of the prior location, in November 2018.
- The CEO retired in October 2018, and the position was temporarily filled by a board member who was subsequently appointed as the new CEO on March 26, 2019, following a national search.
- The director of special servicing role was split into two roles in October 2018: the director of REO and disposition and the director of special asset management. The previous director of special servicing transitioned to the director of REO and disposition, while an internal team manager was promoted to the director of special asset management.
- The Risk & Compliance portal was developed as a repository for policies and procedures in the fourth quarter of 2018, replacing the COPPER application.
- KPMG was selected as bond administrator, outsourcing duties previously performed by the internal securities management team.

The stable outlooks on the rankings reflect our view that Fannie Mae will continue to serve as a fully capable master and special servicer for commercial mortgage loans with a multifamily focus. Although Fannie Mae's future existence and role have been under discussion internally and externally within various levels of the U.S. government recently, we assume it will conduct business as usual for the foreseeable future.

The financial position is SUFFICIENT.

RELATED RESEARCH

- Select Servicer List, June 25, 2019
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019
- Summary: Fannie Mae, May 2, 2018
- Servicer Evaluation: Fannie Mae, March 14, 2018