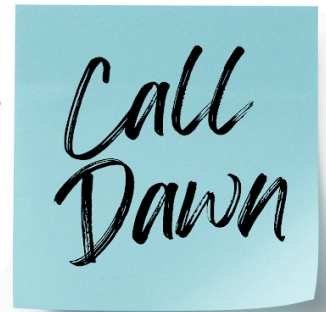




Loan Servicing

Congratulations! You've closed on the purchase of your new home! Now it's time to pack and move, paint, and hang pictures. Before you know it, you'll also need to start making your new mortgage payment. As you settle into your new home, your mortgage goes through a transition period as well. Here's what to expect from the loan side of things as your new mortgage settles into a routine.



Servicing vs. Noteholder

At closing, your lender sends a significant sum of money to the title company. In return, you hand over a document called a "note." This note is your promise to pay and outlines all the terms of your loan, including the interest rate, loan amount, and due date.

Every lender has a limited amount of money available to lend. Running out of funds would not be good for business, as you can imagine. To replenish their available funds, your lender sells the note you signed to the "secondary market." Entities like Fannie Mae and Freddie Mac exist to buy these notes from lenders. By selling your note to Fannie Mae, your lender gets its money back, allowing them to lend again.

While Fannie Mae is happy to collect your interest payments, they prefer not to handle the day-to-day administrative tasks that come with your mortgage. Therefore, they hire a third party to manage these details. This third party is known as your loan "servicer." In exchange for their services, your servicer retains a small portion of each payment you make before forwarding the remainder to Fannie Mae. The logo you see on your monthly statement is that of your servicer.

What Happens After Closing?

Now that we've covered the behind-the-scenes processes, let's discuss what you can expect to see—and not see—after closing. You likely won't receive much communication regarding your first payment. Instead, dig through the stack of papers you signed at closing; you should find a "first payment letter," a few coupons, or both, containing all the necessary information to start paying your loan: who, when, what, and where. These documents will guide you until you receive further instructions.

Within 30 to 60 days after closing, you can expect to receive three letters:

1. **"Goodbye" Letter** – Your lender will inform you who will take over your loan servicing, provide contact information for your new servicer, and indicate the transfer date.

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2. **“Hello” Letter** – Your new loan servicer will send you a letter with their contact details, the date they’ll begin servicing your loan, and a summary of your loan terms.
3. **Noteholder Notification** – You may receive a letter confirming that Fannie Mae or Freddie Mac has purchased your loan. However, this is less significant, as your day-to-day dealings will be with your servicer.

These letters will arrive via traditional mail and are likely sent to your new home (unless you purchased the property as a rental). If you’re not moving in right away, be sure to check your mailbox periodically.



Don’t Sweat the Transition

Servicing transfers are a routine process that lenders manage daily, ensuring a smooth transition for you. Your lender and servicer will maintain open lines of communication throughout this period. Here are a few important points to keep in mind:

- **No News is Good News:** If you don’t receive communication before your first monthly payment is due, don’t panic. Simply refer to the first payment letter you received at closing. If you can’t locate it, contact your lender, and they will provide you with a copy and confirm the due date.
- **Letter Order May Vary:** Sometimes, the “Goodbye” and “Hello” letters may arrive out of order. If you have any concerns about the authenticity of a letter or questions, feel free to call your lender to verify its legitimacy.
- **Payment Concerns:** It’s common to receive a letter instructing you to pay a new servicer right after you’ve sent a payment. This is simply the nature of loan servicing transitions. You don’t need to stop payments; your lender will endorse your check and forward it to your new servicer.
- **Check Clearing Delays:** If your first couple of checks take a while to clear, don’t worry. When your lender endorses a check and sends it to the new servicer, it may take some time for the new servicer to set up your account. This administrative process can take a few weeks.
- **Credit Record Protection:** Rest assured, when your loan servicing transfers, there’s a 60-day grace period during which you won’t be charged a late fee, and no late payment will be reported to your credit record.

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Timing Your Auto-Pay

If you're planning to set up an automatic payment for your loan, exercise a bit of patience. Setting up auto-pay immediately after closing, based on the terms in your first payment letter, may require you to cancel and re-establish it in a month or two. It's best to wait until the servicing transfer dust has settled before setting up auto-pay; consider sending your first payment via traditional mail.

What Do Servicers Do?

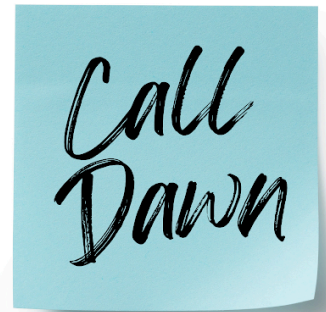
Once your loan servicing transfers and you set up auto-pay, you may find that you rarely need to communicate with your loan servicer. Servicers are efficient in managing their responsibilities. Each month, they will process your payment (whether by check or debit), send you a monthly statement, and deposit the tax and insurance portion of your payment into your escrow account (if applicable).

Annually, your servicer will issue you an IRS Form 1098, detailing the interest and taxes you've paid for your tax return. If you have an escrow account, your servicer will pay your taxes and insurance as they come due and provide an annual escrow statement that adjusts the tax and insurance portion of your payment.

Should you have questions about your loan, you can easily log into your servicer's website or call them for assistance.

Understanding Servicing Transfers

While many loans remain with the same servicer throughout their duration, servicing rights can be bought and sold. During your loan's lifetime, you may experience another servicing transfer. If this happens, you will receive "Goodbye" and "Hello" letters just like those you received after closing.



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