



Announcement 08-18

August 4, 2008

Amends these Guides: Selling

Updated Adverse Market Delivery Charge and Flow Business Pricing Requirements

Introduction

Fannie Mae is announcing changes to better align pricing with credit risks, mitigate losses, and support Fannie Mae's ability to provide a stable source of liquidity to lender partners. The changes include:

- an increase to the Adverse Market Delivery Charge, and
- changes to the standard pricing requirements.

Updated Adverse Market Delivery Charge

Fannie Mae is increasing the Adverse Market Delivery Charge from 0.25% to 0.50% effective for whole loans purchased on or after October 1, 2008, and for mortgage loans delivered into MBS with issue dates on or after October 1, 2008. As a reminder, this charge applies to all mortgage loans delivered to Fannie Mae, whether under standard or negotiated terms.

Updated Flow Business Pricing Requirements

Fannie Mae is also updating loan-level price adjustments (LLPAs) that apply to mortgage loans with certain risk characteristics. The changes include:

- LLPA credits for certain mortgage loans with representative credit scores of 720 and greater and LTV ratios over 85%,
- decreased LLPAs for certain loans with representative credit scores of 620 and greater and LTV ratios over 85%, and
- increased LLPAs for certain mortgage loans with LTV ratios from 75.01 to 85%.

The following LLPA grids replace the grids that were effective June 1, 2008, as announced in Announcement 08-04: *New Flow Pricing Requirements*. The updated grids are effective for whole loans purchased on or after October 1, 2008, or for mortgage loans delivered into MBS with issue dates on or after October 1, 2008.

LLPAs by Credit Score/LTV (bold indicates changed values)

All Eligible Mortgages – Credit Score / LTV Ratio ¹									
Credit Score	LTV Range								
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	97.01 – 100%
≥ 740	-0.250%	0.000%	0.000%	0.000%	0.000%	-0.250%	-0.250%	-0.250%	-0.250%
720 – 739	-0.250%	0.000%	0.000%	0.250%	0.000%	-0.250%	-0.250%	-0.250%	-0.250%
700 – 719	-0.250%	0.500%	0.500%	0.750%	0.500%	0.250%	0.250%	0.250%	0.250%
680 – 699	0.000%	0.500%	0.500%	1.000%	0.500%	0.250%	0.250%	0.250%	0.250%
660 – 679	0.000%	0.500%	1.250%	1.750%	1.500%	1.000%	1.000%	1.000%	1.000%
640 – 659	0.000%	0.500%	1.750%	2.250%	2.000%	1.500%	1.500%	1.500%	1.500%
620 – 639	0.000%	0.750%	2.500%	2.750%	2.750%	2.250%	2.250%	2.250%	2.250%
< 620	0.000%	0.750%	2.750%	2.750%	2.750%	2.750%	2.750%	2.750%	2.750%

¹ These LLPAs do not apply to loans with amortization terms of 15 years or less, MyCommunityMortgage[®] loans, most government loans, or Desktop Underwriter[®] 5.7 Expanded Approval[®] loans. If the LTV ratio exceeds 97%, the loan must be a Streamlined Refinance Option A or Option A Select.

LLPAs for Cash-Out Refinances (bold indicates changed value)

Cash-Out Refinances – Credit Score / LTV Ratio ²									
Credit Score	LTV Range								
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	97.01 – 100%
≥ 740	0.000%	0.000%	0.000%	0.250%	0.375%	0.375%	N/A	N/A	N/A
720 – 739	0.000%	0.125%	0.125%	0.500%	1.000%	0.500%	N/A	N/A	N/A
700 – 719	0.000%	0.125%	0.125%	0.500%	1.000%	0.500%	N/A	N/A	N/A
680 – 699	0.000%	0.250%	0.250%	0.875%	2.000%	1.500%	N/A	N/A	N/A
660 – 679	0.000%	0.250%	0.250%	1.000%	2.000%	1.500%	N/A	N/A	N/A
640 – 659	0.000%	0.750%	0.750%	1.750%	2.500%	2.000%	N/A	N/A	N/A
620 – 639	0.000%	0.750%	0.750%	2.250%	2.500%	2.000%	N/A	N/A	N/A
< 620	1.000%	1.750%	1.750%	2.750%	3.000%	3.000%	N/A	N/A	N/A

² These LLPAs apply to all cash-out refinances and are cumulative to other LLPAs, including Credit Score/LTV LLPAs above.

Fannie Mae has updated the *Loan-Level Price Adjustment (LLPA) Matrix and Adverse Market Delivery Charge Information*, which is available on the Single-Family Reference Materials page on eFannieMae.com. Lenders are reminded that all LLPAs are cumulative, unless otherwise noted. LLPAs and the Adverse Market Delivery Charge are incorporated by reference into the *Selling Guide* and are binding on lenders as provided by the Mortgage Selling and Servicing Contract.

* * * * *

Lenders who have questions about Announcement 08-18 should contact their Customer Account Team.

Michael A. Quinn
Senior Vice President
Single-Family Risk Officer