



Announcement 08-04

March 6, 2008

Amends these Guides: Selling

New Flow Business Pricing Requirements

Introduction

Fannie Mae is committed to providing a stable source of liquidity to our lender partners and to promoting sustainable homeownership. In light of the continued deterioration in housing market conditions, including declining home prices and increasing delinquencies and losses, Fannie Mae will modify its pricing to better align with loan risk characteristics.

The purpose of this Announcement is to establish revised standard pricing requirements for certain risk attributes.

Changes to Pricing Requirements

Fannie Mae will implement new loan-level price adjustments (LLPAs) that will apply to mortgage loans with various combinations of risk characteristics:

- A range of loan-to-value (LTV) ratios combined with certain representative credit scores;
- Cash-out refinance loans with certain LTV ratios combined with certain representative credit scores; and
- Two-to-four unit properties.

For whole loans purchased on or after June 1, 2008, or loans delivered into MBS with issue dates on or after June 1, 2008, Fannie Mae standard pricing will include the LLPAs set forth in the following grids for all eligible mortgages. There will be LLPA increases as well as some LLPA credits and/or reductions.

LTV/FICO® LLPAs

The following grid replaces the LTV/FICO LLPAs announced in Announcement 07-16, *New Flow Business Pricing Requirements, Changes to Pricing Requirements, #1* (which was effective March 1, 2008).

ALL ELIGIBLE MORTGAGES ¹ - FICO Score/LTV									
LTV Ratios									
Credit Score	≤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%	0.000%	0.000%	0.000%	0.000%
720 - 739	-0.250%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
700 - 719	-0.250%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
680 - 699	0.000%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
660 - 679	0.000%	0.500%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%
640 - 659	0.000%	0.500%	1.750%	1.750%	1.750%	1.750%	1.750%	1.750%	1.750%
620 - 639	0.000%	0.750%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
<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, Expanded Approval®, Expanded Approval with Timely Payment Rewards®, MyCommunityMortgage®, and most Government loans. See LLPA Matrix for details.

Cash-out Refinance LLPAs

The following grid replaces the existing cash-out refinance LLPAs. This grid applies in addition to the previous FICO/LTV grid, for cash-out refinances only.

CASH-OUT REFINANCES - FICO Score/LTV									
LTV Ratios									
Credit Score	≤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%	0.375%	0.500%	0.500%	N/A	N/A	N/A
700 - 719	0.000%	0.125%	0.125%	0.375%	0.500%	0.500%	N/A	N/A	N/A
680 - 699	0.000%	0.250%	0.250%	0.750%	1.500%	1.500%	N/A	N/A	N/A
660 - 679	0.000%	0.250%	0.250%	0.750%	1.500%	1.500%	N/A	N/A	N/A
640 - 659	0.000%	0.750%	0.750%	1.500%	2.000%	2.000%	N/A	N/A	N/A
620 - 639	0.000%	0.750%	0.750%	1.500%	2.000%	2.000%	N/A	N/A	N/A
<620	1.000%	1.750%	1.750%	2.500%	3.000%	3.000%	N/A	N/A	N/A

Two- to Four-Unit Property LLPAs²

The two-unit LLPA below replaces the existing two-unit LLPA. The three- and four-unit LLPAs are new LLPAs.

- Two-Units: 0.50% LLPA applicable to all LTVs
- Three- to- Four Units: 1.00% LLPA applicable to all LTVs

All LLPAs are cumulative unless otherwise noted.

Fannie Mae has updated the LLPA Matrix, which is available on the Single-Family Reference Materials page on eFannieMae.com. Lenders are reminded that LLPAs are incorporated by reference into the Selling Guide and are binding on lenders as provided by the Mortgage Selling and Servicing Contract.

² These LLPAs do not apply to MyCommunityMortgage loans.

Other Products Addressed in Desktop Underwriter® (DU) Version 7.0

Fannie Mae expects to issue the Release Notes for DU Version 7.0 in the near future. In conjunction with DU Version 7.0, Fannie Mae expects to better align and integrate requirements for products such as MyCommunityMortgage, Expanded Approval, and Flexible Mortgages®.

Lenders who have questions about Announcement 08-04 should contact their Customer Account Team.

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