



***Announcement 08-11***

***May 16, 2008***

***Amends these Guides: Selling***

***Jumbo-Conforming Mortgage Loans – Expanded Eligibility and Products***

**Introduction**

Announcement 08-05, *Temporary Increase to Our Conventional Loan Limits*, dated March 6, 2008, and Announcement 08-09, *Jumbo-Conforming Mortgage Loans – ARM Plans, MBS Pooling, and Other Information*, dated April 4, 2008, established Fannie Mae's requirements regarding jumbo-conforming mortgage loans that will be acquired under the authority granted by The Economic Stimulus Act of 2008. This law established temporary increases to Fannie Mae's conventional loan limits for first lien mortgage loans in high-cost areas, as defined by the U.S. Department of Housing and Urban Development (HUD).

In order to quickly introduce jumbo-conforming mortgages to the marketplace, Fannie Mae took a phased approach, starting with limited product eligibility and scope for certain whole loan purchases and MBS deliveries beginning on April 1, 2008. With this Announcement, we are pleased to be able to provide lenders with additional eligibility and product expansion for jumbo-conforming mortgages.

**Purpose**

This Announcement outlines Fannie Mae's expanded requirements for the origination, underwriting, and delivery of conventional jumbo-conforming mortgages and delivery of FHA higher balance mortgages. In addition, we are providing a comprehensive description of all jumbo-conforming eligibility requirements.

## Expanded Eligibility and Products

Fannie Mae is expanding jumbo-conforming eligibility to include the following transactions and products:

### For all Occupancy Types

- Fixed-rate interest-only mortgages with a 10-year interest-only period, 30-year term
- 7/1 and 10/1 fully amortizing ARMs, LIBOR index, 5/2/5 caps, 30-year term
- 7/1 and 10/1 interest-only ARMs with a 10-year interest-only period, LIBOR index, 5/2/5 caps, 30-year term

### For Principal Residence Transactions Only

- Cash-out refinances with loan-to-value (LTV), combined LTV (CLTV), and home equity CLTV (HCLTV) ratios up to 75 percent (maximum \$100,000 cash-back to the borrower)
- Increased ARM LTV, CLTV, and HCLTV ratios for purchase money transactions up to 90 percent
- Increased LTV ratios for limited cash-out refinances to 90 percent (and reduced CLTV and HCLTV from 95 to 90 percent)

Refer to the “Maximum LTV, CLTV, and HCLTV Ratios for Jumbo-Conforming Mortgages” chart below for additional information.

## Effective Date for Expanded Eligibility and Products

Depending on the specifics of the transaction (e.g., whole loan or MBS, fixed-rate or ARM, fully amortizing or interest-only, loan purpose and occupancy) the above transactions are eligible for whole loan purchase or MBS delivery beginning either July 1, 2008 or August 1, 2008 -- refer to Attachment 1 of this Announcement for the schedule of effective dates.

## Additional Eligibility Changes and Clarifications

- Jumbo-conforming mortgages are no longer subject to a reduction in the LTV, CLTV, or HCLTV ratios if the property is located within a declining market.
- The requirement that fully amortizing ARMs be qualified at the *higher* of the note rate or fully indexed rate is being modified. In accordance with the requirements of the Fannie Mae *Selling Guide*, fully amortizing ARMs can be qualified at the note rate. Interest-only ARM qualifying will not change and will continue to be based on the higher of the note rate or fully indexed rate.
- Fannie Mae is clarifying that CPM™ Expedited Review or the Lender Full Review process is not required for attached units in a PUD project. Lenders must follow the “Eligibility Requirements for PUD Projects” stated in Announcement 07-18, *Lender Delegation of Project Review Processes and Related Changes for Condominiums, Cooperatives, and Planned Unit Developments (PUDs)*.

Each of the above three changes will align the requirements for jumbo-conforming mortgages with standard conforming mortgages.

### Effective Date for Additional Eligibility Changes

These changes are effective for jumbo-conforming mortgage originated on or after March 1, 2008.

### Recap of Basic Jumbo-Conforming Mortgage Requirements

- Loans must be conventional first lien mortgages only.
- Loans must have been originated (based on the date of the mortgage note) on or after March 1, 2008 up to and including December 31, 2008.
- Fannie Mae will consider bulk purchases of loans originated on or after July 1, 2007 on a negotiated basis with appropriate pricing and eligibility criteria specific to each transaction.
- All loans must be manually underwritten. The jumbo-conforming loan limits, eligibility, and underwriting guidelines will be added to Desktop Underwriter<sup>®</sup> in a future release.

### Maximum LTV, CLTV, and HCLTV Ratios for Jumbo-Conforming Mortgages

Loan Purpose	Product Type	LTV	CLTV	HCLTV	Minimum FICO <sup>®</sup> Score
<b>Principal Residence</b>					
<b>Purchase</b>	All Eligible <sup>1</sup>	90%	90%	90%	LTV > 80%: 700 LTV ≤ 80%: 660
<b>Limited cash-out refinance</b>		90%	90%	90%	
<b>Cash-out refinance</b>		75%	75%	75%	700
<b>Second Home and Investment Property</b>					
<b>Purchase</b>	All Eligible <sup>1</sup>	60%	60%	60%	660
<b>Limited cash-out refinance</b>		60%	60%	60%	660
<b>Cash-out refinance</b>	NA	NA	NA	NA	NA

<sup>1</sup> Product types that are eligible for jumbo-conforming mortgages include: fully amortizing fixed-rate, interest-only fixed-rate (10-year interest-only period), fully amortizing ARMs (plans 2727, 2729, 2737, 3252), and interest-only ARMs (3225, 3505, 3518). Loan terms can not exceed 30-years.

**Note:** Attachment 2 contains the updated, comprehensive eligibility requirements for jumbo-conforming mortgages. It incorporates the information that was contained in Announcement 08-05, the updates and clarifications that were included in Announcement 08-09, and this Announcement.

## Loan-Level Price Adjustments

Loan-level price adjustments (LLPA) may apply to jumbo-conforming mortgages, as summarized below, whether delivered under whole loan commitments or MBS contracts. Jumbo-conforming mortgage loans are also subject to all other applicable loan-level price adjustments per the *Selling Guide*, as well as the Adverse Market Delivery Charge. All price adjustments are cumulative.

Product Type	LLPA
Fixed-rate, term $\leq$ 15 years, Fully amortizing	0.00%
Fixed-rate, term $>$ 15 years, Fully amortizing, LTV/CLTV/HCLTV $\leq$ 75% and FICO $\geq$ 700	0.00%
Fixed-rate, term $>$ 15 years, Interest-only, LTV/CLTV/HCLTV $\leq$ 75% and FICO $\geq$ 700	0.25%
Fixed-rate, term $>$ 15 years, Fully amortizing, LTV/CLTV/HCLTV $>$ 75% or FICO $<$ 700	0.25%
Fixed-rate, term $>$ 15 years, Interest-only, LTV/CLTV/HCLTV $>$ 75% or FICO $<$ 700	0.50%
ARM, Fully amortizing and Interest-only, LTV/CLTV/HCLTV $\leq$ 75%	0.75%
ARM, Fully amortizing and Interest-only LTV/CLTV/HCLTV $>$ 75%	1.50%
Loan Purpose	
Limited cash-out refinance LTV/CLTV/HCLTV $>$ 75%	0.50%
Cash-out refinance, all LTVs	1.00%

The above price adjustments are effective for all whole loans purchased on or after July 1, 2008, or loans delivered into MBS pools with issue dates on or after July 1, 2008. With the release of this Announcement, Fannie Mae has updated the *Loan-Level Price Adjustment Matrix and Adverse Market Delivery Charge Information* to reflect the new price adjustments. The updated matrix is available via the Single-Family Reference Materials page on eFannieMae.com.

## Whole Loan Commitment Information

For jumbo-conforming mortgages, Fannie Mae will provide live pricing options on eCommitting™ for mandatory whole loan commitments and on eCommitONE™ for best efforts commitments based on the following schedule:

<b>Product Type</b>	<b>eCommitting Available Date</b>	<b>eCommitONE Available Date</b>
Fixed-rate, 30-year	April 1, 2008	August 1, 2008
Fixed-rate, 15-year	April 1, 2008	August 1, 2008
Fixed-rate, Interest-only	August 1, 2008	September 8, 2008
5/1 LIBOR ARM, Fully amortizing	May 1, 2008	August 1, 2008
5/1 LIBOR ARM, Interest-only	May 1, 2008	August 1, 2008
7/1 and 10/1 LIBOR ARM, Fully amortizing	August 1, 2008	September 8, 2008
7/1 and 10/1 LIBOR ARM, Interest-only	August 1, 2008	September 8, 2008

Contract eligibility will be restricted such that jumbo-conforming and standard conforming loans may not be commingled in the same whole loan commitment.

### **MBS Pool Information**

Jumbo-conforming mortgages may be delivered into existing MBS standard remittance contracts, and will use the same base guaranty fees as standard conforming mortgage loans. Standard conforming mortgage loans are permitted to be commingled with jumbo-conforming mortgage loans in pools with jumbo-conforming prefixes. However, jumbo-conforming mortgage loans are not permitted to be commingled with standard conforming mortgage loans in pools with standard mortgage prefixes.

One new MBS pool prefix, NJ, has been established for fixed-rate interest-only mortgages.

<b>Product Type</b>	<b>Pool Prefix</b>	<b>Note Date<sup>1</sup></b>
Fixed-rate, Interest-only	JL	July, 1 2007 – February 29, 2008
	NJ	March 1, 2008 and later

<sup>1</sup> Jumbo-conforming mortgages with note dates on or before February 29, 2008 will be considered only on a negotiated bulk basis with eligibility and pricing requirements specific to each transaction.

The two MBS pool prefixes that were established for jumbo-conforming ARM loans, LC and LD, will apply to all jumbo-conforming 5/1, 7/1, and 10/1 fully amortizing and interest-only ARMs.

**Note:** Attachment 3 to this Announcement contains an updated version of the attachment that was contained in Announcement 08-09. It provides a summary of key whole loan and MBS pool information for all jumbo-conforming products that are eligible for delivery to Fannie Mae, including fixed-rate mortgages and ARMs.

## **MBS Buyup and Buydown Grids**

Fannie Mae has established specific grids for 15-year and 30-year fully amortizing fixed-rate jumbo-conforming mortgages. Lenders may use the standard conforming buyup and buydown grids for fixed-rate interest-only, as well as 5/1, 7/1, and 10/1 fully amortizing and interest-only ARMs.

## **Flash MBS<sup>®</sup>**

Effective with the date of this Announcement, Flash MBS processing is now available for jumbo-conforming mortgages.

## **FHA Higher Balance Mortgages**

The Economic Stimulus Act of 2008 also included a provision allowing for temporary increases to FHA's loan limits. These limits are effective for certain FHA mortgages endorsed for insurance on or after March 6, 2008 and remain in effect for those mortgages for which the mortgagee has issued credit approval for the borrower on or before December 31, 2008. Fannie Mae will permit lenders to deliver higher balance FHA loans for whole loan or MBS options beginning on July 1, 2008. All loans must be underwritten in accordance with FHA's guidelines and requirements. Existing FHA whole loan pricing on eCommitting and MBS pooling parameters (including the GL prefix for fixed-rate mortgages and GA prefix for ARMs) apply. Refer to FHA's *Mortgagee Letter 2008-06: Temporary Loan Limit Increase for FHA* (March 6, 2008) for additional information.

## **FHA Special Feature Code**

Lenders must use special feature code 798 to identify certain higher balance FHA loans. If the loan amount exceeds the amounts listed below based on the number of units in the subject property and the location of the property, then the special feature code is required.

<b>Number of Units</b>	<b>For Properties Outside of Alaska, Hawaii, Guam, and the U.S. Virgin Islands</b>	<b>For Properties in Alaska, Hawaii, Guam, and the U.S. Virgin Islands</b>
One	\$362,790	\$544,185
Two	\$464,449	\$696,673
Three	\$561,411	\$842,116
Four	\$697,696	\$1,046,544

## **Effective Dates**

The changes described in this Announcement are effective as of the dates set forth in this Announcement. In summary, these dates are as follows:

<b>Topic</b>	<b>Effective Date</b>
Expanded Eligibility and Products	Refer to Attachment 1 for the schedule of effective dates
Additional Eligibility Changes and Clarifications	Mortgages originated on or after March 1, 2008
Loan-level Price Adjustments	Whole loans purchased or MBS pools with issue dates on or after July 1, 2008
Whole Loan Pricing Availability	August 1 or September 1, 2008 depending on the product. Refer to Page 5 or Attachment 1 for applicable dates.
Flash MBS	May 16, 2008 (date of this Announcement)
FHA Higher Balance Mortgages	Eligible for whole loan or MBS delivery on or after July 1, 2008

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Lenders who have questions about Announcement 08-11 should contact their Customer Account Team.

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

**Attachment 1**  
**Jumbo-Conforming Mortgages**  
**Whole Loan and MBS Effective Dates**

<b>Product</b>	<b>Maximum Term (years)<sup>1</sup></b>	<b>ARM Plan</b>	<b>Whole Loan Commitments Available in eCommitting</b>	<b>Whole Loan Commitments Available in eCommitONE</b>	<b>Beginning Purchase Date<sup>2</sup></b>
<b>FRM30</b>	30	–	4/01/08	8/01/08	4/01/08 <sup>3</sup>
<b>FRM15</b>	15	–	4/01/08	8/01/08	4/01/08 <sup>3</sup>
<b>FRM IO</b>	30	–	8/01/08	9/08/08	8/01/08
<b>5/1 ARM</b>	30	3252 (Whole Loan)	5/01/08	8/01/08	5/01/08 <sup>3</sup>
		2737 (MBS)	–	–	
<b>5/1 IO ARM</b>	30	3505 (Whole Loan)	5/01/08	8/01/08	5/01/08 <sup>3</sup>
		3505 (MBS)	–	–	
<b>7/1 ARM</b>	30	2727 (Whole Loan)	8/01/08	9/08/08	8/01/08
		2727 (MBS)	–	–	7/01/08
<b>7/1 IO ARM</b>	30	3518 (Whole Loan)	8/01/08	9/08/08	8/01/08
		3518 (MBS)	–	–	7/01/08
<b>10/1 ARM</b>	30	2729 (Whole Loan)	8/01/08	9/08/08	8/01/08
		2729 (MBS)	–	–	7/01/08
<b>10/1 IO ARM</b>	30	3225 (Whole Loan)	8/01/08	9/08/08	8/01/08
		3225 (MBS)	–	–	7/01/08

<sup>1</sup> Mortgage loans with terms *up to* and including 15 years can be commingled in 15-year MBS pools or whole loan commitments. Mortgage loans with terms greater than 15 years *up to* and including 30 years can be commingled in 30-year MBS pools or whole loan commitments. However, discrete pricing is only provided for 15-year and 30-year terms at this time.

<sup>2</sup> Beginning Purchase Date refers to the date the specific product type will be eligible for whole loan purchase or MBS delivery.

<sup>3</sup> The following principal residence transactions are eligible for purchase on July 1, 2008: Cash-out refinances, limited cash-out refinances with LTV ratios 75.01 – 90%, and ARM purchase transactions with LTV, CLTV, or HCLTV from 80.01 to 90%.



## Attachment 2

### Comprehensive Eligibility Requirements

The following chart and list of Ineligible Products, Features, or Transaction Types outline the eligibility criteria that apply to conventional jumbo-conforming mortgages. It incorporates the information that was contained in Announcement 08-05, the updates and clarifications that were included in Announcement 08-09, and this Announcement.

Loan Characteristic	Eligibility Requirements
<b>Eligible Product Types</b>	<ul style="list-style-type: none"> <li>• Fixed-rate, fully amortizing mortgages with 15- or 30-year term</li> <li>• Fixed-rate, interest-only mortgages with 10-year interest-only period and 30-year term</li> <li>• 5/1, 7/1 and 10/1 ARMs, fully amortizing mortgages with 30-year term, LIBOR index, 5/2/5 caps</li> <li>• 5/1, 7/1 and 10/1 ARMs, interest-only mortgages with 10 year interest-only period, 30-year term, LIBOR index, and 5/2/5 caps</li> </ul> <p><b>Note:</b> Terms other than 15- or 30-year (10, 20, 25) are permitted, however discrete pricing is only provided for 15-year and 30-year terms at this time.</p>
<b>Property Type</b>	<ul style="list-style-type: none"> <li>• One-unit property located on an individual lot or in a condominium or PUD</li> </ul>
<b>Occupancy by Loan Purpose</b>	<ul style="list-style-type: none"> <li>• Principal residence, second home and investment property occupancy are permitted for purchases and limited cash-out refinances</li> <li>• Cash-out refinances are permitted for principal residences only</li> </ul>
<b>Refinance Guidelines</b>	<ul style="list-style-type: none"> <li>• Jumbo-conforming refinances follow the standard refinance definitions per the <i>Selling Guide</i>, Part VII, Sections 103.02 and 103.03 with the following exceptions:               <ul style="list-style-type: none"> <li>- Cash-out refinances: cash-back to the borrower may not exceed \$100,000</li> <li>- Six months' minimum seasoning (i.e., six payments made) since most recent refinance or date of purchase is required</li> </ul> </li> </ul> <p><b>Note:</b> The \$100,000 cash-back amount must include</p> <ul style="list-style-type: none"> <li>• the balance of subordinate liens that are paid-off with new loan proceeds if the lien was not used to acquire the property</li> <li>• any amounts used to payoff other creditors (e.g., credit cards, installment loans), and</li> </ul>

Loan Characteristic	Eligibility Requirements
	<ul style="list-style-type: none"> <li>● cash back to the borrower for any purpose.</li> </ul> <p>The cash-back amount does not include</p> <ul style="list-style-type: none"> <li>● closing costs, points, prepaid fees, or</li> <li>● any amount used to satisfy subordinate liens that were used to acquire the property. (Lenders must follow Fannie Mae’s standard refinance guidelines with respect to defining subordinate liens.)</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>● Minimum FICO scores apply per the Maximum LTV, CLTV, HCLTV Ratio chart</li> <li>● All borrowers must have a FICO score</li> <li>● 0 X 30 payment history on all housing debts for the last 12 months (required for all mortgages and rental payments)</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>● Principal residence: two months’ payments</li> <li>● Second home and investment property: six months’ payments</li> <li>● Reserves must be calculated based on the PITI or ITI payment, as applicable</li> </ul>
<b>Debt-to-Income Ratio</b>	<ul style="list-style-type: none"> <li>● 45 percent maximum</li> <li>● All interest-only ARMs must be qualified based on the fully amortizing payment (PITI) at the higher of the note rate or fully-indexed rate</li> <li>● All fully amortizing ARMs must be qualified per the <i>Selling Guide</i> (i.e., at the note rate)</li> </ul>
<b>Documentation Requirements</b>	<ul style="list-style-type: none"> <li>● Full documentation per the <i>Selling Guide</i> is required</li> </ul>
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>● Standard <i>Selling Guide</i> requirements apply with regard to subordinate financing (Part VII, Section 104.08)</li> <li>● Loan-level price adjustments apply to loans with subordinate financing per the standard pricing requirements. Refer to the <i>Loan-Level Price Adjustment Matrix and Adverse Market Delivery Charge Information</i> posted on eFannieMae.com.</li> </ul>
<b>Maximum Number of Financed Properties</b>	<ul style="list-style-type: none"> <li>● Limited to four, including the borrower’s principal residence</li> <li>● Applies to all occupancy types</li> </ul>
<b>Borrower Contribution</b>	<ul style="list-style-type: none"> <li>● For purchase transactions, the borrower must contribute at least 5 percent from his or her own funds to the transaction, regardless of the LTV</li> </ul>
<b>Interested Party Contributions</b>	<ul style="list-style-type: none"> <li>● Maximum of 3 percent is permitted for principal residence and second homes regardless of the LTV</li> <li>● Maximum of 2 percent is permitted for investment</li> </ul>

Loan Characteristic	Eligibility Requirements
	properties
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>• Appraisal with interior and exterior inspection is required (Form 1004 or 1073, as applicable)</li> <li>• Field Review (Form 2000) is required if the property value is \$1,000,000 or greater and the LTV, CLTV, or HCLTV is <math>\geq 75</math> percent. If the Field Review results in a different opinion of value, the lower of the original appraised value, the Field Review value, or the sales price (for purchases) should be used to calculate the LTV ratios.</li> <li>• Condominium requirements: two comparables must be from projects outside of the subject project</li> <li>• Lenders must use appraisers who are experienced with the types of properties that are eligible for jumbo-conforming financing</li> </ul>
<b>Project Review</b>	<ul style="list-style-type: none"> <li>• CPM Expedited Review or Lender Full Review process is required for attached units in condominium projects in accordance with Fannie Mae Announcement 07-18 (The Limited Review process is not permitted).</li> </ul>
<b>Mortgage Insurance (MI)</b>	<ul style="list-style-type: none"> <li>• Standard MI coverage is required if the LTV exceeds 80 percent. Refer to Part V, Section 101.01 of the <i>Selling Guide</i></li> <li>• Borrower or lender-paid MI is permitted</li> <li>• Financed borrower-purchased MI is not permitted</li> <li>• Lenders should contact their MI provider to obtain its eligibility requirements</li> </ul>

## Ineligible Products, Features, or Transaction Types

The following are not permitted on jumbo-conforming mortgages:

- Balloons
- Biweekly payment schedules
- Cooperative properties
- Daily simple interest
- Fixed-rate mortgages that permit assumability
- HomeStyle<sup>®</sup> products including Construction-to-Permanent mortgages
- MyCommunityMortgage<sup>®</sup>
- Manufactured homes
- Mortgages with prepayment penalties
- One-time close construction transactions
- Restricted relocation mortgages

- Reverse mortgages
- Second liens
- Streamlined refinance
- Temporary buydowns
- Two-, three-, and four-unit properties

**Note:** Existing variances in the lender's Master Agreement may not be applied toward jumbo-conforming mortgage loans.

**Attachment 3**  
**Jumbo-Conforming Mortgages**  
**Whole Loan and MBS Pool Key Loan Characteristics**

Product	Maximum Term (years) <sup>1</sup>	ARM Plan	Caps	Interest-Only Period	Index	Note	Rider	MBS Pool Prefix		ARM Subtype	Special Feature Code
								Note Date 7/1/07-2/29/08 <sup>2</sup>	Note Date 3/1/08 and Later		
FRM30	30	–	–	–	–	3200	–	JL	CK	–	800
FRM15	15	–	–	–	–	3200	–	JI	CJ	–	
FRM IO	30	–	–	10 Yr	–	3271	–	JL	NJ	–	
5/1 ARM	30	3252 (Whole Loan)	5/2/5	–	LIBOR	3528	3187	–	–	–	
		2737 (MBS)						LC	LD	P92	
5/1 IO ARM	30	3505 (Whole Loan)	5/2/5	10 Yr	LIBOR	3535	3153	–	–	–	
		3505 (MBS)						LC	LD	P93	
7/1 ARM	30	2727 (Whole Loan)	5/2/5	–	LIBOR	3528	3187	–	–	–	
		2727 (MBS)						LC	LD	P9D	
7/1 IO ARM	30	3518 (Whole Loan)	5/2/5	10 Yr	LIBOR	3535	3153	–	–	–	
		3518 (MBS)						LC	LD	P96	
10/1 ARM	30	2729 (Whole Loan)	5/2/5	–	LIBOR	3528	3187	–	–	–	
		2729 (MBS)						LC	LD	P9E	
10/1 IO ARM	30	3225 (Whole Loan)	5/2/5	10 Yr	LIBOR	3530	3187	–	–	–	
		3225 (MBS)						LC	LD	P97	

<sup>1</sup> Mortgage loans with terms *up to* and including 15 years can be commingled in 15-year MBS pools or whole loan commitments. Mortgage loans with terms greater than 15 years *up to* and including 30 years can be commingled in 30-year MBS pools or whole loan commitments. However, discrete pricing is only provided for 15-year and 30-year terms at this time.

<sup>2</sup> Jumbo -conforming mortgages with notes dates of July 1, 2007 up to and including February 29, 2008 will be considered only on a negotiated bulk transaction basis with eligibility and pricing requirements specific to each transaction.

**Note: Standard conforming mortgage loans may be commingled in MBS pools that have the jumbo-conforming pool prefixes of CK, CJ, JI, JL, LD, LC, and NJ; however, jumbo-conforming mortgage loans cannot be commingled in standard conforming MBS pools.**