

Announcement 09-08R

June 8, 2009

Amends these Guides: Selling

Temporary High-Cost Area Loan Limits and Revised Eligibility Requirements for High-Balance Mortgage Loans

Introduction

This Announcement (09-08R) is a reissuance of Announcement 09-08, which was originally issued on March 30, 2009. The Announcement is being reissued to: 1) modify the high-balance eligibility requirements to allow loan casefiles that receive a Refer recommendation from DU; 2) clarify that the Field Review requirement applies to loan amounts in excess of \$625,500 (and not to loan amounts equal to \$625,500); 3) add that appraisal requirements for Refi Plus™ or DU Refi Plus™ loans supersede those for high-balance mortgage loans; 4) clarify that high-balance mortgage loans with note dates of October 1, 2008 and later are eligible for “to be announced” (TBA) MBS pools up to a 10 percent de minimus limitation; and 5) remove Attachment 1, High-Balance Mortgage Loans Maximum Allowable LTV Ratios and Minimum Credit Scores. Lenders should refer instead to the *Eligibility Matrix* on [eFannieMae.com](http://FannieMae.com), which has been updated to include two high-balance loan charts. The affected sections of this Announcement have been updated to reflect this information and appear below as bold text. This Announcement supersedes Announcement 09-08 in its entirety.

Announcement 08-27, *Permanent High-Cost Area Loan Limits*, outlined Fannie Mae’s comprehensive requirements for high-balance mortgage loans. The current high-balance conforming loan limits reflect the permanent limits for high-cost areas under Fannie Mae’s charter in accordance with the Housing and Economic Recovery Act of 2008.

Pursuant to new authority granted under the American Recovery and Reinvestment Act (ARRA), Fannie Mae is now able to acquire high-balance mortgage loans originated in 2009 with original loan amounts that exceed the permanent high-cost area loan limits. Specifically, the ARRA permits loans originated in 2009 to use the higher of the current permanent high-cost area loan limits or the temporary loan limits in place for loans originated in 2008 that were applicable to jumbo-conforming mortgage loans.

Fannie Mae is labeling these new ARRA loan limits “temporary high-cost area loan limits,” and expanding the definition of high-balance mortgage loans to include loans that meet the permanent high-cost area loan limits and loans that meet the temporary high-cost loan limits. This Announcement outlines the new temporary high-cost area loan limits and new eligibility requirements that apply to

high-balance mortgage loans. It also includes information related to delivery of jumbo-conforming whole loans.

Loan Limits

The following chart contains the maximum 2009 loan limits. The high-cost area limits (permanent and temporary) are the maximum loan amounts that may apply; however, specific loan limits are established for each county (or equivalent) and the loan limit may be lower for each specific high-cost area.

Units	Contiguous States, District of Columbia, and Puerto Rico			Alaska, Guam, Hawaii, and the U.S. Virgin Islands		
	General	High-Balance Loans		General	High-Balance Loans	
		Permanent High-Cost	Temporary High-Cost		Permanent High-Cost	Temporary High-Cost*
One	\$417,000	\$625,500	\$729,750	\$625,500	\$938,250	NA
Two	\$533,850	\$800,775	\$934,200	\$800,775	\$1,201,150	
Three	\$645,300	\$967,950	\$1,129,250	\$967,950	\$1,451,925	
Four	\$801,950	\$1,202,925	\$1,403,400	\$1,202,925	\$1,804,375	

*The temporary high-cost area loan limits for all counties (or equivalents) in Alaska, Guam, Hawaii, and the U.S. Virgin Islands do not apply because these limits are lower than the maximum permanent high-cost area limits.

Lenders are responsible for ensuring that the original principal balance of each mortgage loan does not exceed the applicable maximum loan limit for the specific area in which the property is located. To assist lenders in determining the applicable limits, Fannie Mae posts reference material on eFannieMae.com, including the Loan Limit Geocoder™, which lenders can use to look-up loan limits based on a specific address (or batch of addresses).

Eligibility Requirements for High-Balance Mortgage Loans

Fannie Mae has re-evaluated the existing high-balance eligibility guidelines. The following requirements will apply to all high-balance mortgage loans:

- Loans must be conventional first-lien mortgages only.
- One-to-four unit properties are eligible.
- Loans must be fixed-rate or adjustable rate. Balloons are not permitted.
- Loans may be underwritten manually or with Desktop Underwriter® (DU®).
- Loans must meet the LTV, CLTV, HCLTV, and minimum credit score requirements as outlined in the updated *Eligibility Matrix* available on eFannieMae.com.
- All borrowers must have a credit score.
- Loan casefiles underwritten through DU must receive an Approve **or** Refer recommendation. (Expanded Approval recommendations are not permitted).
- Financed borrower-purchased mortgage insurance is permitted; however, the maximum gross LTV (after the inclusion of the financed premium) can not exceed 90 percent.
- Except as noted in this Announcement, all high-balance loans must meet all standard Fannie Mae eligibility and delivery requirements, as outlined in the *Selling Guide*.

Note: Unless otherwise notified by Fannie Mae, existing variances in the lender's Master Agreement apply to high-balance mortgage loans; however, the more restrictive of the eligibility requirements of this Announcement or the lender's variance will apply.

Appraisal Requirements

The following appraisal requirements apply in addition to the standard *Selling Guide* or DU fieldwork requirements:

- A Field Review (*One-Unit Residential Appraisal Field Review Report*, [Form 2000](#)) is required if
 - the loan amount is **greater than** \$625,500 and the LTV, CLTV, or HCLTV is greater than 80 percent, or
 - the property is valued at \$1,000,000 or more and the LTV, CLTV, or HCLTV is greater than 75 percent.

The Field Review is required to ensure that the appraisal is an accurate representation of value. If the Field Review results in a different opinion of value than the appraisal, the lowest of the original appraised value, the Field Review value, or the sales price (for purchases) should be used to calculate the LTV ratios.

- For properties in attached condominium projects, the appraisal must contain two comparable sales from projects outside of the subject's project in addition to the current comparable sale requirements as outlined in the *Selling Guide*.

Applying the New Requirements to Manually Underwritten Mortgage Loans

The following table describes the effective dates that will apply for manually underwritten mortgage loans:

	Loans that meet the permanent high-cost area loan limits*	Loans that meet the temporary high-cost area loan limits*
Manually Underwritten	Lenders are encouraged to implement the new eligibility guidelines immediately, but must apply them on applications dated on or after June 1, 2009. All whole loans and mortgage loans delivered into MBS on or after October 1, 2009 must comply with the new policies.	Whole loans and mortgage loans delivered into MBS were eligible for delivery on or after May 1, 2009.

* The determination of the permanent or temporary high-cost area loan limit is based on the actual limit that applies for the specific property location.

Applying the Temporary High-Cost Area Loan Limits to DU Loan Casefiles

DU will be updated in a future release to include the new loan limits and updated eligibility requirements outlined in this Announcement. Until that time, lenders must manually apply the temporary high-cost **area** loan limits (for the area in which the property is located) and eligibility requirements in this Announcement to loan casefiles with loan amounts in excess of the permanent high-cost area loan limits.

Loan casefiles underwritten through DU that receive an **Approve/Ineligible or Refer/Ineligible** recommendation may be delivered to Fannie Mae, provided all of the following conditions are met:

- The only reason for the Ineligible recommendation is the loan amount exceeds the current loan limit applied by DU (i.e., the permanent high-cost limit for the area in which the property is located). The loan amount can not exceed the temporary high-cost limit applicable to the area in which the property is located.
- The loan complies with all of the guidelines specified in this Announcement.

If the loan casefile receives an Approve/Ineligible recommendation and the loan complies with the terms above as well as the applicable terms of the DU limited waiver of representations and warranties, as outlined in the *Selling Guide*, the loan will be eligible for the DU limited waiver of underwriting representations and warranties.

The following table describes the effective dates that will apply for loan casefiles underwritten through DU:

	Loans that meet the permanent high-cost area loan limits*	Loans that meet the temporary high-cost area loan limits*
DU	The existing high-balance eligibility requirements (as outlined in Announcement 08-27) will continue to apply until the new requirements are implemented in a future DU release.	Lenders must manually apply the loan limits and eligibility requirements in this Announcement immediately. Whole loans and mortgage loans delivered into MBS were eligible for delivery on or after May 1, 2009.

* The determination of the permanent or temporary high-cost area loan limit is based on the actual limit that applies for the specific property location.

Refi Plus and DU Refi Plus

High-balance mortgage loans, including those using the temporary high-cost area loan limits, are eligible for Refi Plus and DU Refi Plus. The eligibility **and appraisal** requirements specific to Refi Plus and DU Refi Plus supersede all requirements that apply to high-balance mortgage loans, including the requirements in Announcement 08-27 and this Announcement. Refer to Announcement 09-04, *Home Affordable Refinance – New Refinance Options for Existing Fannie Mae Loans* for additional information about Refi Plus and DU Refi Plus.

Note: The appraisal requirements that appear earlier in this Announcement are not required for Refi Plus or DU Refi Plus loans.

MBS and Whole Loan Pricing, Committing, and Delivery

Mortgage loans originated in accordance with the temporary high-cost area loan limits must be delivered as high-balance loans, and consistent with those requirements the following applies:

- The *Date of Mortgage Note* field is a required data element at delivery.
- Special Feature Code 808 is required at delivery.
- Mortgage loans will be subject to all of Fannie Mae's existing committing and delivery requirements and loan-level price adjustments as described in Announcement 08-27.

As described in Announcement 08-27, loans with original loan amounts up to the permanent high-cost area loan limits constitute "good delivery" in the TBA market for MBS if they have a mortgage note date on or after October 1, 2008, subject to a limit of 10 percent of the aggregate issue date unpaid principal balance of the MBS pool.

Fannie Mae is implementing new guidance issued by the American Securitization Forum clarifying that loans with original loan amounts that exceed the permanent high-cost area loan limits, but that meet the temporary high-cost area loan limits, are also eligible for inclusion in TBA MBS pools up to the 10 percent de minimus limitation, if the loans have a note date on or after October 1, 2008 and are delivered to Fannie Mae on or after January 1, 2009.

For pools with greater than 10 percent concentrations of high-balance loans (including loans that fall under the permanent or temporary high-cost **area loan** limits), refer to Announcement 08-27 for the applicable pool prefixes.

Update on Jumbo-Conforming Whole Loan Delivery

Jumbo-conforming mortgage loans had to be originated by December 31, 2008 and Fannie Mae is still accepting delivery. However, jumbo-conforming whole loan products will be removed from eCommitting[™] and eCommitONE[™] effective May 1, 2009. Jumbo-conforming whole loans can still be sold to Fannie Mae on a mandatory negotiated price basis. If lenders have a jumbo-conforming whole loan that they would like to sell to Fannie Mae on or after May 1, 2009, contact Fannie Mae's Capital Markets Sales Desk at 800-752-0257.

Lenders who have questions about this Announcement should contact their Customer Account Team for additional information.

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