

Announcement 09-23

July 1, 2009

Amends these Guides: Selling

Updates to Home Affordable Refinance – 125 Percent LTV Limit for Refi Plus Loans

Introduction

The Home Affordable Refinance initiative, which includes the Refi Plus™ and DU Refi Plus™ options, is designed to assist borrowers who have demonstrated an acceptable payment history on their existing Fannie Mae mortgage loan, but due to a decline in property values have been unable to refinance to obtain a lower payment or move to a more stable product.

With this Announcement, Fannie Mae is continuing its commitment to find ways to allow more borrowers to refinance by increasing the maximum allowable LTV ratio to 125 percent for mortgage loans that qualify for the Refi Plus (manual underwriting) option.

Maximum LTV Ratio for Refi Plus (Manual Underwriting)

Fannie Mae is increasing the maximum LTV ratio for Refi Plus to 125 percent. There continue to be no limits on the CLTV or HCLTV ratios. Specific requirements apply to Refi Plus loans with LTV ratios above 105 percent as outlined below.

Eligible Products

Refi Plus loans with LTV ratios above 105 percent are limited to fully amortizing fixed-rate 30-year mortgages (specifically terms greater than 15 years up to 30 years).

Loan-Level Price Adjustments

Loan-level price adjustments (LLPAs) and the Adverse Market Delivery Charge (AMDC) apply to Refi Plus loans with LTV ratios above 105 percent as follows:

- For mortgage loans with 30-year terms (terms greater than 25 up to 30 years): The Refi Plus LLPAs and AMDC that apply to loans at 105 percent LTV will apply, subject to the 2.00 percent cap on total LLPAs and AMDC (recently announced in Announcement 09-15, *Updates to Home Affordable Refinance Pricing*).
- For mortgage loans with terms greater than 15 up to 25 years: The “High LTV” LLPA is reduced by 0.50 percent and the cap on total LLPAs and AMDC is reduced to 1.50 percent. All

other Refi Plus LLPAs and AMDC that apply to loans at 105 percent LTV will apply (subject to the 1.50 percent cap).

Note: The reduction in the High LTV LLPA and the cap on total LLPAs and AMDC for shorter term mortgage loans may encourage borrowers to obtain a shorter term mortgage that will help build positive equity faster than a 30-year term.

The *Refi Plus Pricing Matrix* on eFannieMae.com has been updated to reflect the higher LTV ratios.

Required Borrower Benefit

As stated in Announcement 09-04, *Home Affordable Refinance – New Refinance Options for Existing Fannie Mae Loans*, the borrower must receive a benefit in the form of either a reduced monthly mortgage payment (principal and interest) or a more stable product (e.g., move to a fixed-rate mortgage from an ARM). This borrower benefit requirement continues to apply to Refi Plus loans with LTV ratios above 105 percent. In general, lenders are encouraged to provide fixed-rate mortgages to borrowers whenever possible (and required to provide fixed-rate mortgages for LTV ratios above 105%), including loans with shorter terms. Moving from a 30-year term loan to a 20- or 25-year term is considered a more stable product and meets the borrower benefit requirement. As a reminder, when the borrower's new mortgage payment is increasing compared to the existing mortgage payment, the borrower must not have any 30-day delinquency on the existing mortgage in the lesser of 12 months or the life of mortgage loan.

MBS Pool Information

Refi Plus loans with LTV ratios above 105 percent may be delivered into existing MBS contracts and will use the same base guaranty fees as those used for the lender's standard conforming mortgage loans.

Loans with LTV ratios above 105 percent are not permitted to be included in TBA-eligible MBS (pool prefixes CI, CL, and other TBA prefixes). As such, a new MBS pool prefix – CQ – has been established for Refi Plus loans with LTV ratios above 105 percent. All loans must be fully amortizing fixed-rate mortgages with terms greater than 15 years up to 30 years.

MBS Buyup and Buydown Grids

Specific buyup and buydown grids for Refi Plus loans with LTV ratios above 105 percent will be published.

Fannie Majors[®]

Lenders may deliver Refi Plus loans with LTV ratios above 105 percent into a Fannie Majors pool specifically available for these loans. Due to the separate pool prefix required for loans with LTV ratios above 105 percent (CQ), these loans may not be delivered into standard TBA-eligible Fannie Majors pools.

Whole Loan Committing and Delivery

The following outlines key whole loan requirements for Refi Plus loans with LTV ratios above 105 percent:

- Loans may not be delivered against standard whole loan commitments. Separate committing is required.
- The product eligibility is limited to fully amortizing fixed-rate mortgage loans (specifically loan terms greater than 15 years up to 30 years).
- A new product, 30-Year Fixed Rate, Refi Plus LTV 105.01 thru 125, will be added to eCommitting™ for mandatory whole loan commitments and eCommitONE™ for Best Efforts commitments on September 1, 2009.

Delivery Data Requirements

No new special feature codes are required for these transactions. Lenders should continue to use Special Feature Code 288 for Refi Plus loans.

DU Implementation of LTV Expansion

DU loan casefiles that are ineligible due to an LTV ratio above 105 percent are not eligible for delivery as DU Refi Plus. Fannie Mae is evaluating whether there will be any potential updates to DU to allow LTV ratios above 105 percent. Any future enhancements that may be made to DU to implement the LTV expansion will be communicated at a later date.

Converting DU Loan Casefiles to Refi Plus

Announcement 09-20, *Updates to Home Affordable Refinance Policies*, outlined requirements that lenders must follow if they want to convert a DU loan casefile to a Refi Plus (manually underwritten) loan. The policies in Announcement 09-20 also apply to mortgage loans with LTV ratios above 105 percent. Loan casefiles with an LTV ratio over 105 percent that are either not underwritten as DU Refi Plus (due to an inability to match the subject property address or borrower's Social Security number), or are underwritten as DU Refi Plus and are ineligible due to the LTV ratio may be converted to Refi Plus. Refer to Announcement 09-20 for additional information.

Effective Date

Refi Plus mortgage loans with LTV ratios that exceed 105 percent are eligible for whole loan and MBS delivery on or after September 1, 2009.

Lenders who have questions about Announcement 09-23 should contact their Customer Account Team.

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