



## Lender Letter LL-2019-03

March 5, 2019

### **To: All Fannie Mae Single-Family Sellers Interest Rate Spread for Fixed-Rate MBS and Servicing Fee Requirements for Fixed-Rate Loans**

As we continue to prepare for the implementation of the Uniform Mortgage-Backed Security (UMBS™), the Federal Housing Finance Agency (FHFA) has instructed Fannie Mae and Freddie Mac (the GSEs) to undertake activities that promote aligned investor cash flows for their TBA-eligible mortgage-backed securities. Pursuant to FHFA's instruction we are changing the allowable interest (note) rate spread in fixed-rate MBS and changing the maximum servicing fee permitted for fixed-rate loans.

#### **Interest Rate Spread**

For most fixed-rate loans the maximum allowable interest rate is 250 basis points above the pool's pass-through-rate. We are updating this policy to limit the interest rate for each fixed-rate loan in a pool to no more than 112.5 basis points above the pass-through rate of the pool.

This updated policy is effective for loans delivered into pools with issue dates on or after June 1, 2019.

FHFA has instructed the GSEs to monitor the weighted-average coupon (WAC) of MBS and take actions as appropriate such that MBS WAC would be generally consistent with historical WAC levels. FHFA and the GSEs are working to determine an appropriate target MBS WAC, such as 80 bps or slightly higher (given current guaranty fees and minimum servicing levels).

#### **Servicing Fee**

We are updating our servicing fee policies to limit the servicing fee to a maximum of 50 basis points for all fixed-rate loans delivered to us. In other words, the maximum servicing fee shall not be more than 25 basis points above the standard 25 basis point servicing fee. The 50-basis point maximum is inclusive of any lender-paid mortgage insurance (LPMI) premium.

This updated policy is effective for whole loans delivered, and loans delivered into pools with issue dates, on or after June 1, 2019.

**Note:** *We will publish these changes in the Selling and Servicing Guides in future updates.*

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Lenders who have questions about this Lender Letter should contact their Fannie Mae account team.

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