Pricing & Execution – Whole Loan Mandatory Process Overview

Managing your whole loan pipeline is easier when you know how pair-offs, extensions, and over-deliveries work with Fannie Mae. This fact sheet provides information to help you manage your Fannie Mae mandatory whole loan commitments.

Committing Basics

You may execute, over deliver, or pair off a commitment for fixed- and adjustable-rate mortgages via Pricing & Execution – Whole Loan™ (PE – Whole Loan) between 8:15 a.m. and 5:00 p.m. ET. For general inquiries, call the Capital Markets Pricing and Sales Desk Monday through Friday between 8:00 a.m. and 5:00 p.m. ET at 1-800-752-0257.

Pair-offs

Pair-offs are used to repurchase all or part of a mandatory delivery commitment when customers are unable to deliver the committed dollar amount. Whole loan prices captured at commitment and again at pair-off are used to determine if a pair-off fee will be due, and the amount of the pair-off.

Prior to pairing off a commitment, you should check your pipeline to determine if a loan is available for substitution. If a substitute loan is not immediately available, you may extend the expiration date of the original commitment at the appropriate per diem extension fee so that a substitute loan may be used. Partial pair-offs may also be used in combination with extensions to reshape the commitment for an appropriate substitute loan.

For example, on a 30-year FRM with a 30-day commitment for $100,000, you may extend the commitment for an additional 30 days in addition to performing a partial pair-off to reshape the commitment amount below $90,000 (the low delivery tolerance for this commitment). You must weigh the cost of requesting the partial pair-off and extension versus the cost of pairing out of the entire commitment and re-committing a new deal. Pair-off amounts are based on the original commitment amount, not the low tolerance level. After a pair-off occurs, the low tolerance level decreases to $50 below the new commitment amount. Additionally, to reduce costs, you should execute a partial pair-off first and then extend it, since extension fees are calculated on the outstanding remaining balance.

To request a pair-off quote, use PE – Whole Loan or contact the Sales Desk at 1-800-752-0257.

Commitment Extensions

Extensions are calculated based on the remaining balance amount at a flat per diem cost. Because the cost per day does not change, it is recommended that you extend the minimum number of days necessary to satisfy a commitment as there are no refunds for days extended but not used. A commitment may be extended for up to a maximum of 30 days from the original expiration date. Extensions can be exercised via PE – Whole Loan seven days a week from 8 a.m. to 10 p.m. ET or by contacting the Sales Desk during normal business hours at 1-800-752-0257.

> NOTE: *On the day of commitment expiration, extensions must be requested by 5:00 p.m. in order to avoid automatic extensions or pair-offs.*

Extensions are allowed on the remaining balance of a commitment, as shown in the following formula:

- Original Commitment Amount – Purchased Amount – Pair-off Amount (if applicable) + Over-delivery Amount (if applicable) = Remaining Balance
- Example: $150,000 committed – $70,000 purchased – $0 paired out = $80,000 available for extension

An extension is calculated by taking the remaining balance of a commitment and multiplying it by the lowest pass-through rate (PTR) and dividing that product by 360 days to determine the per diem extension cost.

Automatic Extensions and Automatic Pair-Offs

All pair-offs and extensions should be requested no later than Fannie Mae's close of business (5:00 p.m. ET) on the commitment expiration date. Commitments expiring with open remaining balances will be subject to either an automatic extension or automatic pair-off.

There are two types of automatic extensions:

- One Day Extension:
  - If there have been loans delivered against a commitment without delivery errors, but not yet purchased; and
  - The commitment has not already been extended past 25 days and has not been automatically extended previously,
  - Then it will be automatically extended for one calendar day to allow for the purchase to take place.
- Five Day Extension:
  - If a commitment is not eligible for a one day auto extension then it will be automatically extended for 5 calendar days so long as the commitment has not already been extended past 25 days and has not been automatically extended for 5-days previously.

If a commitment goes past its expiration date without being satisfied and is not eligible for an automatic extension then a pair-off will be automatically performed and the appropriate fee assessed. The fees for both automatic extensions and automatic pair-offs are drafted from the lender's designated custodial account within two business days of notification.

Delivery Tolerances

Good delivery for mandatory commitments as well as negotiated commitments includes the amount that falls within the greater of $10,000 or +/- 2.5% of the original commitment amount.

View the Delivery tab on the Commitment Details in PE – Whole Loan to confirm delivery tolerance amounts.

For example, on a commitment of $500,000, the high delivery tolerance is $512,500 and the low delivery tolerance is $487,500. A lender may deliver between those amounts without incurring a partial or full pair-off fee or an over-delivery fee. Multiple over-deliveries are allowed. In the event of a pair-off or over-delivery, the high delivery tolerance is reduced to $50 above the new over-delivered commitment amount and the low delivery tolerance is reduced to $50 below the new paired-off commitment amount.

Over-Deliveries

Occasionally, a lender will be faced with an extenuating circumstance that may require them to deliver more than the maximum delivery amount. This may occur when a consumer lowers their down payment or when a mortgage is substituted to prevent or reduce a pair-off fee. Whole loan prices at commitment and at the time of the over-delivery are used to determine if an over-delivery fee will be due. The maximum over-delivery amount is 25 percent of the original commitment amount. On a commitment of $150,000, the maximum over-delivery is an additional $37,500 (25%) of the $150,000 or $187,500. After an over-delivery occurs, the high tolerance level decreases to $50 above the new commitment amount.

For commitments on which the over-delivery calculation based on 25 percent of the original commitment amount is less than $10,000, the high tolerance level becomes the maximum amount a lender can deliver. Additionally, over-delivery amounts are based on the original commitment amount, not the high tolerance level.

Non-Standard Amortization and Committing

When committing a loan with a non-standard amortization term, a lender must select the next highest amortization schedule available, regardless of the pricing option. For example, a 12-year FRM must be committed as a 15-year FRM, an 18-year FRM must be committed as a 20-year FRM, and a 25-year FRM must be committed as a 30-year FRM.

Pass-Through Rates

The rate at which a lender must remit interest on the mortgage to Fannie Mae is the pass-through rate (e.g., gross note rate of 5.000% – servicing fee of 0.250% = pass-through rate of 4.750%). When committing, the lender must choose a 50 basis point range of pass-through rates (PTR). Multiple loans may be committed under the same commitment within the range. The minimum PTR on live priced commitments may start on any 1/8 percent. Fannie Mae will accept non-1/8 percent incremental PTRs (e.g., 4.680%, 4.740%, etc.). However, the lender must select a Flex range that includes a 1/8 percent incremental PTR above and below the PTR to be delivered so an interpolated price can be calculated (e.g., deliver 4.740% PTR, Flex PTR range must include at least 4.625% and 4.750%).