FannieMae

Whole Loan Commitment Process Overview

April 26, 2013

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 eCommitting™ between 8:15 a.m. and 5:00 p.m. ET. For general inquiries, call the Capital Markets 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 contract, you should check your pipeline to determine if a mortgage is available for substitution.

If a substitute mortgage 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 mortgage may be used. Partial pair-offs may also be used in combination with extensions to reshape the commitment for an appropriate substitute mortgage.

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 contract). 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 commitment balance.

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

Commitment Extensions

Extensions are calculated based on the outstanding commitment 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 deliver 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. eCommitting allows lenders to extend commitments that have been expired for up to one day. Extensions can be exercised via eCommitting weekdays from 8 a.m. to 10 p.m. ET or by contacting the Sales Desk during normal business hours at 1-800-752-0257.

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

Original Commitment Amount – Purchased Amount – Pair-off Amount (if applicable) = Outstanding 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) (or yield, if par priced) and dividing that product by 360 days to determine the per diem extension cost.

Automatic Extensions and Automatic Pair-Offs

All pair-offs should be requested no later than Fannie Mae's close of business (5 p.m. ET) on the commitment expiration date. Commitments expiring with outstanding unpaid principal balances will be automatically extended a minimum of five calendar days and assessed the appropriate extension fee. If no deliveries have been made by the expiration of the five-day extension, a pair-off will be automatically performed and the appropriate fee assessed and drafted from the lender's custodial account. Lenders are notified automatically via Message Manager and the fees are drafted from the lender's designated custodial account within two business days of notification.

Delivery Tolerances

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

Use View/Update Commitment on eCommitting 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, up to a maximum of the 1-unit, single-family loan limit. 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 5.0% – servicing fee of .25% = pass-through rate of 4.75%). 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., 4.68%, 4.74%, 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 4.74% PTR, Flex PTR range must include at least 4.625% and 4.75%). Additionally, committing on the whole or half PTR may improve the execution.

Contacting Fannie Mae

Contact	Purpose
Capital Markets Sales Desk 1-800-752-0257	Prices on fixed and ARM contracts, negotiated deals, pair-offs, extensions, over-deliveries, and eCommitting business questions.
Customer Contact Center 1-800-758-7546	eCommitting technical support.
Single-Family Asset Acquisitions and Custody 1-800-940-4646	Whole loan and MBS loan acquisition questions.