Fannie Mae to Update Servicing System – MBS Disclosure Revisions to Come

October 14, 2008

Fannie Mae intends to update its internal servicing system to make loan reporting easier for its servicers. Market participants should expect an implementation as early as February 2, 2009. As a result of these updates, some revisions to monthly MBS investor disclosures will be effective in the system deployment. Some of these updates to the internal servicing system include changes to loan processing cycles and refinement of several data calculation methodologies, which will impact the following disclosure files for all Single-Family and Multifamily MBS pools (unless otherwise specified below) provided on Pool Data Direct:

- MBS Stats™,
- Fixed-Rate Quartile,
- ARM Stats™,
- GEO Stats™,
- Adjustable-Rate Quartile,
- Supplemental, and
- Interest Only.

Although the layouts of these files will not be affected, the following revisions will be made with the implementation of the new servicing application:

Change	Prior to Implementation	Effective After Implementation
Potential multiple curtailments (partial prepayments) for a small set of pools during the month of implementation. We will post a message on PoolTalk® for all pools that may be subject to this one time occurrence of multiple curtailments. *(Single-Family Only)*	For a small set of pools, curtailments reported by the servicer during the **prior** month (which are curtailments received from the borrower during the second preceding month) are applied to the investor payment on the 25th of the current month.	For a small set of pools, curtailments reported by the servicer in the **current** month (which are those received from the borrower in the preceding month) will be applied to the investor payment on the 25th of the current month. As a result of this change during the month of implementation, the investor payment for this small set of pools may incorporate two months of curtailments. For example, if the implementation occurred in February, investor payment could include December and January loan-level activity. This is a one-time occurrence due to the system implementation.
Projected loan balances reflected in GEO Stats and Supplemental files for a small set of pools. These pools will have a message posted on PoolTalk. *(Single-Family Only)*	For a small set of pools, projected remaining unpaid principal balances based on information reported in the prior month are used in the calculations for the current month's GEO Stats and Supplemental files. This means that unscheduled principal payments reported in the current month **are not** included in the calculations.	For that set of pools, remaining unpaid principal balances based on information reported in the current month are used in the calculations for the current month's GEO Stats and Supplemental files. This means that unscheduled principal payments reported in the current month **will be** included in the calculations.

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Rounding Convention	Most calculations applied SIFMA (Securities Industry and Financial Markets Association) rounding convention with some exceptions.	All calculations will conform to SIFMA's rounding convention.
Remaining term calculation in the Fixed-Rate Quartiles file *(Single-Family Only)*	Remaining term is calculated by determining the number of payments required for the loan's remaining balance to amortize down to at least 25% of borrower's monthly payment amount (for example, $250 unpaid principal balance with a $1,000 monthly payment).	Remaining term is calculated by determining the number of payments required for the loan's remaining balance to be paid off completely. This change in calculation could potentially shift the remaining term and weighted average maturity by one month.
Months remaining to scheduled amortization for loans that have odd due dates* in the Interest Only file *(Single-Family Only)* ** Odd due dates are scheduled payment dates other than the first of the month.*	Months remaining to scheduled amortization calculation is applied to all interest-only loans based on the period from the current trading factor month to each of the collateral interest-only end dates.	New calculation will incorporate nuances for loans with odd due dates. This change in calculation could potentially shift the months remaining to scheduled amortization and weighted average months to amortization by one month.
The field "Servicers Name" in the Supplemental file for pools that have multiple servicers	The field in the file is currently populated with "Multiple Servicer."	The field in the file will be populated with "Multiple Servicer**s**."
Seller Name in the MBS Stats and the Supplemental files for pools with one seller and multiple servicers	Disclosure files display seller name field as "Multiple."	Disclosure files will now display the seller's actual name.
Next Rate Change Date and Months-to-Rate-Change in the ARM Stats file	For an ARM loan that has experienced its final rate change, the disclosure displays the next rate change date, as if the loan had not experienced its final rate change. This "Next Rate Change Date" value is also used in the Months-to-Rate-Change calculations.	For an ARM loan that has experienced its final rate change, the disclosure will display the loan's maturity date in the "Next Rate Change Date" field. The maturity date also will be used in the Months-to-Rate-Change calculations.
MBS Margin and Loan Margin values in the ARM Stats file	Defaults to "999.9999" for all pools with MBS Margin values equal to zero. This situation also causes the Loan Margin values to default to "999.9999."	When the MBS Margin or Loan Margin is equal to zero, we will publish "0.0000." For pools where the MBS Margin is zero, we will publish the actual Loan Margin.
Rate Change Date Lookback (standard) vs. Payment Change Date Lookback (variable) in the ARM Stats file	For all ARM pools, Rate Change Date Lookback is populated with the Payment Change Date Lookback and the Payment Change Date Lookback is populated with the Rate Change Date Lookback.	This discrepancy will be rectified with the correct Lookback days in the appropriate fields.

Change	Prior to Implementation	Effective After Implementation
Commingling of Rate Change Date Lookback and Payment Change Date Lookback in the ARM Stats file	Although Fannie Mae guidelines do not allow delivery of pools with collateral having commingled rate and/or payment Lookbacks, data corrections due to mis-delivered data have resulted in commingled values in certain pools. For these pools, the Lookback period disclosed represents the more common Lookback value.	For pools with commingled values in the "Rate Change Date Lookback" or "Payment Change Date Lookback" fields, the disclosure for that commingled Lookback will default to "999."

As with any new system implementation, there may be additional differences that we identify. We will share any new important differences with you. For more information regarding this, please contact the Fixed-Income Securities Investor Helpline by phone at 1-800-237-8627 or 202-752-5858, or via e-mail at bestmbs@fanniemae.com.