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Fannie Mae will provide timely and easily accessible information to market participants about all of its mortgage-related securities; including the new CV, CR, and CW MBS.



Enhancements to the HARP Program Lead to New Fannie Mae Pool Prefixes

In March 2009, the Obama Administration revealed a new housing program, Home Affordable Refinance Program (HARP), designed to help responsible homeowners who have demonstrated an acceptable payment history on their mortgage loans but, due to a decline in home prices or the unavailability of mortgage insurance (MI), have been unable to refinance to obtain a lower payment or move to a more stable product. Since its inception, the HARP program has assisted nearly 900,000 homeowners¹ through August 2011 and has the potential to help many more with the most recent enhancements to the program. On October 24, 2011, the Federal Housing Finance Authority (FHFA) with Fannie Mae and Freddie Mac announced a series of modifications to the HARP program in an effort to attract additional eligible borrowers who can benefit from the current low mortgage rates to refinance their home mortgage. One of the HARP changes is the elimination of the current 125 percent loan-to-value² (LTV) ratio maximum for fixed-rate mortgages. With the LTV ceiling removed, Fannie Mae is able to purchase and securitize mortgage loans with LTVs above 125 percent. To securitize these loans, Fannie Mae has established corresponding pool prefixes to characterize the securitization of these HARP loans as well as other Refi Plus loans to which the HARP flexibilities may be applied.³ This edition of *MBSenger* introduces the new Fannie Mae pool prefixes that will identify pools collateralized by mortgage loans with high LTVs, and discusses the timing of when these new high LTV pools may be introduced into the mortgage market.

New Pool Prefixes

On July 1, 2009, Fannie Mae announced a new LTV ceiling of 125 percent for our Refi Plus and DU Refi Plus mortgage loans. As part of this announcement, Fannie Mae introduced the new CQ⁴ prefix MBS. Loans with LTV ratios greater than 105 percent and up to 125 percent have been eligible for delivery into Fannie Mae CQ prefix MBS issued on or after October 1, 2009. Over the past two years, from October 2009 through October 2011, Fannie Mae has securitized approximately \$8.8 billion in CQ prefix MBS.⁵

With the most recent HARP enhancements announced on October 24, 2011, to further accommodate the securitization of mortgage loans with high LTVs, three new Fannie Mae pool prefixes have been created.

¹ Federal Housing Finance Agency, Foreclosure Prevention & Refinance Report August 2011: http://www.fhfa.gov/webfiles/22720/Aug-11_fpr_final101711.pdf

² The LTV is calculated as the original unpaid principal balance of the refinanced loan to the valuation of the property at the time of the refinancing in accordance with Fannie Mae's applicable underwriting guidelines.

³ Please review the Fannie Mae Selling Guide Announcement SEL-2011-12 for complete details on updates to Refi Plus and DU Refi Plus. <https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2011/sel1112.pdf>

⁴ For more information on the CQ prefix, please refer to: *MBSenger*, September 2009, Vol. 4, No. 3 http://fanniemae.com/mbs/pdf/mbsenger_0909.pdf

⁵ Source of CQ total unpaid principal balance: [eMBS](http://www.efanniemae.com/mbs/pdf/mbsenger_0909.pdf).

These three new pool prefixes, in addition to the CQ prefix, are described in **Figure 1**. The four pool prefixes encompass all pools with underlying collateral characteristics of 15-year or 30-year fixed-rate mortgages, whose LTV either fall within 105 percent to less than or equal to 125 percent or are greater than 125 percent. Furthermore, none of these high LTV pool prefixes are TBA-eligible.

Figure 1: Fannie Mae High Loan-to-Value Pool Prefixes

Fannie Mae Pool Prefix	Prefix Description
CQ	Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. The pool is comprised entirely of mortgages with loan-to-value ratios greater than 105 percent and less than or equal to 125 percent.
CV	Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. The pool is comprised entirely of mortgages with loan-to-value ratios greater than 105 percent and less than or equal to 125 percent.
CR	Conventional Long-Term, Level-Payment Mortgages; Single-Family; maturing or due in 30 years or less. The pool is comprised entirely of mortgages with loan-to-value ratios greater than 125 percent.
CW	Conventional Intermediate-Term, Level-Payment Mortgages; Single-Family; maturing or due in 15 years or less. The pool is comprised entirely of mortgages with loan-to-value ratios greater than 125 percent.

Fannie Mae High LTV MBS Products

The three new pool prefixes, CV, CR, and CW, will be available for conventional, fixed-rate mortgages delivered into MBS with issue dates on or after June 1, 2012. Also beginning June 1, 2012, mortgage loans with LTV ratios above 125 percent may be included in a Fannie Majors pool specifically available for these loans, but may not be included in TBA-eligible Fannie Majors pools.

Additionally, MBS pools with the new high LTV prefixes may be aggregated with similar pools into a Fannie Mae Mega.⁶ However, only MBS pools with prefixes of CQ and CV are eligible for REMIC execution.

Disclosure Information for High LTV MBS

Fannie Mae will provide timely and easily accessible information to market participants about all of its mortgage-related securities; including the new CV, CR, and CW MBS. All single-family MBS are issued with a single-family MBS Prospectus, which contains general information such as the nature of Fannie Mae's guaranty, yield considerations, class definitions, and abbreviations.

In addition to the Base Prospectus, each MBS is issued with a Prospectus Supplement, which contains information that is specific to a particular security or trust. The supplements are to be read in conjunction with the applicable disclosure documents referred to therein. The applicable Prospectus and Prospectus Supplement are available on the Fannie Mae website at www.fanniemae.com ⇒ Funding the Market ⇒ Mortgage-Backed Securities ⇒ Prospectuses & Related Documents ⇒ MBS.⁷

Fannie Mae Guaranty

For all new high LTV pool prefixes, the Fannie Mae guaranty of the timely payment of principal and interest to each MBS trust is described in the related single-family MBS Prospectus. Fannie Mae alone is responsible for making payments under its guaranty. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. The value of the guaranty is important to investors because it reduces credit risk and increases the marketability of the securities. It does not, however, eliminate interest rate risk, prepayment risk or market risk.

Summary

In this edition of *MBSenger*, we introduced three new pool prefixes for MBS pools whose collateral is composed of mortgage loans with high LTVs as a result of the recent HARP enhancements. We also discussed the Fannie Mae MBS products in which these HARP pools may be securitized. Furthermore, we highlighted the available disclosures for these MBS securities and reviewed the definition of the Fannie Mae guaranty.

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Fannie Mae Fixed-Income Securities Investor Helpline
(800) 237-8627

Helen McNally
Senior Product Manager
202-752-7704
helen_mcnally@fanniemae.com



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⁶ For information on Fannie Mae Megas: http://fanniemae.com/mbs/pdf/mbsenger_1011.pdf

⁷ <http://fanniemae.com/mbs/documents/mbs/index.jhtml>