Lender Letter (LL-2022-05)

Updated: Feb. 1, 2023

To: All Fannie Mae Single-Family Sellers
Updates to Loan-level Price Adjustments

To promote sustainable and equitable access to affordable housing, on Oct. 24, 2022, FHFA announced targeted changes to the GSEs' pricing by eliminating upfront fees for certain borrowers and affordable mortgage products. FHFA also announced targeted increases to the upfront fees for some cash-out refinance loans.

This Lender Letter (originally published Nov. 5, 2022) provides details on the implementation of the changes FHFA directed us to make to our loan-level price adjustments (LLPAs).

Feb. 1
- Removed the requirement for delivery of Special Feature Code (SFC) 873. Our internal pricing system will determine when the waiver applies based on the delivery of the first-time homebuyer indicator, loan amount, qualifying income and a comparison to the applicable area median income limits.
- Added reference to the exception to waivers for LLPAs related to minimum mortgage insurance coverage, which never get waived. (This exception is already included in the *LLPA Matrix*.)

Effective
Lenders can stop delivering SFC 873 as it will no longer be used for this LLPA waiver according to the following:
- whole loans delivered and purchased on and after March 1, 2023, and
- loans delivered into March issue MBS pools.

On July 1, 2023, we will retire this SFC and loans delivered with SFC 873 on and after this date will no longer be accepted. (Removal of the SFC will be required to complete the purchase or securitization.)

Waiver of LLPAs

All LLPAs (other than those LLPAs related to minimum mortgage insurance coverage) will be waived for the transactions described below. Note that all requirements must be met, including the delivery of the applicable SFC.

Transaction	How Applied
HomeReady® loans	• SFC 900
Loans for first-time homebuyers with income at or below applicable area median income (AMI) limits	• At least one borrower on the loan must be a first-time homebuyer. • Total qualifying income is at or below 100% of the applicable AMI for non-high-cost areas, and 120% for high-cost areas.

Loans meeting Duty to Serve requirements	• SFC 874
	• The following types of Duty to Serve loans:
	   ○ manufactured housing including MH Advantage®;
	   ○ rural housing – loans in high needs rural regions or persistent poverty rural counties; loans to high needs populations, including Native American loans; loans originated by "small financial institutions;" and
	   ○ affordable housing preservation loans – loans financing ENERGY STAR® certified improvements, loans with shared equity.

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	In addition, these loans must meet all Duty to Serve requirements, including: ○ total qualifying income at or below 100% of the applicable AMI, ○ secured by principal residence, and ○ purchase or limited cash-out refinance transactions. For additional information about Duty to Serve eligibility, see FHFA's website and our Duty to Serve eligibility guidelines.
HFA Preferred™ loans	Details of the LLPA waiver and delivery requirements will be communicated to impacted lenders via negotiated Special Requirements.

Additional information:

- First-time homebuyer is indicated on the Form 1003, *Uniform Residential Loan Application,* in Section 5a, Declarations, when at least one borrower responds "No" to Question A about having an ownership interest in a property in the last three years
- Some loans may be eligible under more than one category. Lenders should deliver all applicable special feature codes.
- Loans that are also eligible for an LLPA credit will continue to receive those credits, such as the credit we apply for housing counseling on HomeReady loans.
- Messages in Desktop Underwriter® (DU®) related to the applicable SFCs and Duty to Serve loans will be updated in a future release and may not align with the updates above until then. Furthermore, DU will not be able to identify all applicable Duty to Serve features.
- The *Special Feature Code* document has been updated to reflect the new addition of SFC 874.
- To assist lenders in identifying the AMI based on the property address, see the Area Median Income Lookup Tool (also referred to as the Loan Limit Geocoder). The high-cost areas have loan limits that exceed the baseline loan limits.

Effective: The waiver of LLPAs will be effective for all whole loans purchased ("Purchase Ready" status in Loan Delivery) on or after Dec. 1, 2022, and for loans delivered on and after Dec. 1, 2022, into MBS pools with issue dates on or after Dec. 1, 2022.

LLPAs for cash-out refinances

The following table reflects the LLPAs that will apply to cash-out refinance transactions when they become effective in 2023. Note that some LLPAs are increasing but others are decreasing. Additionally, the *Loan-level Price Adjustment Matrix* has been updated to reflect these changes.

Representative Credit Score	LTV Range			
	≤60.00%	60.01-70.00%	70.01-75.00%	75.01-80.00%
≥ 740	0.375%	0.750%	1.375%	1.875%
720 – 739	0.500%	1.125%	1.500%	2.000%
700 – 719	0.500%	1.125%	1.625%	2.000%
680 – 699	0.625%	1.500%	1.625%	2.000%
660 – 679	0.875%	1.750%	1.750%	2.000%
640 – 659	0.875%	1.875%	1.875%	2.125%
620 – 639	0.875%	1.875%	1.875%	2.125%
< 620	0.875%	1.875%	1.875%	2.125%

Additional information:
- Delivery of SFC 003 is optional for cash-out refinances since it is auto-derived based on other data elements in Loan Delivery.
- The cash-out refinance LLPAs are not applicable to student loan cash-out refinances (identified by SFC 841).

Effective: The updated LLPAs will be effective for all whole loans purchased ("Purchase Ready" status in Loan Delivery) on or after Feb. 1, 2023, and for loans delivered into MBS pools with issue dates on or after Feb. 1, 2023.

Note: The LLPAs in this Lender Letter are effective until April 30, 2023. (Refer to LL-2023-01 for updates to LLPAs that become effective May 1, 2023.)

Lenders may contact their Fannie Mae Account Team if they have questions about this Lender Letter.
Have guide questions? Get answers to all your policy questions, straight from the source. Ask Poli.