Fannie Mae

Delivering High-Balance Loans Under Standard Commitments

Overview

The Securities Industry and Financial Markets Association (SIFMA) limits high balance loans to 10% or less for TBA-eligible MBS. As a result, Fannie Mae historically limited high balance loans to <= 10% of individual cash window commitments. Lenders would either need to accumulate loans to take large individual commitments, or deliver into the high balance product, which typically have a lower price.

Fannie Mae now evaluates a lender's high balance deliveries ***monthly*** at the MBS coupon level rather than at the individual commitment level. This new flexibility allows lenders to deliver high balance loans into standard balance pricing. Provided the monthly total of high balance loans is <= 10% of eligible total loans, there are no adjustments or fees. If a lender exceeds 10% on any given coupon, a true-up fee may be assessed as detailed below.

Introduction

Use this job aid to understand how to deliver eligible high-balance mortgage loans under standard commitments and how the 10% de minimis limit is reconciled monthly at the mortgage-backed security (MBS) coupon level.

This job aid applies to lenders delivering 30-year and 15-year fixed-rate high-balance loans through standard commitments.

> **Overview:** This job aid covers eligibility, how the 10% de minimis limit is calculated at the MBS coupon level, what happens if the limit is exceeded, and an example.

Before You Begin

- Have access to the **Whole Loan High Balance Offering Report** in FM Connect.
- Know the MBS coupon and note rate range needed for coupon identification.
- Refer to the Reporting User Guide for calculation details, as needed.

Eligible Products

- Loan balance products (85K, 110K, etc.) are ***excluded*** from the program's calculations, and loans delivered into these categories are not included in the high balance denominator

- 30-year fixed-rate products factored into the calculations include 30-year Fixed Rate, HomeReady®, Second Home, New York, Florida, Investment Property, Credit Score less than 700, Mission Score 3 and Mission Score 2.

- 15-year fixed-rate products include 15-year Fixed Rate, Second Home, New York, Investment Property and Credit Score less than 700.

- 20YR loans must be committed and delivered under the 30yr product to be included in the 30YR denominator calculation. 10YR loans must be committed and delivered under the 15yr product to be included.

- The reporting month is based on the ***funding date*** of acquired loans, not the date committed.

Procedure

Use the steps below to identify the correct coupon and understand how monthly reconciliation is performed at the MBS coupon level.

How the 10% De Minimis Limit Is Calculated

1. Identify the correct MBS coupon using the note rate ranges in the **Pass-Through Slotting** section of the Whole Loan High Balance Offering Report (see Exhibit 1). Lenders should check this report prior to the start of any given month to determine if any slotting changes are occurring.

Exhibit 1: Pass Through Slotting

GNR Start	GNR End	PT Start	PT End	Coupon
2.251	2.75	2.001	2.5	2
2.751	3.125	2.501	2.875	2.5
3.126	3.625	2.876	3.375	3
3.626	4.375	3.376	4.125	3.5
4.376	5.125	4.126	4.875	4
5.126	5.625	4.876	5.375	4.5
5.626	6.125	5.376	5.875	5
6.126	6.625	5.876	6.375	5.5
6.626	7.125	6.376	6.875	6
7.126	7.375	6.876	7.125	6.5
7.376	8.125	7.126	7.875	7
8.126	8.625	7.876	8.375	7.5
8.626	9.125	8.376	8.875	8
9.126	9.625	8.876	9.375	8.5

2. Track loans purchased during the month using the **Seller Servicer Loan Level Detail** section (see Exhibit 2). This report is updated daily with the prior day's purchases. If a loan is delayed in delivery or certification and therefore not purchased, it will not be included in the calculations.

Exhibit 2: Seller Servicer Loan Level Detail

CurlntRt	PassThrough	Coupon	CK_CJ	HighBalance	Actl_UPB_Amt
5.875	5.625	5	0	Non High Bal	595,000.00
5.875	5.625	5	0	Non High Bal	525,000.00
5.875	5.625	5	0	Non High Bal	680,000.00
5.875	5.625	5	0	Non High Bal	515,000.00
5.875	5.625	5	0	Non High Bal	629,000.00
5.875	5.625	5	0	Non High Bal	540,000.00
6	5.75	5	0	Non High Bal	625,000.00
6	5.75	5	0	Non High Bal	511,000.00
6	5.75	5	0	Non High Bal	475,000.00
6	5.75	5	0	Non High Bal	480,000.00
6.125	5.875	5	0	Non High Bal	450,000.00
6.125	5.875	5	0	Non High Bal	475,000.00
6.125	5.875	5	0	High Bal	945,000.00
6.25	6	5.5	0	Non High Bal	475,000.00
6.25	6	5.5	0	Non High Bal	550,000.00

3. Reconcile monthly at the MBS coupon level using the **Seller Servicer Summary by Coupon** section (Exhibit 3)

   Exhibit 3: Seller Servicer Summary by Coupon

SelrServrNme	PROD_GROUPING	GNR Start	GNR End	PT Start	PT End	COUPON	CK_CJ	SumOfHigh Bal	SumOfNon High Bal	Percent High Balance	Overage True-Up Amount	MONTH_START_DT
Lender XYZ	30-YEAR FIXED RATE	5.626	6.125	5.376	5.875	5	-30	945,000.00	6,500,000.00	13.08%	2,089.00	5/1/2026
Lender XYZ	30-YEAR FIXED RATE	6.126	6.625	5.876	6.375	5.5	-15	936,000.00	8,750,000.00	9.63%	0	5/1/2026

4. For calculation details, refer to the Reporting User Guide.

   Note: Use the **Gross Note Rate (GNR)** and **pass-through (PT)** note rate ranges to identify the correct coupon (last column).

If you exceed the limit

True-up fee: If high-balance deliveries exceed 10% of the total for any given coupon over the month, a true-up fee may be assessed.

Timing and basis: The true up fee is based on the applicable high balance MBS market spread level on the first business day of the following month. It is applied only to the amount over 10% delivered during the month into a given MBS coupon. There are no additional fees or penalties.

Important: Any true-up is applied at the coupon level and is based on 15-year and 30-year high-balance market level spreads on the first business day of the following month.

Considerations

If a lender anticipates a large overage for a given coupon or month, consider taking a high-balance commitment for the anticipated amount to help limit any applicable true-up fee.

Example

During the month, a lender sells one high balance loan for $945,000 and $6,500,000 of eligible non-high balance loans that slot into the 5% MBS coupon. The non-high balance amount ($6,500,000) is grossed up for the allowable 10% high balance to determine the pre-calculation total balance ($7,222,222). If the lender’s actual high balance deliveries exceed 10% of the total volume in any given MBS coupon, a true-up fee may be assessed. The fee is based upon the applicable high balance market spread at month end multiplied by the amount over 10% as detailed below.

	GNR		PT		MBS	HighBal				
Product	Start	End	Start	End	COUPON	Spread	High Balance	Non-High Balance	%	True-up
30-YEAR FIXED RATE	5.626	6.125	5.376	5.875	5	-30	$ 945,000	$ 6,500,000	13.08%	$ 2,089
30-YEAR FIXED RATE	6.126	6.625	5.876	6.375	5.5	-15	$ 936,000	$ 8,750,000	9.63%	$ -

True-up Calculation			
Non-high balance	$	6,500,000	
Total w/10% deminimus	$	7,222,222	$6,500,000 / .90
Allowable high balance	$	722,222	10% of the above
Actual high balance	$	945,000	
Caculated high balance %		13.08%	$945,000 / $7,222,222
Amount over 10%	$	(222,778)	$945,000 - $722,222
High balance spread (32nds)		-30	
High balance spread (decimal)		-0.9375	
True-up Fee	$	2,089	($222,222 x .9375)/100

In this example, the lender would owe a true-up fee of $2,089, which is the high balance spread applied to the amount over 10% ($222,778). No fee would apply to the 5.5% MBS coupon as the lender's actual high balance deliveries are <= 10% of the pre-calculation total.

Key takeaway: If high-balance deliveries are **≤ 10%** for the month within a given MBS coupon, no true-up fee applies. If deliveries exceed 10%, a true-up fee applies only to the portion above 10% (no additional fee or penalty applies).

Related Resources

- Whole Loan High Balance Offering Report
- Reporting User Guide

Questions

For whole loan and MBS questions, contact the Fannie Mae Capital Markets Pricing and Sales Desk at **800-752-0257**. The desk is available **8 a.m.–5 p.m. ET, Monday-Friday** and handles trading, hedging, and best-execution inquiries.