



Announcement 07-16

November 6, 2007

Amends these Guides: Selling and Servicing

New Flow Business Pricing Requirements

Introduction

Fannie Mae is committed to providing sustainable liquidity to our lender partners and promoting responsible lending practices. We continuously monitor market conditions, including home price trends and the performance of our portfolio, to ensure our pricing is appropriate.

In 2007, there have been unprecedented changes in the market, including declines in national home prices that are expected to continue through the end of 2008. Delinquency rates are rising across the country, and credit losses are increasing, primarily as a result of higher severity and home price declines.

The purpose of this Announcement is to establish new standard pricing requirements for certain: (1) whole loans purchased on or after March 1, 2008, or (2) loans delivered into MBS with issue dates on or after March 1, 2008.

Changes to Pricing Requirements

Fannie Mae is implementing new loan-level price adjustments (LLPAs) that will apply to mortgage loans with various combinations of risk characteristics:

- A range of loan-to-value (LTV) ratios combined with certain “representative” credit scores;
- Subordinate financing structures with certain “representative” credit scores and/or interest-only amortization features; and
- Two-unit properties.

For whole loans purchased on or after March 1, 2008, or loans delivered into MBS with issue dates on or after March 1, 2008, Fannie Mae standard pricing will include several new LLPAs for all eligible business except MyCommunityMortgage[®] (MCM[®]). The new LLPAs are as follows:

1. New LLPAs for LTVs of 70.01% and above, with certain “representative” credit scores, as follows:

Credit Score	LLPA ^{1,2}
Below 620 (or missing credit score)	2.00%
620-639	1.75%
640-659	1.25%
660-679	0.75%

2. Revised LLPAs for loans with subordinate financing, as follows:

LTV Range	CLTV Range	Non Interest-Only LLPA		Interest-Only LLPA		SFC ³
		Credit Score < 720	Credit Score ≥ 720	Credit Score < 720	Credit Score ≥ 720	
65.01% – 75.00%	90.01% – 95.00%	0.250%	0.250%	0.500%	0.250%	339
75.01% – 95.00%	90.01% – 95.00%	0.250%	0.250%	0.500%	0.250%	338
75.01% – 90.00%	75.01% – 90.00%	0.250%	0.000%	0.500%	0.250%	187

3. Our existing 0.50% LLPA for loans secured by 2-unit properties with LTVs of 90.01% to 95.00% will also apply to loans secured by 2-unit properties with LTVs of 75.01% to 90.00%.

In Announcement 07-12 dated August 2, 2007, Fannie Mae announced that the Loan-Level Price Adjustment Matrix was being moved from the *Selling Guide* to our Web site, eFannieMae.com. With the release of this Announcement, Fannie Mae has updated the matrix to reflect the new LLPAs. The updated matrix is available via the Single-Family

¹ These changes do NOT apply to loans with terms of 15 years or less, or to loans delivered as Expanded Approval[®] or Expanded Approval[®] with Timely Payment Rewards[®] (EA/TPR[™]).

² Customers should contact their Account Team regarding applicability to any negotiated products.

³ Lenders are reminded to provide the appropriate Special Feature Code (SFC) upon delivery of loans with subordinate financing structures, as outlined above.

Reference Materials page of eFannieMae.com. Lenders are reminded that LLPAs are listed exclusively on eFanniemae.com and are incorporated by reference into the *Selling Guide* and are binding on lenders as provided by the Mortgage Selling and Servicing Contract.

Desktop Underwriter[®] will be updated in a future release to reflect these LLPA changes.

Lenders who have questions about Announcement 07-16, should contact their Customer Account Team.

Michael A. Quinn
Senior Vice President
Single-Family Risk Officer