

MPF Announcement:

2023-09

Date:

February 15, 2023

Alert:

Clarification
New Policy
Policy Update
Reminder
Training Information

Audience:

Compliance/Legal
Program
Management
Origination
Quality Control
Servicing

Product:

MPF Government MBS
MPF Traditional
MPF Xtra[®]

Effective Date:

Immediately (unless otherwise noted)

MPF Xtra Updates to Loan-level Price Adjustments

On January 19, 2023, Fannie Mae published [Lender Letter LL-2023-01](#), which contained future changes to loan-level price adjustments (LLPAs) and overall redesign of the Fannie Mae LLPA matrix.

Effective Date: The updated LLPAs will be effective for all loans funded by the MPF Program on or after May 2, 2023.

On February 1, 2023, Fannie Mae published updates to [Lender Letter 2022-05](#), which included:

- Removal of the requirement for delivery of Special Feature Code (SFC) 873 which applies to certain [Duty to Serve loans](#) in specific rural areas. See the link above for additional information regarding requirements.
- Reference to the exception of waivers for LLPAs related to minimum mortgage insurance coverage, which never get waived. (This exception is already included in the LLPA Matrix.) Exception: LLPAs for Minimum Mortgage Insurance Coverage Option will be charged if applicable.

Effective Date: PFIs can stop delivering SFC 873 as it will no longer be used for this LLPA waiver for Loan Funding Requests submitted on and after March 1, 2023.

On June 19, 2023, this SFC will be retired and loans with this SFC on and after this date will no longer be accepted.

Note: PFIs that are eligible as a Small Financial Institution under the Duty to Serve regulation may use SFC 874 as part of the LLPA waivers.

To gain a full understanding of these topics, PFIs should review the entire Fannie Mae Announcement and any applicable Fannie Mae Selling Guide chapters, forms, or exhibits noted in the announcements.

Reference

[Fannie Mae Lender Letter LL-2023-01](#)

[Fannie Mae Lender Letter LL-2022-05](#)

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

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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	<ul style="list-style-type: none"> • SFC 900
Loans for first-time homebuyers with income at or below applicable area median income (AMI) limits	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • SFC 874 • The following types of Duty to Serve loans: <ul style="list-style-type: none"> ○ 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.



	<ul style="list-style-type: none"> • In addition, these loans must meet all Duty to Serve requirements, including: <ul style="list-style-type: none"> ○ total qualifying income at or below 100% of the applicable AMI, ○ secured by principal residence, and ○ purchase or limited cash-out refinance transactions. <p>For additional information about Duty to Serve eligibility, see FHFA’s website and our Duty to Serve eligibility guidelines.</p>
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](#).

Lender Letter (LL-2023-01)

Jan. 19, 2023

To: All Fannie Mae Single-Family Sellers New Loan-level Price Adjustment Framework

This Lender Letter provides information about future changes to loan-level price adjustments (LLPAs) and an overall redesign of the LLPA matrix. These changes are at the direction of FHFA and in alignment with Freddie Mac.

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

New Framework

Last year, we announced changes to our pricing for second homes, high-balance loans, and cash-out refinances, and we introduced LLPA waivers for certain borrowers and affordable mortgage products. We are implementing additional changes to our LLPA framework that represent the next step in our effort to increase support for borrowers historically underserved by the housing finance market while ensuring a level playing field for small and large lenders, fostering capital accumulation, and achieving viable returns on capital.

In addition, we are introducing a revamped LLPA Matrix that differentiates pricing by loan purpose. By capturing all LLPAs associated with each loan purpose on one page, we believe the new matrix is concise and comprehensive. The redesigned LLPA Matrix includes stand-alone, base price grids for purchase loans, limited cash-out refinance loans, and cash-out refinance loans, along with additional LLPAs by loan attribute. The modernized matrix supports pricing model durability through market cycles and conditions.

Many of the LLPAs are changing. Some other notable changes include new delineation of credit score and LTV ratio buckets and the inclusion of an additional LLPA attribute related to DTI ratio, which may be subject to an applicable waiver. For complete details, see the [Loan-Level Price Adjustment \(LLPA\) Matrix](#).

NOTE: *Until the effective date provided in this Lender Letter, the LLPAs provided in this [Matrix](#) will continue to apply.*

Along with the support of FHFA, we will continue to review national pricing levels to ensure we operate in a safe and sound manner and we are positioned to fulfill our mission of providing stability and liquidity to the mortgage market.

Lenders may also contact their Fannie Mae Account Team if they have questions about this Lender Letter.
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