

## What's New?

### Changes to Fannie Mae Pricing, Underwriting Policies, Desktop Underwriter (DU), and Products August 21, 2008

#### Pricing

Product	Change	Effective Date(s)*	Source Doc(s)/ Reference
All	<ul style="list-style-type: none"> <li>• Update the Adverse Market Delivery Charge                             <ul style="list-style-type: none"> <li>√ Adjust from 0.25% to 0.50%</li> </ul> </li> <li>• Update the loan-level price adjustments (LLPAs) for loans with certain risk characteristics:                             <ul style="list-style-type: none"> <li>√ LLPA credits for certain mortgage loans with LTV ratios over 85% and representative credit scores of 720 and greater</li> <li>√ Decreased LLPAs for certain loans with LTV ratios over 85% and representative credit scores of 620 and greater</li> <li>√ Increased LLPAs for certain loans with LTV ratios from 75.01 to 85%</li> </ul> </li> </ul>	November 1, 2008	<i>Selling Guide</i> ( <a href="#">Announcement 08-18R</a> ) <a href="#">LLPA Matrix and AMDC Information</a>
Jumbo-Conforming Mortgages	<ul style="list-style-type: none"> <li>• New LLPAs tied to expanded eligibility, including elimination of jumbo-conforming-specific LLPAs for certain loans (as detailed in Announcement 08-11) (see Jumbo-Conforming Mortgages in the Products section)</li> <li>• Price new jumbo-conforming loans flat to conforming for portfolio asset acquisition through 2008 (part of our Keys to Recovery™ initiatives)</li> </ul>	July 1, 2008 (delivery date)	<i>Selling Guide</i> ( <a href="#">Announcement 08-11</a> ) <a href="#">LLPA Matrix and AMDC Information</a>
EA and MCM	Pricing changes related to Desktop Underwriter® (DU®) Version 7.0: <ul style="list-style-type: none"> <li>• Expanded Approval® (EA): New pricing structure</li> <li>• MyCommunityMortgage® (MCM®): New pricing</li> </ul> See DU, EA, and MCM sections for details	June 1, 2008	<i>Selling Guide</i> ( <a href="#">Announcement 08-08</a> ) <a href="#">LLPA Matrix and AMDC Information</a>
All	New Flow Business Pricing Requirements: New LLPAs will apply to mortgage loans with various combinations of risk characteristics: <ul style="list-style-type: none"> <li>• A range of LTV/credit score combinations</li> <li>• Cash-out refinances with certain LTV/credit score combinations</li> <li>• Two-to-four unit properties</li> </ul> These pricing adjustments will increase prices for some attributes, while decreasing prices for others.	June 1, 2008	<i>Selling Guide</i> ( <a href="#">Announcement 08-04</a> ) <a href="#">LLPA Matrix and AMDC Information</a>
All	Adverse Market Delivery Charge of 0.25% on <b>ALL</b> mortgages delivered to Fannie Mae under standard or negotiated terms; includes long-term standby commitments, whole loan structured transactions, government loans, recourse loans, subprime loans, and reverse mortgages; charge calculated as .0025 times the unpaid principal balance at delivery	March 1, 2008	<i>Selling Guide</i> ( <a href="#">Announcement 07-21</a> ) <a href="#">LLPA Matrix and AMDC Information</a>

Product	Change	Effective Date(s)*	Source Doc(s)/ Reference
Various	<p>Revised national pricing structure – we:</p> <ul style="list-style-type: none"> <li>Implemented new LLPAs for loans with <b>LTVs of 70.01% and above, combined with certain “representative” credit scores</b> [excludes MCM; EA, with or without the Timely Payment Rewards® (TPR) feature; and mortgages with terms of 15 years or less]</li> <li>Implemented revised LLPAs for loans with <b>subordinate financing</b> based on “representative” credit score and whether the loan has an interest-only (IO) feature (excludes MCM)</li> <li>Extended our existing 0.50% LLPA for loans on <b>2-unit properties</b> with LTVs of 90.01% to 95.00% to also apply to 2-unit loans with LTVs of 75.01% to 90.00% (excludes MCM)</li> </ul>	March 1, 2008	<i>Selling Guide</i> ( <a href="#">Announcement 07-16</a> ) <a href="#">LLPA Matrix and AMDC Information</a>

\* Pricing/delivery changes effective for whole loans purchased or loans delivered into MBS with issue dates on or after the specified date.

## Underwriting Policies

Policy	Impact on	Change	Effective Date(s)*	Source Doc(s)/ Reference
<b>Principal Residence Conversion to Second Home or Investor Property</b>	All loans (for DU loans, DU will determine reserve requirements)	<p>Policy changes for borrowers buying a new home and converting a current residence to a second home or rental (or selling a home if the sale will not close prior to the new transaction); such borrowers:</p> <ul style="list-style-type: none"> <li>Must qualify using current and proposed mortgage payments and establish reserves; <b>but</b></li> <li>With equity of at least 30 percent: <ul style="list-style-type: none"> <li>for conversion to a second home, may qualify using current and proposed mortgage payments and reduced reserves; or</li> <li>for conversion to an investment property, may qualify using up to 75 percent of rental income to offset the mortgage payment</li> </ul> </li> </ul>	August 1, 2008 (loan application date)	<a href="#">Selling Guide (Announcement 08-16)</a>
<b>Revised Property Value Lender Rep and Warrant</b>	All loans	<ul style="list-style-type: none"> <li>Lenders must warrant the property’s current value as not less than its original value for loans sold to us more than 6 months and up to 12 months from the closing date.</li> <li>Otherwise, loans may be submitted for review and pricing as part of a bulk transaction.</li> </ul>	August 1, 2008 (delivery)	<a href="#">Selling Guide (Announcement 08-16)</a>
<b>Bankruptcy and Foreclosure</b>	Manually underwritten loans	<p>Key changes (refer to Announcement for detailed matrix):</p> <ul style="list-style-type: none"> <li>Update our policy to specify that the time period to reestablish credit following a bankruptcy action must be measured from the discharge date or the dismissal date (whichever is applicable)</li> <li>Require a four-year elapsed time period after bankruptcies have been dismissed or discharged (or a two-year elapsed time period in the case of bankruptcies that have been discharged following successful completion of a Chapter 13 plan)</li> </ul>	August 1, 2008 (loan application date)	<a href="#">Selling Guide (Announcement 08-16)</a>

Policy	Impact on	Change	Effective Date(s)*	Source Doc(s)/ Reference
		<ul style="list-style-type: none"> <li>Establish a five-year time period to reestablish credit for borrowers with multiple bankruptcy filings in the past seven years</li> <li>Require a two-year time period to re-establish credit following a pre-foreclosure sale</li> <li>Add eligibility requirements that apply after four years and up to seven years after completion of a deed-in-lieu of foreclosure</li> </ul>		
<b>Prior Foreclosures</b>	Loans underwritten through DU 7.0 or manually	<ul style="list-style-type: none"> <li>Manual underwriting: Changes from four years to five years the time required since a prior foreclosure</li> <li>DU 7.0: Changes from two years to five years the time required since a prior foreclosure</li> <li>Extenuating circumstances provision changes from years two through four after foreclosure to years three through five after foreclosure</li> </ul>	June 1, 2008 (application date for manually u/w loans; all DU 7.0 loans); deliver loans u/w through DU 5.7 or manually to pre-6/1/08 criteria: <ul style="list-style-type: none"> <li>Into MBS with issue dates on or before 10/1/08</li> <li>Whole loans for purchase on or before 10/31/08</li> </ul>	<i>Selling Guide</i> <a href="#">(Announcement 08-08)</a>
<b>Excessive Mortgage Delinquency</b>		<ul style="list-style-type: none"> <li>Loans with excessive prior mortgage delinquencies ineligible for delivery</li> <li>Defined as having one or more 60-, 90-, 120-, or 150-day mortgage delinquencies in past 12 months prior to credit report date</li> </ul>		<i>Selling Guide</i> <a href="#">(Announcement 08-08)</a>
<b>National Down Payment Policy</b>	All loans (except certain Streamlined Refinance loans and government-insured loans)	<ul style="list-style-type: none"> <li>Max LTV 97% with DU underwriting</li> <li>Max LTV 95% for manual underwriting</li> <li>Replaced Maximum Financing in Declining Markets Policy</li> </ul>	June 1, 2008 (loan application date)	<i>Selling Guide</i> <a href="#">(Announcement 08-10)</a>
<b>Minimum Credit Scores</b>	Loans underwritten through DU 7.0 or manually	<ul style="list-style-type: none"> <li>New minimum credit score – 580 – loans underwritten manually or through DU except insured government loans, loans with nontraditional credit, and some Streamlined Refinances (Fannie Mae to Fannie Mae)</li> </ul>	June 1, 2008 (loan application date) Deliver loans u/w through DU 5.7 or manually to pre-6/1/08 criteria: <ul style="list-style-type: none"> <li>Into MBS with issue dates on or before 10/1/08</li> <li>Whole loans for purchase on or before 10/31/08</li> </ul>	<i>Selling Guide</i> <a href="#">(Announcement 08-08)</a>
	Manually underwritten loans	<ul style="list-style-type: none"> <li>Addition of minimum credit scores to all standard eligibility guidelines based on borrower equity, occupancy, property type, and amortization type</li> <li>Minimum credit score changes for certain products and transactions: MCM, IO, HomeStyle products, Streamlined Refinance Mortgages</li> <li>Credit score may not be lower than 580, or the minimum for the particular product or transaction minus 40 points, whichever is higher</li> </ul>		

Policy	Impact on	Change	Effective Date(s)*	Source Doc(s)/ Reference
<b>LTV Ratios</b>	Manually underwritten loans	Maximum ratio reductions: <ul style="list-style-type: none"> <li>• HCLTV (home equity combined loan-to-value ratio) for all loans</li> <li>• LTV and CLTV for               <ul style="list-style-type: none"> <li>o 3- and 4-unit properties</li> <li>o Second homes</li> <li>o MCM (except with Community Seconds)</li> <li>o HomeStyle Renovation investment properties</li> <li>o Certain Streamlined Refinance products</li> </ul> </li> </ul>	June 1, 2008 (loan application date) Deliver loans u/w to pre-6/1/08 criteria: <ul style="list-style-type: none"> <li>• Into MBS with issue dates on or before 10/1/08</li> <li>• Whole loans for purchase on or before 10/31/08</li> </ul>	<i>Selling Guide</i> (Announcements <a href="#">08-08</a> and <a href="#">08-10</a> )
<b>Authorized Users of Credit</b>	Loans underwritten through DU 7.0 or manually	If loan applicant is the authorized user of a tradeline belonging to the applicant's spouse, <i>and the spouse is not an applicant</i> , the authorized user tradeline must be considered. Manual underwriting is required in this situation (because DU 7.0 will not consider authorized user tradelines).	June 1, 2008 (loan application date)	<i>Selling Guide</i> ( <a href="#">Announcement 08-08</a> )

## Desktop Underwriter (DU)

Change	Effective Date(s)	Source Doc(s)/ Reference
<b>DU Version 7.0 August 2008 Update will:</b> <ul style="list-style-type: none"> <li>• Support origination and underwriting of Jumbo-Conforming Mortgages</li> <li>• Apply the National Down Payment Policy (Announcement 08-10; see Underwriting Policies section)</li> <li>• Implement 2008 Area Median Incomes (for MCM eligibility)</li> </ul>	Weekend of August 16, 2008	<a href="#">Desktop Originator® (DO®)/DU Release Notes for Version 7.0 August Update</a>
<b>DU Version 7.0</b> includes a comprehensive update to DU's credit risk assessment. These changes are intended to help Fannie Mae's customers: <ul style="list-style-type: none"> <li>• better manage default risk;</li> <li>• underwrite to current market realities; and</li> <li>• provide reasonable, prudent, and sustainable homeownership options to borrowers.</li> </ul> DU 7.0 users may be seeing: <ul style="list-style-type: none"> <li>• Improved credit quality across all DU recommendation levels, especially for EA recommendations.</li> <li>• Some loan casefiles receiving more conservative recommendations, with others receiving improved recommendations compared to similar loan casefiles submitted to DU Version 5.7.</li> <li>• Reduced Approve and/or EA recommendation rates, although the overall impact varies depending on the mix of business submitted to DU.</li> </ul>	June 1, 2008	<a href="#">Desktop Originator® (DO®)/DU Release Notes for Version 7.0</a>

Change	Effective Date(s)	Source Doc(s)/ Reference
<p><b>DU Version 5.7</b> delivery information – loan casefiles created in DU Version 5.7 and resubmitted after May 31 will continue to be underwritten through DU Version 5.7 but are subject to delivery deadlines.</p>	<p>Deliver <b>DU 5.7</b> loans:</p> <ul style="list-style-type: none"> <li>• Into MBS with issue dates on or before 10/1/08</li> <li>• Whole loans for purchase on or before 10/31/08</li> </ul>	<p><a href="#">DO/DU Release Notes for Version 7.0</a>  <a href="#">Selling Guide</a>  <a href="#">(Announcement 08-08)</a></p>

## Standard Products

Product	Impact on	Change	Effective Date(s)*	Source Doc(s)/ Reference
<p><b>Jumbo-Conforming Mortgages</b></p>	<p>Eligibility, underwriting, and delivery</p>	<p>Authorized by the Economic Stimulus Act of 2008, the temporary increase in conforming loan limits helps lenders better serve many high-cost areas.  DU: Origination and underwriting supported in DU (August 2008; see DU section)  Product eligibility:</p> <ul style="list-style-type: none"> <li>• Fixed-rate fully amortizing mortgages, 15- or 30-year term</li> <li>• Fixed-rate with 10-year interest-only (IO) period (available 8/1/08 for whole loan or MBS deliveries)</li> <li>• 5/1 ARMs: fully amortizing and 10-year IO period</li> </ul> <p>Available for MBS deliveries on or after 7/1/08 and whole loan deliveries on or after 8/1/08:</p> <ul style="list-style-type: none"> <li>• 7/1/ ARMs: fully amortizing and 10-year IO period</li> <li>• 10/1 ARMs: fully amortizing and 10-year IO period</li> </ul> <p>Eligibility changes:</p> <ul style="list-style-type: none"> <li>• Higher maximum LTV/CLTV for ARMs and limited cash-out refinances, effective 7/1/08</li> <li>• Cash-out refinances eligible (one-unit principal residence) effective 7/1/08</li> </ul>	<p>July 1, 2008 and August 1, 2008 (see eligibility details); DU rollout weekend of August 16, 2008</p>	<p><a href="#">Selling Guide</a>  (Announcements <a href="#">08-05</a>, <a href="#">08-09</a>, and <a href="#">08-11</a>)  <a href="#">Jumbo-Conforming Mortgages product matrix</a>  <a href="#">Loan limits information</a>  <a href="#">LLPA Matrix and AMDC Information</a></p>
<p><b>Expanded Approval (EA)</b></p>	<p>Underwriting (DU Version 7.0)</p>	<p>Because of improved credit quality underlying DU 7.0 recommendations (see DU section for details), these products, features, and transactions are now <b>eligible with Approve, EA-I, EA-II, and EA-III recommendations</b>:</p> <ul style="list-style-type: none"> <li>• MCM</li> <li>• Manufactured housing</li> <li>• Flexible Mortgages with CLTVs up to 97%</li> <li>• Mortgage loans with CLTVs up to 105% with an eligible Community Seconds<sup>®</sup></li> <li>• 30-year FRM with 10-year interest-only (IO) period</li> <li>• Certain 5/1 ARMs with 10-year IO periods and 2/2/5 caps (ARM Plans 3515 and 3516)</li> <li>• 3- and 4-unit properties</li> </ul>	<p>June 1, 2008</p>	<p><a href="#">DO/DU Release Notes for Version 7.0</a>  <a href="#">Selling Guide</a>  (Announcements <a href="#">08-08</a> and <a href="#">08-10</a>)</p>

Product	Impact on	Change	Effective Date(s)*	Source Doc(s)/ Reference
Expanded Approval (EA) (continued)		<ul style="list-style-type: none"> <li>• Cash-out refinance on: <ul style="list-style-type: none"> <li>o 2-unit primary residence</li> <li>o second home</li> <li>o investment property</li> </ul> </li> <li>• Investment properties with LTVs over 80%</li> </ul> <p>The following remain <b>ineligible with any EA recommendation</b>:</p> <ul style="list-style-type: none"> <li>• Balloons</li> <li>• 6-month, 1-year, 3-year, and 5-year ARMs with 5/2/5 caps</li> <li>• FRMs with IO feature and term more than 30 years</li> <li>• IO ARMs other than ARM Plans 3515 and 3516</li> <li>• Financed MI or “Reduced” or “Lower Cost” MI options</li> </ul> <p>The following remain <b>ineligible with EA-III recommendations</b>:</p> <ul style="list-style-type: none"> <li>• HomeStyle<sup>®</sup> Renovation mortgages</li> </ul> <p>Loan purpose “Construction” (including HomeStyle Construction-to-Permanent mortgages)</p>		
	Underwriting (DU Version 5.7 only)	<p>For loans without subordinate financing:</p> <ul style="list-style-type: none"> <li>• For EA-II, max LTV of 97%</li> <li>• For EA-III, max LTV of 95% (max CLTV for EA-II or EA-III: 95%)</li> </ul>	October 2007 (see DU section for deadlines to deliver DU 5.7 loans)	<i>Selling Guide</i> ( <a href="#">Announcement 07-14</a> ) <a href="#">DU Version 5.7 Update Release Notes</a>
	Misc.	Timely Payment Rewards <sup>®</sup> (TPR) feature will be retired with DU Version 7.0	June 1, 2008 (see DU section for deadlines to deliver DU 5.7 loans)	<a href="#">DO/DU Release Notes for Version 7.0</a> <i>Selling Guide</i> ( <a href="#">Announcement 08-08</a> )
	Pricing (DU Version 7.0)	<p>New pricing structure:</p> <ul style="list-style-type: none"> <li>• New standard credit score/LTV-based LLPAs plus new EA-specific LLPAs</li> </ul>	June 1, 2008	<i>Selling Guide</i> ( <a href="#">Announcement 08-08</a> ) <a href="#">LLPA Matrix and AMDC Information</a>
	Pricing (DU Version 5.7 only)	EA-specific LLPA of 0.50% for ALL EA loans (including with TPR) in addition to any other applicable LLPAs	Dec. 1, 2007 (see DU section for deadlines to deliver DU 5.7 loans)	<i>Selling Guide</i> ( <a href="#">Announcement 07-14</a> ) <a href="#">LLPA Matrix and AMDC Information</a>
	Delivery (DU Version 7.0)	New Special Feature Code (SFC) 716 must be used for delivery of EA loans underwritten through DU 7.0 (previous EA SFCs will not apply to DU 7.0 loans)	June 1, 2008	<i>Selling Guide</i> ( <a href="#">Announcement 08-08</a> ) <a href="#">LLPA Matrix and AMDC Information</a>

Product	Impact on	Change	Effective Date(s)*	Source Doc(s)/ Reference
<b>MyCommunityMortgage (MCM)</b>	Underwriting (DU Version 5.7 only)	Eligible with DU recommendations Approve and EA-I only	July 2007 (see DU section for deadlines to deliver DU 5.7 loans)	<i>Selling Guide</i> ( <a href="#">Announcement 07-05</a> ) <a href="#">DU Version 5.7 Release Notes</a>
	Underwriting (DU Version 7.0)	<ul style="list-style-type: none"> <li>Eligible with DU recommendations Approve, EA-I, EA-II, and EA-III</li> <li>Maximum LTV/CLTV 97%/97% (up to 105% CLTV with Community Seconds only)</li> </ul>	June 1, 2008	<a href="#">DO/DU Release Notes for Version 7.0</a> <i>Selling Guide</i> (Announcements <a href="#">08-08</a> and <a href="#">08-10</a> )
	Manual underwriting	<ul style="list-style-type: none"> <li>Minimum credit scores <ul style="list-style-type: none"> <li>640 for 1- and 2-unit properties</li> <li>680 for 3- and 4-unit properties</li> </ul> </li> <li>Maximum LTV and CLTV ratios for 1-unit property <ul style="list-style-type: none"> <li>95%/95% (except with Community Seconds)</li> <li>105% max CLTV with Community Seconds (no change from current policy)</li> </ul> </li> </ul>	June 1, 2008 (loan application date)	<i>Selling Guide</i> (Announcements <a href="#">08-08</a> and <a href="#">08-10</a> )
	Pricing and Delivery (DU 7.0 or manual u/w to 6/1/08 criteria)	<ul style="list-style-type: none"> <li>MCM-specific LLPA of 0.75%</li> <li>Additional MCM-specific LLPAs also apply for certain features</li> <li>Use new SFC 612 plus all other applicable SFCs</li> </ul>	June 1, 2008	<i>Selling Guide</i> ( <a href="#">Announcement 08-08</a> ) <a href="#">LLPA Matrix and AMDC Information</a>
	Pricing (DU 5.7 or manual u/w to pre-6/1/08 criteria)	<ul style="list-style-type: none"> <li>MCM-specific LLPA of 1.00% – also applies to negotiated variances subject to standard MCM pricing (does not apply to MCM loans underwritten through DU 7.0 or manually underwritten using criteria effective 6/1/08)</li> <li>Additional MCM-specific LLPAs also apply for certain features</li> </ul>	Deliver loans <ul style="list-style-type: none"> <li>Into MBS with issue dates on or before 10/1/08</li> <li>Whole loans for purchase on or before 10/31/08</li> </ul>	<i>Selling Guide</i> ( <a href="#">Announcement 07-05</a> ) <a href="#">DU Version 5.7 Release Notes</a> <a href="#">LLPA Matrix and AMDC Information</a>
	<b>Flexible 100™ Mortgages</b>	All	Flexible 100 Mortgages retired (Flexible 97 <sup>®</sup> still available)	Deliver loans: <ul style="list-style-type: none"> <li>Into MBS with issue dates on or before 10/1/08</li> <li>Whole loans for purchase on or before 10/31/08</li> </ul>
<b>Streamlined Purchase Money Mortgages</b>	Standard and negotiated variance products	Retired: Streamlined Purchase Money Mortgage products (SPMM) Option 1 and SPMM Option 2 (SFCs 426, 427) including the Streamlined Purchase Plus variance (SFC 636)	<ul style="list-style-type: none"> <li>Whole loans for purchase on or before 10/31/08</li> </ul>	<i>Selling Guide</i> ( <a href="#">Announcement 08-08</a> )

For source documents and other resources, please visit [eFannieMae.com](http://eFannieMae.com).