

**Announcement 09-08**
**March 30, 2009**
***Amends these Guides: Selling***
***Temporary High-Cost Area Loan Limits and Revised Eligibility Requirements for High-Balance Mortgage Loans***
**Introduction**

Announcement 08-27, *Permanent High-Cost Area Loan Limits*, outlined Fannie Mae’s comprehensive requirements for high-balance mortgage loans. The current high-balance conforming loan limits reflect the permanent limits for high-cost areas under Fannie Mae’s charter in accordance with the Housing and Economic Recovery Act of 2008.

Pursuant to new authority granted under the American Recovery and Reinvestment Act (ARRA), Fannie Mae is now able to acquire high-balance mortgage loans originated in 2009 with original loan amounts that exceed the permanent high-cost area loan limits. Specifically, the ARRA permits loans originated in 2009 to use the higher of the current permanent high-cost area loan limits, or the temporary loan limits in place for loans originated in 2008 that were applicable to jumbo-conforming mortgage loans. Fannie Mae is labeling these new ARRA loan limits “temporary high-cost area loan limits” and expanding the definition of high-balance mortgage loans to include loans that meet the permanent high-cost area loan limits and loans that meet the temporary high-cost loan limits. This Announcement outlines the new temporary high-cost area loan limits and new eligibility requirements that apply to high-balance mortgage loans. It also includes information related to delivery of jumbo-conforming whole loans.

**Loan Limits**

The following chart contains the maximum 2009 loan limits. The high-cost area limits (permanent and temporary) are the maximum loan amounts that may apply; however, specific loan limits are established for each county (or equivalent) and the loan limit may be lower for each specific high-cost area.

Units	Contiguous States, District of Columbia, and Puerto Rico			Alaska, Guam, Hawaii, and the U.S. Virgin Islands		
	General	High-Balance Loans		General	High-Balance Loans	
		Permanent High-Cost	Temporary High-Cost		Permanent High-Cost	Temporary High-Cost*
<b>One</b>	\$417,000	\$625,500	\$729,750	\$625,500	\$938,250	NA
<b>Two</b>	\$533,850	\$800,775	\$934,200	\$800,775	\$1,201,150	
<b>Three</b>	\$645,300	\$967,950	\$1,129,250	\$967,950	\$1,451,925	
<b>Four</b>	\$801,950	\$1,202,925	\$1,403,400	\$1,202,925	\$1,804,375	

\*The temporary high-cost area loan limits for all counties (or equivalents) in Alaska, Guam, Hawaii, and the U.S. Virgin Islands do not apply because these limits are lower than the maximum permanent high-cost area limits.

Lenders are responsible for ensuring that the original principal balance of each mortgage loan does not exceed the applicable maximum loan limit for the specific area in which the property is located. To assist lenders in determining the applicable limits, Fannie Mae posts reference material on [eFannieMae.com](http://eFannieMae.com), including the Loan Limit Geocoder™, which lenders can use to look-up loan limits based on a specific address (or batch of addresses).

## Eligibility Requirements for High-Balance Mortgage Loans

Fannie Mae has re-evaluated the existing high-balance eligibility guidelines. The following requirements will apply to all high-balance mortgage loans:

- Loans must be conventional first-lien mortgages only.
- One-to-four unit properties are eligible.
- Loans must be fixed-rate or adjustable rate. Balloons are not permitted.
- Loans may be underwritten manually or with Desktop Underwriter® (DU®).
- Loans must meet the LTV, CLTV, HCLTV, and minimum credit score requirements as outlined on the Attachment to this Announcement.
- All borrowers must have a credit score.
- Loan casefiles underwritten through DU must receive an Approve recommendation (Refer and Expanded Approval recommendations are not permitted).
- Financed borrower-purchased mortgage insurance is permitted; however, the maximum gross LTV (after the inclusion of the financed premium) can not exceed 90 percent.
- Except as noted in this Announcement, all high-balance loans must meet all standard Fannie Mae eligibility and delivery requirements, as outlined in the *Selling Guide*.

**Note:** Unless otherwise notified by Fannie Mae, existing variances in the lender's Master Agreement apply to high-balance mortgage loans; however, the more restrictive of the eligibility requirements of this Announcement or the lender's variance will apply.

## Appraisal Requirements

The following appraisal requirements apply in addition to the standard *Selling Guide* or DU fieldwork requirements:

- A Field Review (*One-Unit Residential Appraisal Field Review Report*, [Form 2000](#)) is required if
  - the loan amount is \$625,500 or greater and the LTV, CLTV, or HCLTV is greater than 80 percent, or
  - the property is valued at \$1,000,000 or more and the LTV, CLTV, or HCLTV is greater than 75 percent.

The Field Review is required to ensure that the appraisal is an accurate representation of value. If the Field Review results in a different opinion of value than the appraisal, the lowest of the original appraised value, the Field Review value, or the sales price (for purchases) should be used to calculate the LTV ratios.

- For properties in attached condominium projects, the appraisal must contain two comparable sales from projects outside of the subject’s project in addition to the current comparable sale requirements as outlined in the *Selling Guide*.

## Applying the New Requirements to Manually Underwritten Mortgage Loans

The following table describes the effective dates that will apply for manually underwritten mortgage loans:

	<b>Loans that meet the permanent high-cost area loan limits*</b>	<b>Loans that meet the temporary high-cost area loan limits*</b>
<b>Manually Underwritten</b>	Lenders are encouraged to implement the new eligibility guidelines immediately, but must apply them on applications dated on or after June 1, 2009. All whole loans and mortgage loans delivered into MBS on or after October 1, 2009 must comply with the new policies.	Whole loans and mortgage loans delivered into MBS are eligible for delivery on or after May 1, 2009.

\* The determination of the permanent or temporary high-cost area loan limit is based on the actual limit that applies for the specific property location.

## Applying the Temporary High-Cost Area Loan Limits to DU Loan Casefiles

DU will be updated in a future release to include the new loan limits and updated eligibility requirements outlined in this Announcement. Until that time, lenders must manually apply the temporary high-cost loan limits (for the area in which the property is located) and eligibility requirements in this Announcement to loan casefiles with loan amounts in excess of the permanent high-cost area loan limits.

Loan casefiles underwritten through DU that receive an Ineligible recommendation may be delivered to Fannie Mae, and will be eligible for the DU limited waiver of underwriting representations and warranties, provided all of the following conditions are met:

- The loan casefile received an Approve/Ineligible recommendation.
- The only reason for the Ineligible recommendation is the loan amount exceeds the current loan limit applied by DU (i.e., the permanent high-cost limit for the area in which the property is located). The loan amount can not exceed the temporary high-cost limit applicable to the area in which the property is located.
- The loan complies with all of the guidelines specified in this Announcement.
- The loan complies with all applicable terms of the DU limited waiver of representations and warranties, as outlined in the *Selling Guide*.

The following table describes the effective dates that will apply for loan casefiles underwritten through DU:

	<b>Loans that meet the permanent high-cost area loan limits*</b>	<b>Loans that meet the temporary high-cost area loan limits*</b>
<b>DU</b>	The existing high-balance eligibility requirements (as outlined in Announcement 08-27) will continue to apply until the new requirements are implemented in a future DU release.	Lenders must manually apply the loan limits and eligibility requirements in this Announcement immediately. Whole loans and mortgage loans delivered into MBS are eligible for delivery on or after May 1, 2009.

\* The determination of the permanent or temporary high-cost area loan limit is based on the actual limit that applies for the specific property location.

### **Refi Plus™ and DU Refi Plus™**

High-balance mortgage loans, including those using the temporary high-cost area loan limits, are eligible for Refi Plus and DU Refi Plus. The eligibility requirements specific to Refi Plus and DU Refi Plus supersede all requirements that apply to high-balance mortgage loans, including the requirements in Announcement 08-27 and this Announcement. Refer to Announcement 09-04, *Home Affordable Refinance – New Refinance Options for Existing Fannie Mae Loans* for additional information about Refi Plus and DU Refi Plus.

### **MBS and Whole Loan Pricing, Committing, and Delivery**

Mortgage loans originated in accordance with the temporary high-cost area loan limits must be delivered as high-balance loans, and consistent with those requirements the following applies:

- The *Date of Mortgage Note* field is a required data element at delivery.
- Special Feature Code 808 is required at delivery.
- Mortgage loans will be subject to all of Fannie Mae’s existing committing and delivery requirements and loan-level price adjustments as described in Announcement 08-27.

The American Securitization Forum has announced that loans originated with the temporary high-cost area loan limits constitute “good delivery” in the TBA market for MBS. Each TBA MBS pool may contain up to 10 percent of the aggregate issue date unpaid principal balance in high-balance loans, including those with these higher temporary loan limits for 2009. This 10 percent pooling allowance aligns with the requirements already in place for high-balance loans. For pools with greater than 10 percent concentrations of high-balance loans (including loans that fall under the permanent or temporary high-cost limits), refer to Announcement 08-27 for the applicable pool prefixes.

## **Update on Jumbo-Conforming Whole Loan Delivery**

Jumbo-conforming mortgage loans had to be originated by December 31, 2008 and Fannie Mae is still accepting delivery. However, jumbo-conforming whole loan products will be removed from eCommitting™ and eCommitONE™ effective May 1, 2009. Jumbo-conforming whole loans can still be sold to Fannie Mae on a mandatory negotiated price basis. If lenders have a jumbo-conforming whole loan that they would like to sell to Fannie Mae on or after May 1, 2009, contact Fannie Mae's Capital Markets Sales Desk at 800-752-0257.

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Lenders who have questions about this Announcement should contact their Customer Account Team for additional information.

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

## Attachment

<b>High-Balance Mortgage Loans Maximum Allowable LTV Ratios and Minimum Credit Scores<sup>1</sup></b>			
Transaction Type	Number of Units	Maximum LTV/CLTV <sup>2</sup> /HCLTV <sup>3</sup>	Minimum Credit Score
<b>Principal Residence</b>			
Purchase	1 Unit	FRM: 90/90/90% ARM: 75/75/75%	FRM: 700 > 75% 660 ≤ 75% ARM: 680
	2 - 4 Units	75/75/75%	740
Limited Cash-Out Refinance	1 Unit	Loan Amt ≤ \$625,500 FRM: 90/90/90% ARM: 75/75/75%  Loan Amount > \$625,500 FRM: 80/80/80% ARM: 75/75/75%	FRM: 700 > 75% 660 ≤ 75% ARM: 680
	2 - 4 Units	75/75/75%	740
Cash-Out Refinance <sup>4</sup>	1 Unit	60/60/60%	740
	2 - 4 Units	NA	NA
<b>Second Home</b>			
Purchase Limited Cash-Out Refinance	1 Unit	65/65/65%	740
Cash-Out Refinance	1 Unit	NA	NA
<b>Investment Property</b>			
Purchase Limited Cash-Out Refinance	1 – 4 Units	65/65/65%	740
Cash-Out Refinance	1 – 4 Units	NA	NA

<sup>1</sup> These requirements apply to MyCommunityMortgage<sup>®</sup>, HomeStyle<sup>®</sup> Renovation, Flexible mortgage loans, manually underwritten mortgage loans, and loan casefiles underwritten with Desktop Underwriter. They do not apply to Refi Plus<sup>™</sup> or DU Refi Plus<sup>™</sup>

<sup>2</sup> The CLTV may be up to 105% only if the mortgage is part of a Community Seconds<sup>®</sup> transaction.

<sup>3</sup> Subordinate financing is not permitted on cooperative share loans. CLTV and HCLTV ratios are not applicable.

<sup>4</sup> If the property was purchased within the prior six months, the borrower is ineligible for a cash-out refinance transaction.