MFM Bulletin: 029-2022

Date: December 12, 2022

Subject: Updates to Fannie and Freddie LLPAs

As mentioned previously in MFM Bulletin 027-2022, Fannie Mae and Freddie Mac have recently made changes to their loan level price adjustments (LLPAs) to promote additional access to affordable housing opportunities for low to moderate income borrowers. In addition to the waiver of all LLPAs on HomeReady and Home Possible loans, Fannie and Freddie have also made the changes noted below.

Waiver of LLPAs
All LLPAs will be waived for the loan transactions below. Note that all requirements must be met, including the applicable special feature code at time of delivery.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>How Applied</th>
<th>Special Feature Codes (SFC)</th>
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| Loans for first-time homebuyers with income at or below applicable area median income (AMI) limits. | • At least one borrower must be a first-time homebuyer.  
• Total qualifying income is at or below 100% AMI for non- high-cost areas and 120% for high-cost areas. | • Fannie SFC: 873  
• Freddie SFC: N/A |
| Loans meeting Duty to Serve requirements.                                  | • The following types of Duty to Serve loans:  
  o Manufactured homes (including MH Advantage).  
  o Rural Housing - high needs rural regions or persistent poverty rural locations, high needs populations, including Native American loans, loans originated by Small Financial Institutions.  
  • In addition to the above, these loans must meet the following:  
    o Total qualifying income at or below 100% AMI  
    o Principal residence  
    o Purchase or Limited Cash out/No cash out refi’s | • Fannie: SFC 874  
• Freddie: Mortgages originated in rural areas and by Small Financial Institutions, as defined by the FHFA IFI Code and SFC J84.  
• For mortgages located in rural areas and high needs rural regions SFC J85. |

DU and LPA
DU and LPA will provide messages with the AMI for the area the property is located and whether the borrower’s total income falls at or below the AMI limit:

DU and LPA will also be updated in the future to identify properties that qualify under “Duty to Serve”

Applying the LLPA Waiver
Optimal Blue (OB) is updating their systems to capture total qualifying income from Blue Sage and AMI limits in all areas. This will allow loans eligible for LLPA waivers to be identified at the time of pricing request and/or locking of the loan. OB anticipates this feature to be fully functional by mid-January.
Until then, loan officers will need to either review the AUS findings to see whether a messages fires stating the borrower’s income is at or below 100% of AMI; OR you may use the Area Median Income Look Up tool to find out what the AMI is for the property.

Once eligibility for a LLPA waiver has been determined and the loan is ready to be locked, you will need to e-mail MFM Secondary Marketing and provide them with the borrower’s total qualifying income and AMI for the area at the time the lock is submitted. Upon verification, Secondary Marketing will manually update the lock removing the LLPAs.

Underwriting will also review findings and notify the loan officer and secondary marketing of any loan that qualifies for waiver of LLPAs and not locked as such.

Additional Training
MFM will be hosting a special webinar training session to explain the process and ensure understanding of the LLPA waiver. This Zoom training will be under 30 minutes and available to attend on Wednesday and/or Thursday:

- Wed., 12/14: 10am EST - [click here to register]
- Thurs., 12/15: 3pm EST - [click here to register]