



# Bankers Advisory

## COMPLIANCE MONITOR

March 17, 2015

### *Fannie Mae Issues Loan Level Pricing Adjustment Update*

**By Anna DeSimone**

March 17, 2015 Fannie Mae released [Selling Notice: LLPA Matrices Update](#). The information contained on the notice is provided below:

On November 10, 2014, Fannie Mae released Announcement SEL-2014-13, *Selling Guide Updates*, and announced changes to the policy that pertains to how loan-level price adjustments (LLPAs) are applied to mortgage loans with more than one borrower, specifically when one borrower has a credit score and one or more borrowers do not have credit scores.

As noted in the Announcement, for loans delivered with more than one borrower, when one borrower has credit scores and one or more borrowers do not have credit scores, the LLPAs will be charged according to the representative credit score (disregarding the borrower(s) without a credit score). This will apply to whole loans purchased and mortgage loans delivered into MBS with pool issue dates, on or after May 1, 2015. As a reminder, this policy of disregarding the borrower(s) without credit scores in the determination of the representative score is the standard policy that applies whenever Fannie Mae refers to the “representative credit score.”

Fannie Mae has updated the pricing guidelines in the *Loan-Level Price Adjustment (LLPA) Matrix and Adverse Market Delivery Charge (AMDC) Information* and the *Refi Plus™ Mortgages Only Loan-Level Price Adjustment (LLPA) Matrix and Adverse Market Delivery Charge (AMDC) Information* matrices to reflect this policy change. Only the section titled “Pricing Guidelines for LLPAs and AMDC” were updated on both matrices - no other changes were made.

Click on the following links to view the matrices:

[Loan Level Price Adjustment Matrix](#)

[Refi Plus Mortgages Only Matrix](#)

Provided below is pertinent reference information contained on Fannie Mae's November 10, 2014 Announcement:

**Ann. SEL-2014-13: *Selling Guide Updates (11/10/14)***

**Pricing Loans for Borrowers Without Credit Scores**

Fannie Mae is changing the policy that pertains to how loan-level price adjustments (LLPAs) are applied to mortgage loans with more than one borrower, when one borrower has credit scores and one or more borrowers do not have credit scores. Currently for this scenario, mortgage loans delivered without a credit score for a borrower are charged under the lowest credit score range shown in each of the applicable LLPA tables in the LLPA matrices. Beginning May 1, 2015, for this scenario, the LLPAs will be charged based on the credit scores that exist for the remaining borrower(s).

For this scenario, Fannie Mae is now aligning how the representative credit score is determined for eligibility and pricing purposes. It may result in lower LLPAs for many transactions, since the LLPAs will no longer automatically be based on the lowest credit score range.

In addition, the policy that applies to delivery of credit scores when there are more than two borrowers on the loan will be updated. Fannie Mae's Loan Delivery collects a "borrower" and "co-borrower" and their respective credit scores. If there are three or more borrowers, then the lender will be required to deliver the credit scores for the borrowers with the highest and lowest representative scores, disregarding any borrower without a credit score.

NOTE: The Selling Guide will be updated to reflect these policies closer to the May 2015 implementation date.

Effective Date: These changes are effective for all loans delivered on or after May 1, 2015.