



Announcement 06-04

April 14, 2006

Amends these Guides: Selling

HOEPA Mortgages and Mortgages with Excessive Fees

Over the last several years, Fannie Mae and its lender partners have worked together to expand affordable homeownership, promote responsible lending practices, and combat predatory lending. Fannie Mae first issued its standards to guard against the purchase of mortgages with abusive or predatory lending practices in Lender Letter 03-00, issued April 11, 2000. The requirements included in the Lender Letter were later codified in the Selling Guide in 2002 (Part I, Section 310). Since that time, Fannie Mae has issued numerous Announcements to its lender partners to further promote responsible lending practices, and to define additional lending practices that are unacceptable in connection with mortgages to be sold to Fannie Mae. Fannie Mae is now expanding its policy prohibitions to include certain mortgage purchase eligibility requirements based on housing goals regulations issued by the U.S. Department of Housing and Urban Development (HUD) to which Fannie Mae is subject.

Points and Fees

Part VII, Section 104.11: Maximum Allowable Points and Fees. With regard to points and fees, Section 104.11 is hereby amended as follows:

Fannie Mae will not purchase or securitize a mortgage if the total points and fees charged to the borrower exceed the greater of five percent of the mortgage amount or a maximum dollar amount of \$1,000.

The current requirements in Section 104.11 detailing the costs that are included, or excluded, from the points and fees calculation remain unchanged, and are not affected by this amendment.

High Cost/High Risk Mortgages

Part VII, Section 104.15, High Cost/High Risk Mortgages. The Selling Guide states that a mortgage is not eligible for purchase by Fannie Mae if it is subject to the requirements of the Home Ownership and Equity Protection Act of 1994 (HOEPA). With regard to HOEPA, Section 104.15 is hereby amended as follows:

Fannie Mae will not purchase or securitize a mortgage if the “annual percentage rate” or “points and fees payable by the borrower” (as each such term is calculated under HOEPA) exceeds the maximum thresholds described under HOEPA. This prohibition applies to all types of mortgages (including purchase money mortgages and refinance transaction mortgages), but does not include reverse mortgages.

The policies articulated in this Announcement apply to all mortgages or loans (including manufactured housing loans), and shall be effective for all loans delivered to Fannie Mae on or after June 1, 2006.

Lenders should contact their Customer Account Team if they have questions about this Announcement.

Pamela S. Johnson
Senior Vice President