Fannie Mae Benchmark CPR™ Commentary – July 2020

30-Year Benchmark CPR

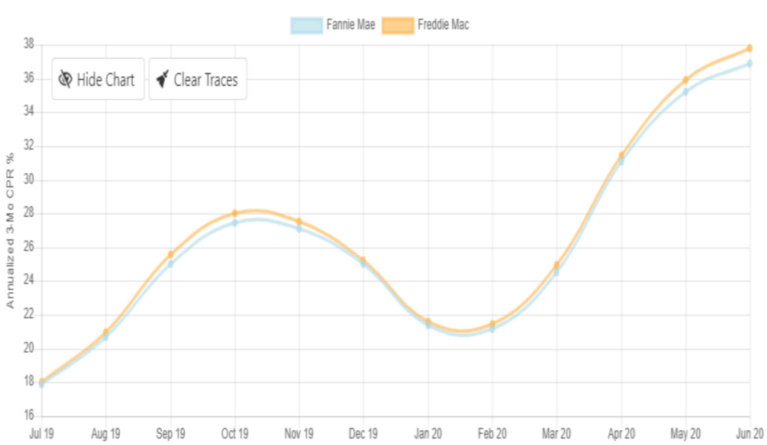
Fannie Mae Cohort Benchmark CPR3 (BCPR3) came in at 36.9 CPR for the month of June, which was a 5% increase from the 35.2 CPR observed in May. After May's decline, the June 1-month component speed increased to 36.7 CPR, contributing to the overall increase of the BCPR3.

As illustrated in the table below (and documented in the Benchmark CPR Methodology Overview), the June BCPR3 captures component CPRs from April through June, while the May number captured March through May. As such, the change from the May to June reporting periods is a function of the difference between the March and June components.

Table 1: Components of Fannie Mae's May and June BCPR Results – 30-year

Reporting Period	BCPR3	March Component CPR	April Component CPR	May Component CPR	June Component CPR
May 2020	35.2	31.5	38.5	35.6	
June 2020	36.9		38.5	35.6	36.7

Exhibit A



Report includes the entire population for the last 24-months of issuance, all coupons, 30-year fixed rate, top 100 Servicers by Current UPB.*
**Rolling 24 month lookback for which a 3 month CPR is available.*

Prepayment speeds continued their march higher in the month of June on a higher day count and significant rate incentive driving refinance activity. Currently more than 70% of the conventional universe continues to experience at least 50 bps of refinance incentive (assumes 3.07 FRM rate) and the share of refinance loans continues to be north of 70%. Having said this, refinance closing times[1] tracked by EllieMae have lengthened five days indicating capacity constraints, and the purchase money market is showing robust signs of recovery, which could cap prepayment speeds for the next few months.

[1] https://static.elliemae.com/pdf/origination-insight-reports/EM_OIR_MAY2020.pdf

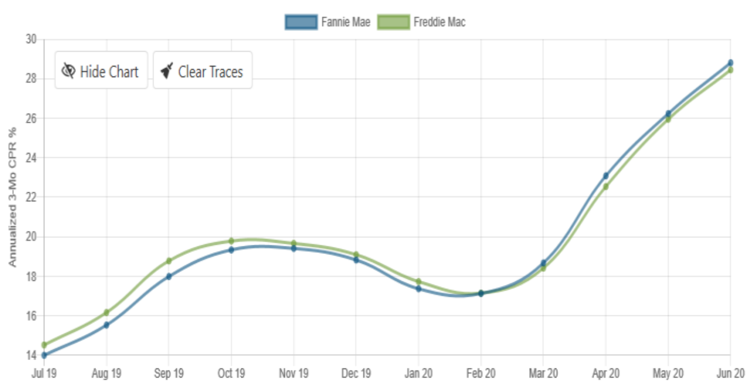
15-Year Benchmark CPR

The Benchmark CPR metric is being expanded to include the 15-year fixed rate loans. Exhibit B below previews the results for this population. And like the 30-year section above, Table 2 shows the component CPRs for the 15-year Benchmark CPR3.

Table 2: Components of Fannie Mae's May and June BCPR Results – 15-year

Reporting Period	BCPR3	March Component CPR	April Component CPR	May Component CPR	June Component CPR
May 2020	26.2	22.3	29.1	27.0	
June 2020	28.8		29.1	27.0	30.2

Exhibit B



Report includes the entire population for the last 24-months of issuance, all coupons, 15-year fixed rate, top 100 Servicers by Current UPB.*
**Rolling 24 month lookback for which a 3 month CPR is available.*

Fannie Mae Cohort 15-year Benchmark CPR3 (BCPR3) came in at 28.8 CPR on for the month of June, which was a 10% increase from the 26.2 CPR observed in May. Like the 30-year metric, the June 1-month component speed came in at 30.2% CPR, an increase over May's 27.0% CPR component speed, contributing to the overall BCPR3 increase.

Beyond the Headline

Shift from Servicing Released to Servicing Retained

The recent COVID-induced market volatility led to a significant drop in servicing released premiums that aggregators paid to originators that sell their servicing. This resulted in an increase in retention of servicing for some originators which may be observed as increased servicer percentage in newly issued pools, compared to historical norm. Given the focus on servicer speeds in most prepayment surveillance reports, the challenge for MBS investors is to accurately evaluate the performance of these new servicer concentrations as pool compositions shift. The Benchmark CPR tool displays both an entity's seller and servicer speeds side by side to give investors a complete picture of an entity's performance.

The table below (Table 3) highlights the most significant shifts observed among the 100 largest Fannie Mae sellers on the July Benchmark CPR3 report. Here the Benchmark CPR3 population represents the 24-month issuance period ending in April 2020 and the Benchmark CPR1 population represents the 24-month issuance period ending June 2020. The servicing retention growth shows the factor increase in servicing retained in the outstanding Benchmark CPR1 population versus the Benchmark CPR3 population. While not totally isolating the shift between released and retained servicing, comparing the two Benchmarks offers a quick solution to observe this migration. Further, we wanted to determine if these findings are the result of a shift in strategy or the build-up of servicing for transfer. To validate this, we expanded our review of the data to the BCPR1 report from April 2020 (not shown) which indicated that none of the entities in Table 3 had a meaningful outstanding balance as a Fannie Mae servicer at that time. The table also shows the Seller and Servicer Benchmark CPR3 speeds to help evaluate the entity.

Table 3

Entity	BCPR 3 Population			BCPR 1 Population			Retention Growth	Seller BCPR3	Service BCPR3
	Seller Orig Amount ($MM)	Seller Orig Amount ($MM)	Service /Seller %	Seller Orig Amount ($MM)	Seller Orig Amount ($MM)	Service /Seller %			
Churchill Mortgage Corporation	$1,556	$14	0.9%	$1,809	$289	16.0%	18.3X	39.08	0.00
Cherry Creek Mortgage CO, INC	$1,071	$52	4.9%	$2,014	$985	48.9%	10.0X	40.08	15.77
Bay Equity LLC	$1,656	$48	2.9%	$2,236	$464	20.7%	7.2X	39.31	13.63
Finance of America Mortgage, LLC	$8,499	$322	3.8%	$9,638	$2,142	22.2%	5.9X	46.11	20.88
Commerce Home Mortgage, LLC	$1,280	$134	10.4%	$1,695	$596	35.2%	3.4X	53.92	24.86
Fairway Independent Mortgage Corporation	$18,325	$1,392	7.6%	$23,416	$5,340	22.8%	3.0X	40.10	42.85
Movement Mortgage, LLC	$14,589	$1,598	11.0%	$16,308	$4,324	26.5%	2.4X	38.40	22.00
Parkside Lending, LLC	$1,357	$276	20.4%	$1,688	$694	41.1%	2.0X	33.99	23.28
E Mortgage Management, LLC	$1,332	$171	12.9%	$1,578	$381	24.2%	1.9X	29.71	16.96
Better Mortgage Corporation	$1,816	$731	40.3%	$3,571	$2,463	69.0%	1.7X	21.88	33.62
Northpointe Bank	$3,662	$638	17.4%	$4,278	$1,274	29.8%	1.7X	35.24	24.78
Prime Lending	$2,578	$497	19.3%	$2,672	$853	31.9%	1.7X	34.83	42.03
Ruoff Mortgage Company	$1,184	$400	33.8%	$1,595	$836	52.4%	1.6X	34.60	19.06
FBC Mortgage, LLC	$1,343	$375	27.9%	$1,559	$659	42.3%	1.5X	36.22	34.31

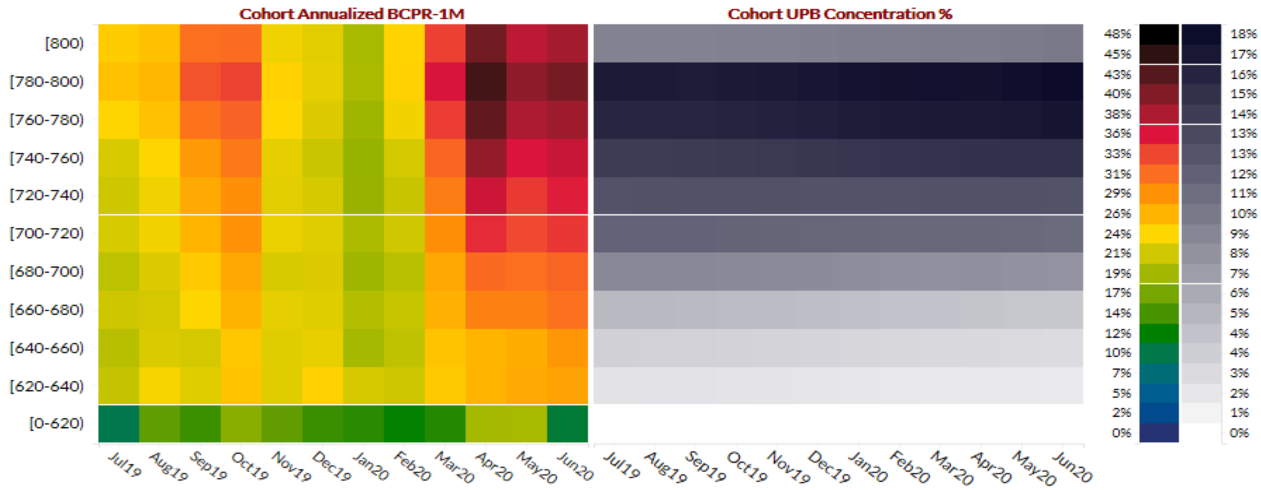
Note: BCPR3 covers the population of loans pooled between May 2018-Apr 2020, while BCPR1 covers the population of loans pooled between Jul 2018-Jun 2020.

Heatmaps

Below we preview heatmaps from a new feature under development for the Benchmark CPR dashboard. The heatmaps consist of two panels; The panel on the left shows the Benchmark CPR1 for the Fannie Mae reference population over the last twelve factor months, using a multicolor scale. And the panel on the right shows the outstanding UPB using a gray scale. Each heatmap cohorts the reference population across a chosen metric (Loan Size for example).

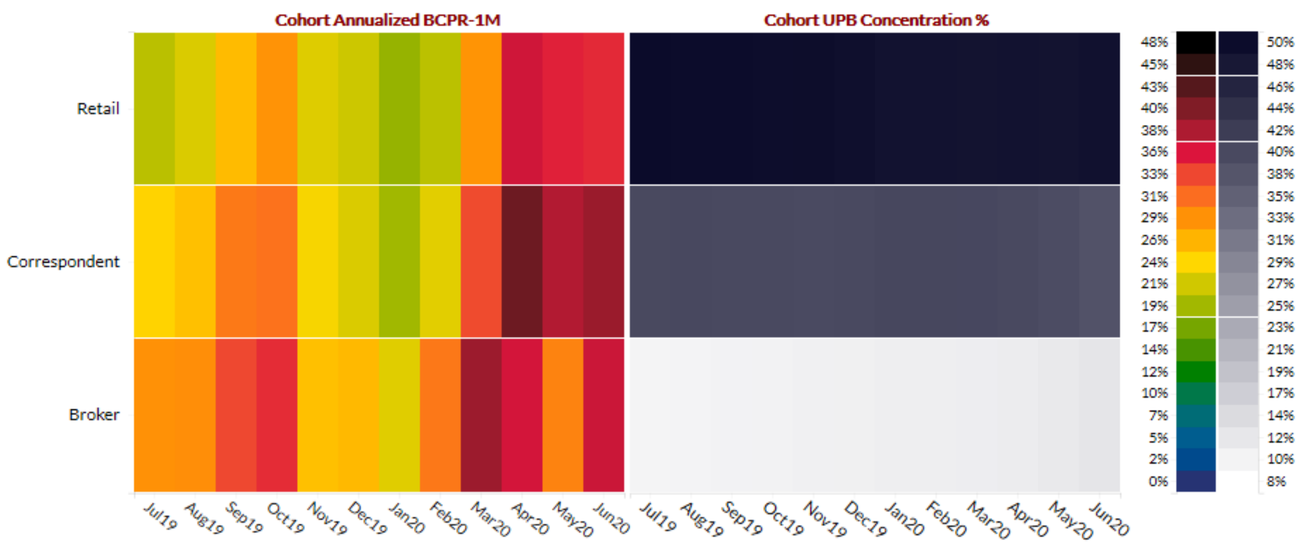
The first heatmap (Exhibit D) shows the prepay performance across various FICO bands. Recently the prepay performance of low FICO collateral has garnered more attention from market participants with the increase in pooling and trading of this collateral. Most every FICO band showed increased speeds in the Mar-Jun performance period relative to the prior four performance periods, in Benchmark CPR1 terms. But the low FICO (<700) buckets do not exhibit the same magnitude of speed increase as the rest, validating the value in low FICO story pools.

Exhibit D



The second heatmap (Exhibit E) shows the prepay performance for the TPO/Retail channels. After a modest slowing for a couple of months during the height of the crisis (May in particular), we saw a resurgence of prepay speeds in the broker channel for June, eclipsing the retail channel once more.

Exhibit E



Additional Resources

Contact Us

For questions, please contact the Fannie Mae Investor Help Line at 1-800-232-6643, Option 3 or by e-mail.

Resources

Benchmark CPR Dashboard

Benchmark CPR Video Tutorial

Benchmark CPR Methodology Overview

Data Dynamics Webpage

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