



## **Fact Sheet: Applicability of the High LTV Refinance Option for Fannie Mae's Credit Risk Transfer (CRT) programs**

Fannie Mae will make prospective changes to future Connecticut Avenue Securities™ (CAS) and Credit Insurance Risk Transfer™ (CIRT™) transactions to accommodate the new high LTV refinance option that was [announced](#) on August 17, 2017. The purpose of such changes is to allow mortgage loans that are covered in Fannie Mae's CAS and CIRT (CRT) programs and that subsequently refinance under the high LTV refinance option to continue to maintain coverage. Today's announcement does not impact existing CRT deals and we are not retroactively changing the terms of existing deals.

### **Background**

Fannie Mae's credit risk transfer programs began in 2013 as a way to transfer credit risk from the Company and taxpayers to the private markets and allow Fannie Mae to manage its credit risk exposure in addition to the typical guarantee fees that it charges lenders for taking on that risk. The programs focus on transferring risk from single-family loans that we have acquired from 2012 and forward.

Our credit risk transfer programs have not transferred risk on loans originated prior to 2012, including loans that were originated prior to 2009 and later deemed eligible for the Home Affordable Refinance Program® (HARP®). In addition, we have not included in our credit risk transfer programs any loans that were refinanced under the HARP program, as those loans were existing risk that Fannie Mae already held as part of its portfolio.

Through June 30, 2017, we have transferred a portion of credit risk on over \$1 trillion of unpaid principal balance of mortgage loans. Credit risk transfer is now a normal part of Fannie Mae's business. As such, loans originated under this high LTV refinance option that were refinances of loans covered in our credit risk transfer programs will continue to be covered in our programs going forward.

### **Timing**

The high LTV refinance option is effective on a go-forward basis only, for loans originated on or after October 1, 2017 and subsequently acquired by Fannie Mae. A loan must be current and at least fifteen months seasoned in order to be eligible for the program. Borrowers may be eligible to refinance under this high LTV refinance option more than once as long as all other requirements, including seasoning, borrower benefit and payment history, are met. Fannie Mae will update its credit risk transfer programs to account for this prospective change, which will be applicable on a go forward basis for CAS deals that reference loans with origination note dates on or after October 1, 2017 and for CIRT deals as per the respective insurance arrangements. The updated language will be included in each of our typical CRT disclosure documents prior to eligible loans being included in a CRT transaction.

### **The continuance of coverage approach**

When a borrower refinances under the high LTV refinance option, the new loan represents the same risk, i.e., the same borrower and property as the existing loan. However, the borrower benefits from a reduced monthly payment, lower interest rate, shorter amortization term, or more stable mortgage product. Without the high LTV refinance option, the borrower would otherwise not have the ability to refinance. Because these loans represent a replacement of existing risk, the continuance of coverage approach for future CRT deals provides for this risk to remain with existing CRT investors. Rather than be treated as a prepayment, a loan refinanced under this option will remain in the respective CRT transaction.



The refinanced loan will reflect, if applicable, a revised unpaid principal balance, a revised term, and a revised interest rate. From a CAS transaction perspective, any lost interest resulting from an interest rate reduction will not be passed through to investors as a loss.

### **Historical data**

In conjunction with this announcement, we have released additional historical performance data within our Single-Family Loan Performance Dataset. The dataset now includes loans that are part of Fannie Mae's Single-Family Historical Loan Performance Dataset that were subsequently refinanced through the HARP program. The dataset is designed to provide the market with the ability to analyze the performance of approximately one million mortgage loans that became eligible for and subsequently refinanced through the HARP program in order to help the market to assess how loans might perform as part of the new high LTV refinance option. While we have provided the HARP dataset, the new high LTV refinance option differs from HARP, due to features such as the eligibility date, the LTV ratio requirements, and because borrowers may use the high LTV refinance option more than once as long as all other requirements, including seasoning and payment history, are met.

You can access the dataset and supporting documents [here](#).