Learning Center

FAQs: Pricing & Execution – Whole Loan

Find the answers to frequently asked questions regarding whole loan executions and mandatory and best efforts committing options.

FAQs updated August 29, 2023

Take advantage of Fannie Mae's latest enhancement for HomeReady® commitments entered on or after January 24, 2024 in Pricing & Execution - Whole Loan (PE-Whole Loan). To learn more, read our HomeReady Loans Enhanced Best Efforts Commitments.

Topics

Pricing & Execution - Whole Loan Overview

Learn More

General

Q1. Do HomeReady, Investment Property, Second Home, Credit Score less than 700 or New York loans have to be committed and delivered under their respective product in PE-WL?

No. These product grids are options that sellers can utilize to commit if a loan qualifies. For example, an $80k, 30yr loan from New York can be committed under the standard 30yr, 85k max loan amount, or the New York only product grid on PE-WL. It is up to the seller to determine the best execution.

Q2. Can RD - 502 Guaranteed Rural Housing or HUD-184 loans be delivered under any specified committing grid?

No. These loans cannot be delivered under any different grid.

Q3. What are Capital Markets Sales Desk hours of operation?

PEWL Hours of Operation – All Eastern Standard Time

	Mandatory	Best Efforts
Standard Committing Hours	Mon-Fri 8:15 AM to 5 PM	Mon-Fri 8:15 AM to 5 PM
Extended Committing Hours	N/A	Mon-Fri 5 PM to 10 PM
Extension of Open Commitments	7-days per week 8 AM to 10 PM	7-days per week 8 AM to 10 PM

Q4. What is the maximum daily commitment amount allowed for Whole Loan sales via Pricing & Execution – Whole Loan® and the Capital Markets Pricing and Sales Desk?

The combined daily limit is a $200 million. However, as we do not wish to limit liquidity, any lender seeking to exceed this limit should contact the Capital Markets Pricing and Sales Desk at 1-800-752-0257.

Q5. What is the Fannie Mae loan limit for one- to four-unit properties?

Please review our documentation on annual loan limits.

Q6. How does a best efforts commitment differ from a mandatory commitment?

A best efforts commitment allows you to enter into an agreement to sell a loan to Fannie Mae, but if the loan does not close, you typically will not be charged a pair-off fee for nondelivery. Through our best efforts execution, loans are sold to Fannie Mae under loan-level commitments. Bulk commitments and loan substitutions are not allowed. See the Best Efforts section below for additional information.

Q7. Can I sell loans to Fannie Mae under both best efforts and mandatory committing programs?

Either execution is available to our customers. It is up to you to determine how to best manage the loans in your pipeline and to choose between the two options. At any time, either one program or the other may support your business goals. Please note that although you have the option to execute under either program, you may not commit and then deliver the same loan under both programs without pricing implications.

Q8. What are the minimum terms that can be delivered into fixed-rate products?

When committing a loan with a nonstandard amortization term, a lender must select the next highest amortization schedule available, regardless of the pricing option. For example, a 12-year FRM must be committed as a 15-year FRM, an 18-year FRM must be committed as a 20-year FRM, and a 25-year FRM must be committed as a 30-year FRM.

Type	Mandatory		Best Efforts	
Product	Standard	Specified	Standard	Specified
30-Year	181	241	181	241
15-Year	85	121	85	121
20-Year	181	181	181	181
10-Year	85	n/a	85	n/a

Q9. What is commingling within a commitment?

Commingling reduces the management of numerous commitments. In PE – Whole Loan, loans can be commingled only on mandatory commitments. On mandatory commitments, multiple loans of the same product can be commingled on the same commitment as long as there is sufficient UPB and all of the pass-through rates fit within the range on the commitment.

Q10. What is LPMI (servicing fee)?

Lender-paid mortgage insurance (LPMI) is mortgage insurance coverage for a conventional mortgage that the lender pays. The lender funds the coverage (via the servicing cash-flow stream) rather than requiring the borrower to include periodic accruals for the coverage as part of his or her mortgage payment.

When committing a loan on PE – Whole Loan that has LPMI that is paid for out of the gross note rate, the LPMI percentage will need to be factored in to the total servicing fee. For example, a 5.0 percent gross note rate that is sold with 25 basis points (bps) of servicing and 50bps of LPMI will result in a 4.25 percent pass-through rate (5.0 percent – .25 percent servicing – .50 percent LPMI = 4.25 percent PTR).

Q11. What are the enhanced committing grids that can be used for whole loan committing?

The enhanced whole loan committing grids in in PE – Whole Loan provide greater certainty of execution, enabling you to embed the enhanced pricing into your rate sheets and best execution analysis. The enhanced committing grids mimic the most commonly traded specified pool stories trading in the MBS market. More information on these committing grids can be found on this fact sheet.

Q12. Does Fannie Mae purchase delinquent loans?

Fannie Mae will not purchase loans with delinquencies greater than 30 days in the past 12 months. Additionally, we will not purchase a loan with an outstanding payment that's 45 days after the last paid installment (LPI).

NOTE: As a part of the response to the COVID-19 pandemic, customers can sell certain qualifying loans in forbearance to Fannie Mae as outlined in Lender Letter LL-2020-06, Selling Loans in Forbearance Due to COVID-19.

Q13. Are prices available for viewing in PE – Whole Loan after the close of business – currently 5:00 p.m. ET?

Lenders can view prices for any eligible products within PE – Whole Loan after the close of business – currently Monday through Friday between 5:00 p.m. – 8:00 p.m. ET. The prices represent the final levels available at the market close. These close-of-business prices may not be used to execute any commitments.

Q14. Why are the definitions of "purchase" and "funded" being aligned across Pricing & Execution Whole Loan® (PE – Whole Loan), Loan Delivery, and the Selling Guide?

Today's Purchase Date definition in the *Selling Guide* does not match the date displayed In PE - Whole Loan or Loan Delivery, so we are aligning PEWL and Loan Delivery displays with the *Selling Guide*.

Q15. When are these updates going into effect?

Updates will go into effect May 23.

Q16. What are the updates being made?

In PE – Whole Loan, purchase definition updates will affect the Delivery and Commitment Activity screens.

In Loan Delivery, "Loan Status" purchase definition updates will more clearly represent the status of the loan as it goes through the purchasing process and will be reflected on the Commitment Details and Loan Details screens.

Review this for more information about these updates.

Q17. Do lenders need to make any changes to process when committing and delivering loans to Fannie Mae?

These updates do not require any changes to lenders' processes. Funding timelines will not be changing; all delivery requirements still apply.

Best Efforts

Q1. Can I change the product, note rate, and/or loan amount within the same best efforts commitment in PE – Whole Loan?

Yes. You may make a change to the product, note rate, and/or loan amount. In the instance of product or note rate changes, PE – Whole Loan will re-price the commitment for you. Tolerances to the commitment amount do not occur for a best efforts commitment, so you may update the commitment or loan amount without paying a fee.

- When a change is made to the product, and/or note rate, the new commitment pass-through rate and prices are recalculated using the market prices in effect at the time of the original commitment date. This type of change is not subject to a duplicate price adjustment.
- However, when the product group changes, (e.g., from a fixed rate to an adjustable rate mortgage) PE - Whole Loan will either return a duplicate price adjustment for the new product or the lower of the new product's price at the time of the original commitment and its current live price.

View the Modifying a Best Efforts Commitment section in the PE – Whole Loan Job Aid for more details.

Q2. What does Fannie Mae consider a duplicate commitment?

Any additional commitment(s) for the same borrower and property address that's committed prior to or within 30 days of the original fallout or expiration date (the earlier of the two) qualifies as a duplicate commitment. If a best efforts loan is recommitted on another best efforts or mandatory commitment within 30 days of being moved to fallout, it will receive a duplicate price adjustment. Loans committed after 30 days will receive current market pricing.

When recommitting a duplicate commitment, the original DU Casefile number cannot be reused for the purposes of committing. When recommitting you must select the "Other" underwriting method when inputting the commitment or rerun the DU to obtain a new Casefile.

Q3. What is a "duplicate price adjustment" for a duplicate commitment, and how does it work?

If a best efforts loan is recommitted on another best efforts or mandatory commitment within 30 days of original loan fall-out, it will receive a duplicate price adjustment (DPA).

A DPA is assessed after Fannie Mae funds a duplicate commitment for the same loan. Your custodial account will be drafted within five to 10 business days, post-funding.

- A DPA is effectively a retroactive pair-off fee based on the original loan commitment. A DPA will be charged if the pair-off price at the time of original loan fall-out is higher than the price at the time of recommitment.
  - DPA = Max Loan Amount * (commitment price – pair-off price)
- If the recommitment comes through the Best Efforts channel, the pair-off price for the original loan commitment will be calculated based on the market price as of the time of loan fall-out, including the bid/offer spread.
- If the recommitment comes through the Mandatory channel, the pair-off price for the original loan commitment will be calculated based on the market price as of the time of loan fall-out, including the bid/offer spread and the hedge factor of the original Best Efforts commitment.
  NOTE: If a Best Efforts commitment goes into "Closed" status, subsequently paired off and then recommitted as a Mandatory commitment within 30-days, it will still be charged the hedge factor.
- Any pair-offs that occur after 5pm may be subject to an after-hours adjustment.
- A DPA may be assessed on any duplicate loan commitment, regardless of the difference in price between the two commitments.

Q4. What happens to my price if I deliver a loan that was/is associated with a best efforts commitment against a mandatory commitment?

A loan recommitted or delivered against a best efforts or mandatory commitment with a commitment effective date prior to or within 30 days of the original best efforts commitment's fallout or expiration date is considered a duplicate commitment and may require duplicate price adjustment. Loans committed after 30 days will receive current market pricing.

Q5. Why can't I use the same Desktop Underwriter Casefile ID to recommit a previously committed loan?

The PE – Whole Loan system will recognize the loan as a duplicate, and it will not allow a committed loan with the same DU Casefile ID.

Q6. Can I commit/deliver a 25-year term (and other odd terms) against a 30-year commitment?

Yes. Customers can deliver odd terms or shorter-term loans in PE – Whole Loan as long as the original term of the loan is more than the minimum term for the committed product. For example, customers with odd term loans can underwrite a 25-year loan in Desktop Underwriter®, and then commit it as best efforts in PE – Whole Loan under a 30-year mortgage product. Be sure to choose the appropriate pricing grid (standard or specified) and the minimum terms above to avoid a possible delivery edit.

Minimum Terms

Type	**Best Efforts**	
Product	Standard	Specified
30-Year	181	241
15-Year	85	121
20-Year	181	181
10-Year	85	n/a

Q7. What happens to my commitment on a purchase loan when the original contract on a property falls through and the borrower purchases a different property?

If the property on a loan changes, place the first commitment into fallout and take down a new commitment subject to current market pricing. This is not considered a duplicate commitment. A duplicate commitment is for the same borrower(s) and same property address.

Q8. Are pre-qualification loans or to be determined (TBD) addresses eligible for committing?

No. A commitment requires both a specific borrower(s) and a specific property address in order to a commit a loan for sale to Fannie Mae.

*****Any inadvertent best efforts commitment with a to-be-determined (TBD) or address deemed to be incomplete that is moved to fallout or expires will automatically be subject to the duplicate price adjustment (DPA).**

Q9. Is there an option for Construction-to-Permanent loans when I do not have the property address yet?

The borrower(s) and property address must be known and entered at the time of a best efforts commitment. Entering "To Be Determined/TBD" for the address will be remedied and the commitment may result in pair-off fees.

Q10. How does borrower information flow between Desktop Underwriter (DU) and PE – Whole Loan best efforts completed commitments?

Information does not flow between DU and PE – Whole loan so there are no auto-updates between systems after a commitment is created.
Items that will update only after modify/save/accept actions are executed in PE – Whole Loan on best efforts commitments:

- Appraisal amount/ Loan-To-Value (LTVs)
- Interest rate
- Loan purpose
- Occupancy
- Principal and Interest (PI)
- FICO
- Property type

Q11. How can the data on best efforts loans in PE – Whole Loan be updated if the data in DU changed?

1. Ensure DU is up to date
2. Go to PE – Whole Loan and click on modify, then save
3. A pop-up window will appear, highlighting the difference between data in DU and the same data in PE – Whole Loan
4. Click accept and the PE – Whole Loan data will be overwritten with the DU data

Q12. What data can be changed on a best efforts commitments by using the modify button in PE – Whole Loan?

- Loan/commitment balance
- Product type (you must begin typing in the product window to activate the drop-down product menu)
- Seller unique loan number
- Number of units
- Gross Note Rate
- Loan Status

*Added flexibility to make modifications on manual or "other" underwriting method commitments.

Q13. What best efforts data can only be updated by emailing PE - Whole Loan support, pe_wholeloansupport@fanniemae.com?

- Borrower/co-borrower names and last 4 digits of social security numbers (minor changes only)
- Property address (minor changes only)
- Property city
- Property state
- Property zip code (minor changes only)
- DU case file ID
- Borrower/co-borrower position on commitment
- Add/remove 1 or more borrowers

Q14. How do I update key data elements on best efforts committing— such as street address, borrower Social Security number, remittance type, and/or the DU Casefile ID?

You may email Fannie Mae at pe_wholeloansupport@fanniemae.com to make updates to the commitment's address, borrower(s) name(s), social security number(s), remittance type, and/or DU Casefile ID.

Remember that loan substitutions are not allowed; therefore, most updates should be minor, or you may be requested to provide a sufficient explanation for your request.

Q15. What types of fees and/or pricing adjustments can I incur on a best efforts commitment?

Three potential fees or pricing adjustments may occur in best efforts execution. Please see related questions for more information on each.

- Extension fees
- Pair-off fees
- Duplicate price adjustment

For a break-down of your committing extension and pair-off fees, please see the fees report within the PE – Whole Loan application.

View the Monitoring Commitment-Related Fees section in the PE – Whole Loan Job Aid for more details.

Q16. How is an extension fee calculated?

Calculate the extension fee by taking the maximum commitment loan amount and multiplying it by the maximum pass-through rate (PTR) throughout the life of the commitment and dividing that amount by 360 days to determine the per-diem extension cost. Commitments may be extended up to 30 days with a loan status of “committed” and up to 60 days with a “closed” loan status. Commitments with a “closed” loan status will automatically extend for five calendar days until the commitment reaches its maximum allowed extension period or until the loan is purchased (the earlier of the two). After a commitment reaches its maximum allowed extension period of 60 days, and it remains in a “closed” loan status, PE – Whole Loan will automatically pair-off the commitment and assess a fee.

Example:

($100,000 loan amount x 4.125% PTR)/360 days = $11.46 per day (rounded) x three days needed to deliver = $34.38 extension fee

See Step 4 in Executing an Extension for a Best Efforts Commitment in the PE – Whole Loan Job Aid for more details.

Q17. How could I incur a pair-off fee on a best efforts commitment?

Closed loans are considered a mandatory obligation to be delivered to Fannie Mae. Once you have changed the loan status to “closed,” you have the option to “pair-off” in the event you cannot deliver the loan to Fannie Mae. Depending on market conditions, the loan may assess a pair-off fee based upon the maximum commitment amount throughout the life of the commitment and the difference between the commitment price and the current market price. Please note that commitments with a “closed” loan status will automatically extend for a minimum of five calendar days, if the purchase of the loan does not occur by the expiration date.

View the Executing a Pair-Off for Best Efforts Commitments section in the PE – Whole Loan Job Aid for more details.

Q18. What is “fallout” in PE – Whole Loan, and how does it impact best efforts pricing?

Fallout occurs when the lender cancels a commitment due to borrower withdrawal, or when the commitment auto-expires resulting in a “fallout” commitment status. Best efforts pricing is a function of both market conditions and individual lender pull-through performance relative to all participants within the program and is subject to change. Fallout rates are closely monitored by Fannie Mae and may affect lender’s best efforts pricing over time.

View the Moving a Best Efforts Commitment to Fallout section in the PE – Whole Loan Job Aid for more details.

Q19. How do I recommit a loan that previously expired or was put into “fallout” status on a best efforts commitment?

You have two options:

1. Submit the loan again through Desktop Underwriter® (DU®) as a new loan with a new DU Casefile ID.
2. Re-enter the loan in PE – Whole Loan using the underwriting method “Other.” (Please note that pricing may vary for the “Other” underwriting method as compared with DU.)

If the loan is recommitted within 30 days of fallout or expiration, the loan will be considered a duplicate commitment and may be subject to duplicate price adjustment.

View the Moving a Best Efforts Commitment to Fallout section in the PE – Whole Loan Job Aid for more details.

Q20. What data changes for best efforts commitments require moving a commitment to fallout and recommitting?

- Complete borrower changes (removing all current borrowers and replacing with entirely new borrowers)
- Complete borrower name changes
- Complete property address changes
- Change in underwriting type from DU to other

Q21. How soon after I put a loan in "closed" status can it be accessed in the Loan Delivery system?

In general, you can access the loan within 15 to 20 minutes.

Q22. When should the status of a loan change to "closed" for a best efforts commitment within PE – Whole Loan?

You should place a loan into “closed” status within one business day of the borrower(s) receiving loan funding, which for a purchase will be the business day after closing and for a refinance the business day after the expiration of the three-day, right-of-rescission period.

See #4 in Moving a Best Efforts Commitment to Fallout in the PE – Whole Loan Job Aid for more details.

Mandatory Commitments

Q1. What is a pair-off/over-delivery/extension?

Detailed explanations of pair-offs, over-deliveries, and extensions can be found in the Pricing & Execution – Whole Loan Mandatory Process Overview document.

Q2. What is the “minimum pass-through”?

The pass-through rate of a loan is calculated by taking the loan’s gross note rate and subtracting out the amount of servicing.

All mandatory commitments on PE – Whole Loan contain a “flex-range” of pass-through rates for added delivery flexibility. The flex range will be a maximum of 50bps up from the minimum pass-through that you select. For example, if you selected 4.5 percent as the minimum pass-through, assuming PE – Whole Loan was pricing to 5.0 percent, you would be able to deliver anywhere from a 4.5 percent to 5.0 percent pass through rate.

View the Browse Prices – Mandatory section in the PE – Whole Loan Job Aid for more details.

Q3. Can loans with pass-through rates higher/lower than what is posted on PE – Whole Loan be sold to Fannie Mae?

While these loans cannot be sold on PE – Whole Loan, they may be sold on a negotiated basis. Please call the Capital Markets Pricing and Sales Desk at 1-800-752-0257.

If you have a loan with a high pass through that slots into one of the Loan Balance committing grids, please trying using other Loan Balance grids where the loan fits prior to calling the Pricing and Sales Desk.

Example: If you have a high pass-through 30yr 85k max loan amount, please check the 110k max, 125k max, etc. to see if you can commit prior to calling in.

Q4. What time can pair-offs, over-deliveries, and extensions be executed in PE – Whole Loan?

- Lenders can execute pair-offs and over-deliveries within PE – Whole Loan for mandatory commitments when live market prices are available, which is currently Monday through Friday between 8:15 a.m.–5:00 p.m. ET.
- Lenders can exercise extensions within PE – Whole Loan seven days a week from 8:00 a.m.–10:00 p.m. ET.

ARMs

Q1. Are there any guidelines for pricing and committing whole loan ARMs using PE – Whole Loan?

To help ensure that there are no issues with the sale and delivery of ARM loans to Fannie Mae using Pricing & Execution - Whole Loan® (PE - Whole Loan®), please ensure the following when pricing and committing these loans:

- The weighted average loan age (WALA) for any given ARM loan should be 4 months or less. The ARM loan's age is measured from the first payment date.
- The gross margin on each ARM loan should be between 2.75 - 3.0%.
- The average UPB of the ARMs sold through PE - Whole Loan for any given month should not exceed $550,000.

If the above stipulations cannot be adhered to, your ARM loans may still be purchased by Fannie Mae, but the pricing may differ from the prices listed in PE - Whole Loan. If your ARM loans do not satisfy all the requirements above, please contact the Capital Markets Pricing & Sales Desk prior to commitment to determine the ARM loan pricing on a negotiated basis.

Q2. What are the features on Fannie Mae's standard ARM plans?

Please consult the Selling Guide and the Standard ARM Plan Matrix for more information.

Q3. When committing ARM loans on PE – Whole Loan, what is the gross margin?

The gross margin is the margin listed on the mortgage note. The maximum gross margin for an ARM loan may be no more than 300bps; and a gross margin of 275-300 bps is assumed in PE – Whole Loan pricing for ARM loans. A lender who wishes to deliver an ARM loan with a gross margin below 275 bps should call the Pricing and Sales Desk (800-752-0257) to take out a negotiated commitment, as the pricing may be different.

Additionally, all loans delivered against an ARM commitment must have the same gross margin. For example, if a lender has two ARM loans - one with 300bps gross margin and one with 275bps gross margin - two separate PE – Whole Loan commitments must be taken out.

Q4. What is the allowed servicing fee on whole loan ARM commitments?

A servicing strip of 25 bps is required on all commitments for ARM products. As this may effect loans with lender-paid mortgage insurance (LPMI), be sure to check all servicing values before committing.

Q5. Upon rate reset, what is the new pass-through rate that is needed for remittance?

Following rate reset for ARM loans, the new pass-through rate to be remitted will be the ARM index at reset + the loan's net margin. The loan's net margin is equal to the gross margin minus total servicing.

Q6. What is the maximum seasoning for ARM loans that are sold on a whole loan basis through PE – Whole Loan?

Only ARM loans that are less than 4 months seasoned are eligible to be committed and sold directly through PE - Whole Loan. For ARM loans seasoned greater than 4 months, committing will need to be done on a negotiated basis directly with the Capital Markets Pricing & Sales Desk. Please contact the desk at 800-752-0257 for assistance.