

FHFA RAISING HIGH BALANCE, SECOND-HOME LOAN FEES



The Federal Housing Finance Agency (FHFA) recently announced targeted increases to Fannie Mae and Freddie Mac's upfront fees for certain high balance loans and second-home loans. High balance loans are mortgages originated in certain designated areas above the baseline conforming loan limit, according to a release from the FHFA.

The new fees will go into effect for deliveries and acquisitions beginning April 1, 2022, in order to minimize market and pipeline disruption.

To ensure that the enterprises continue to provide strong support for affordable housing, **the existing beneficial pricing treatment of certain programs—such as HomeReady, Home Possible, HFA Preferred and HFA Advantage—will not be altered by the new fees**, according to the FHFA.

In addition, loans to first-time homebuyers in high-cost areas with incomes at or below 100 percent of area median income will have no specific high balance upfront fees.

“These targeted pricing changes will allow the enterprises to better achieve their mission of facilitating equitable and sustainable access to homeownership, while improving their regulatory capital position over time,” FHFA Acting Director Sandra Thompson said in the release. “Today’s action represents another step FHFA is taking to strengthen the enterprises’ safety and soundness and to ensure access to credit for first-time home buyers and low- and moderate-income borrowers.”

In April, upfront fees for high balance loans will increase between 0.25 percent and 0.75 percent, tiered by loan-to-value ratio. Fannie Mae and Freddie Mac refer to these mortgages as high balance loans and super conforming loans, respectively.

For second-home loans, upfront fees will increase between 1.125 percent and 3.875 percent, tiered by loan-to-value ratio.

The FHFA set an objective in the 2022 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions for the enterprises to update the current pricing framework to increase support for core mission borrowers, while fostering capital accumulation, achieving viable returns, and ensuring a level playing field for small and large sellers.