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August 24, 2020

August 25, 2020 Update: The FHFA directed Fannie Mae and Freddie Mac to delay the Adverse Market Refinance Fee until December 1, 2020, and to exempt refinance loans below \$125,000 and Home Ready and Home Possible refinances. SEE NEWS RELEASE BY [CLICKING HERE](#).

To: Clients and Friends

From: David F. Dulock

Subject: Fannie Mae and Freddie Mac Announce Adverse Market Refinance Fee

On August 12, 2020, Fannie Mae, in Lender Letter 2020-12 ([click here-12](#)), and Freddie Mac, in Bulletin 2020-32 ([click here-32](#)), announced a 50 basis point (0.500%) adverse market refinance fee (called a “loan-level price adjustment” and “LLPA” in Lender Letter 2020-12 and a “Market Condition Credit Fee in Price” in Bulletin 2020-32). For purposes of this memorandum this new fee will be referred to as a LLPA.

For Fannie Mae, the LLPA will apply to limited cash-out refinances and cash-out refinances (except for certain single-family construction-to-permanent loans) purchased, or delivered into MBS pools with issue dates, on or after September 1, 2020.

For Freddie Mac, the LLPA will apply to cash-out and no cash-out refinance mortgages (except for certain construction conversion mortgages) with settlement dates on or after September 1, 2020.

For complete information regarding this new LLPA, please read Fannie Mae’s Lender Letter and Freddie Mac’s Bulletin hyperlinked above.

Lenders who will impose a charge on the consumer at consummation to pay for the LLPA assessed on the lender, must itemize the charge separately as one of the Origination Charges under Loan Costs on the Loan Estimate and Closing Disclosure (*see* comment 37(f)(1)-5 and §1026.38(f)(1)). This separate charge to the consumer at closing may cause some loans to exceed the qualified mortgage points and fees thresholds in §1026.43(e)(3)(i). To avoid this possibility, lenders may increase the interest rate charged to offset the cost of the LLPA.

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