



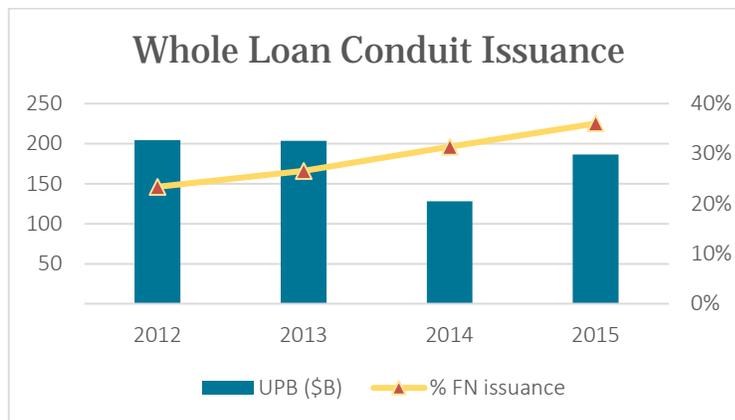
## Providing Liquidity to the Market — Fannie Mae’s Single-Family Whole Loan Conduit (a.k.a., The Cash Commitment Window)

Fannie Mae’s Single-Family Whole Loan Conduit (also known as the Cash Commitment Window) is designed to provide liquidity to the mortgage market while offering investors diversified pools of mortgages to meet their investment needs. Fannie Mae purchases loans from a large, diverse group of lenders and then securitizes them as Fannie Mae Mortgage-Backed Securities (MBS), which may be sold to the market. These pools are backed by Fannie Mae’s guaranty of full and timely payment of both principal and interest. In 2015, through the whole loan conduit, nearly 1,200 lenders delivered loans to Fannie Mae in exchange for cash.

The whole loan conduit allows Fannie Mae to provide market liquidity through short-term use of the balance sheet while not interfering with the mandated reduction of the retained mortgage investment portfolio.<sup>1</sup>

By offering competitive pricing and flexibility in committing, Fannie Mae has made execution favorable to these lenders. The whole loan conduit also offers lenders the unique opportunity to retain servicing rights for the loans they deliver.

Whole loan conduit issuance has become a larger percentage of Fannie Mae MBS issuance over recent years, particularly following the credit crisis. During this period, lenders sought liquidity and several large aggregators scaled back, or exited altogether, their correspondent business.



In this edition of Fannie Mae’s *MBSenger*, we:

- discuss lenders use of the conduit,
- describe Fannie Mae practices in managing the conduit and monitoring performance,
- explain how to identify pools created out of the conduit,
- review investor benefits and considerations, and,
- provide additional resources and reference documents.

<sup>1</sup> In August 2012, the third amendment to the Senior Preferred Stock Purchase Agreement with Treasury required that Fannie Mae reduce its retained portfolio to 85% of the maximum allowable amount that we were permitted to own as of December 31<sup>st</sup> of the immediately preceding calendar year, until the amount of our mortgage assets reaches \$250 billion in 2018. As of December 31, 2015, our retained mortgage portfolio was approximately \$345 billion.



## Lender Benefits

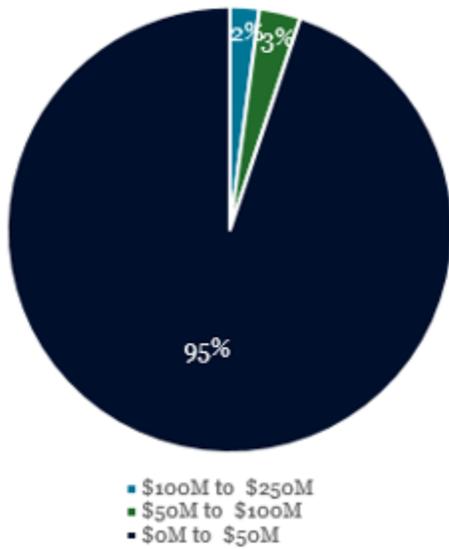
Fannie Mae addresses the scalability and capacity needs of small and mid-size lenders by offering them flexible arrangements on whole loan execution elements in an operationally efficient manner.

<b>LENDER BENEFITS</b>	
<b>Committing</b>	<p>Fannie Mae's whole loan conduit provides a web-based interface with customizable commitment periods, pricing independent of volume, and the ability to manage funding and pricing by choosing settlements on a daily basis. Lenders have the option to commit on a mandatory or best efforts basis.</p> <p>Lenders can also take advantage of loan balance grids, which offer market-based payups for 85k, 110k, 125k, 150k, and 175k loan balance paper for 30-year and 15-year terms. Lenders are able to commit in a fully automated fashion, and payups are adjusted as the market changes.</p>
<b>Immediate Funding</b>	Lenders are funded the day after a good delivery.
<b>Flex Range Commitments</b>	Mandatory commitments allow for a 50 basis point delivery range, offering the lender greater flexibility in the event of changes to the rate on originally committed loans.
<b>Extensions &amp; Pair-offs</b>	Lenders have the ability to extend a whole loan commitment, which offers an alternative to utilizing the dollar roll market and the ability to pair-off at spreads reflective of the liquid TBA MBS market.
<b>Remittance</b>	The whole loan conduit allows for both Scheduled/Scheduled and Actual/Actual remittance options.
<b>Pricing</b>	Whole loan pricing is based on MBS pricing and is updated throughout the day, offering a competitive execution option. The pricing is constructed on a whole loan pass-through basis (gross note rate minus servicing), eliminating the need to buyup or buydown the note rate and thus eliminating excess servicing.
<b>Delivery Tolerance</b>	The whole loan conduit offers a delivery tolerance of 2.5% or \$10,000, whichever is greater, providing assistance to lenders when accounting for the unexpected volatility in their deliveries.

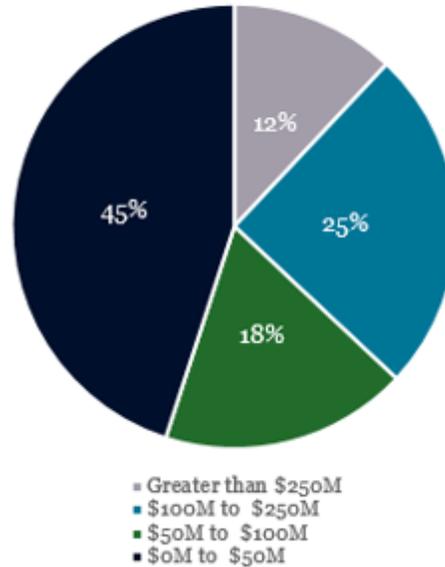
The whole loan conduit serves a diverse lender base across the nation. Small and mid-sized lenders consistently account for over 90% of participation and over 50% of dollar issuances.



**Lender Size Versus Participation**



**Lender Size Versus Dollar Issuance**



Note: Charts represent annual average as of December 31, 2015.

## Delivery Requirements

The whole loan conduit is designed to provide liquidity for small and mid-size lenders. These lenders are subject to the same counterparty requirements that Fannie Mae establishes for all Single-Family mortgage sellers/servicers who wish to do business with Fannie Mae. Approval or rejection of a lender's application is at Fannie Mae's sole discretion. At a minimum, to be considered for approval to sell and service residential first mortgages, a lender must:

- have as its principal business purpose the origination, selling, and/or servicing of residential mortgages;
- have demonstrated the ability to originate, sell, and/or service the types of mortgages for which approval is being requested;
- have adequate facilities and staff experienced in originating, selling, and/or servicing the types of mortgages for which approval is being requested;
- be duly organized, validly existing, properly licensed (in good standing), or otherwise authorized to conduct its business in each of the jurisdictions in which it originates, sells, and services residential mortgages; and,
- have a net worth of at least \$2.5 million, plus a dollar amount that represents 0.25% of the unpaid principal balance of any Fannie Mae portfolio it is servicing.

The requirements for becoming a Fannie Mae approved seller/servicer are further detailed in Fannie Mae's [Single-Family Selling Guide](#). Whether a loan is delivered to Fannie Mae as a whole loan or exchanged in a Fannie Mae guaranteed lender swap transaction, it must be eligible for delivery to Fannie Mae per the Single-Family Selling Guide.

All approved seller/servicers in good standing are eligible to sell loans through the conduit. But before a lender is eligible to execute through a lender swap transaction, the lender must obtain an MBS pool purchase contract. Fannie Mae considers a number of factors prior to issuing an MBS pool purchase contract to a lender



(see the Fannie Mae Selling Guide, section C3-2-05). These factors, include, but are not limited to, the following:

- the expertise of the lender’s management in securitization;
- whether the lender’s operational processes support MBS delivery and servicing requirements;
- the lender’s ability to manage and maintain a delivery process that ensures the delivery of accurate data to Fannie Mae; and,
- the lender’s performance against outstanding Fannie Mae obligations.

## **Managing the Whole Loan Conduit**

Management of the conduit includes:

- pricing the various whole loan products that are listed on Fannie Mae’s whole loan committing platform;
- hedging the loan position when a commitment to sell a loan is made by a lender;
- managing the inventory, including applying Fannie Mae’s rules that dictate what loans are eligible for MBS;
- performing best execution analysis to determine the optimal securitization of the loans; and,
- trading MBS into the secondary market.

Fannie Mae responds to reverse inquiries to create pools that meet specific investor needs. Additionally, we conduct large CUSIP auctions marketed to a wide distribution of investors.

## **Monitoring Pool Performance**

Fannie Mae closely monitors the performance of loans delivered to Fannie Mae on a lender-by-lender basis, whether through the whole loan or MBS swap programs. The company compares lender performance not only independently but also in comparison to lenders with similar delivery profiles. Additionally, the company specifically monitors the prepayments of pools created from the whole loan conduit and compares the performance to pools of similar characteristics that are created through Fannie Mae’s lender swap program or other swap or aggregator programs. In instances where the performance shows faster than cohort speeds, Fannie Mae strives to better understand the nature and rationale for the faster speeds. Fannie Mae may also share best practices for reducing speeds, including working with lenders on their internal policies.

Fannie Mae reminds lenders about specific sections from the [Fannie Mae Selling Guide](#) that outline company principles regarding speeds including A2-1-03 (indemnification of losses), B2-1.2-05 (prohibited refinances), C1-1-01 (premium pricing recapture), and C3-3-02 (buyup payment recapture). Fannie Mae, in its sole discretion, may limit or discontinue a lender’s activity through the whole loan conduit and/or the MBS swap program should it be deemed appropriate to do so.

## **Identifying MBS Created from the Whole Loan Conduit**

MBS created through Fannie Mae’s whole loan conduit do not have a distinct pool prefix. MBS created through the conduit since June 2013 have pool numbers that begin with “AS,” while pools created before June 2013 generally have pool numbers that begin with the letters “AB.”

Market participants may analyze pools created through the whole loan conduit in a variety of ways. The following Figures assist market participants in analyzing the MBS pools created through the whole loan conduit. Fannie Mae’s [PoolTalk](#)® application provides pool level information for a particular pool.



## Figure 1 – Fannie Mae’s PoolTalk® Application Displays Monthly Pool Level Disclosures

PoolTalk®							FannieMae
<a href="#">« Search Results</a> <a href="#">Security Details</a> <a href="#">Issuance Statistics</a> <a href="#">Monthly Statistics</a> <a href="#">Additional Disclosures</a>							
CUSIP	Security Type	Pool Number	Pool Prefix	Issue Date	Maturity Date	Original Balance	
3138WGLH5	MBS	AS6627	CL	01/01/2016	02/01/2046	\$100,282,810.00	
Quartile Distribution as of 03/01/2016							
Quartile Level	Loan Size	Coupon	LTV	Credit Score	Loan Term	Loan Age	Months Remaining to Maturity
MAX	\$625,500.00	5.5000	97	699	360	4	359
75%	\$372,000.00	5.0000	80	680	360	2	358
MED	\$304,000.00	4.8750	80	662	360	2	358
25%	\$238,400.00	4.7500	75	646	360	2	358
MIN	\$175,000.00	4.7500	46	620	276	1	274
Origination Year Distribution as of 03/01/2016							
Year	Loan Count	% of UPB	Aggregate UPB				
2015	308	90.09	\$89,915,828.50				
2016	34	9.91	\$9,894,877.93				
Geographic Distribution as of 03/01/2016							
State	Loan Count	% of UPB	Aggregate UPB				
ALABAMA	3	0.83	\$823,930.19				
ALASKA	1	0.25	\$246,789.11				
ARIZONA	14	3.70	\$3,690,110.81				
ARKANSAS	1	0.36	\$362,403.09				
CALIFORNIA	107	34.08	\$34,014,484.58				
COLORADO	22	6.72	\$6,709,044.56				
CONNECTICUT	2	0.61	\$611,154.62				
DISTRICT OF COLUMBIA	2	0.77	\$767,480.95				
FLORIDA	23	5.72	\$5,708,172.85				
GEORGIA	2	0.35	\$351,295.63				
HAWAII	1	0.34	\$335,577.26				

In March 2012, Fannie Mae began to publish at-issuance loan-level disclosure for Single-Family Fixed-Rate MBS at the time those MBS were issued. This at-issuance loan-level disclosure, available for Single-Family Fixed-Rate MBS issued on or after January 1, 2012, provides more detailed data on the loans underlying Fannie Mae’s MBS. Third-party tools such as Bloomberg allow market participants to drill down into a pool and review loan-level disclosure at the time the MBS pool was issued. Among other things, an investor can see the individual servicers responsible for servicing each loan in the pool at the time of issuance by drilling down into the “# Loans” on the Security Description page in Bloomberg (see Figure 2), selecting the “Show Add’l Info” box at the top, and using the scroll bar at the bottom of the page to move left and right (see Figure 3).



**Figure 2 – The Security Description Page in Bloomberg**

FN AS6627 Mtge		98 Export		Page 1/2 Security Description	
CUSIP	3138WGLH5	4.907(358)2	FNCL 4.5 N	Pool Level	99 Buy
<b>FN AS6627 109-03<sub>B</sub> 109-02<sub>B</sub>/109-05<sub>B</sub> Yield 2.654/2.637 Coupon 4.500% BVAL</b> <b>As of 29 Mar Fannie Mae Pool Prepay 287PSA</b>					
<b>Summary</b>   <b>Comments</b>					
Pool	FN AS6627			Seasoning	FNCL 4.5 N
Type	(CL) Conventional Conv 30 years Level pay			Vintage	FNCL 4.5 2016
Traits	30/360			As Of	03/2016
Originator Multiple Pool				Issue Date	01/01/2016
Pool Information				Maturity Date	02/01/2046
Coupon	4.500	WAC	4.907	Orig WAC	4.907
		WARM	358	Orig WAM	360
		WALA*	2		
Collateral Information				Balance	
WAOLTV	80	AOLS	292,415	Factor	0.99529228
WAOLTV-HPI	80	WAOLS*	328,663	Orig Amt	100,282,810
WAOCLTV	80	MAXLS	625,500	Curr Amt	99,810,707
WAOCS	661	WAOLT	360	Prepay	
		WAODTI*	38	CPR	2.8
				PSA	695
# Loans 342 Delay 54 ( 24 )				States	%UPB
TRACE Eligible				California	34.1
Paydown Information (PDI PERF)				Texas	8.5
Prepay History Mar16 Feb Jan16				Colorado	6.7
1 Month CPR	2.8	-0.1			
3 Month CPR					
6 Month CPR					
12 Month CPR					
1 Month PSA	695	-51			

**Figure 3 – The Loan-level Data Page in Bloomberg**

FN AS6627 Mtge		LLD		Security Description							
CUSIP	3138WGLH5	4.907(358)2	FNCL 4.5 2016	95 Buy	96 Sell						
<b>FN AS6627 Mtge</b>											
<b>Loan Level Data</b>											
Loan Count	342										
Information as of Mar '16											
<input type="checkbox"/> Show <input type="checkbox"/> Add'l Info <input type="checkbox"/> Export											
Loan Number	Current	Unpaid Balance	Orig Unpaid Balance	State	Credit Score	LTV	CLTV	Debt to Income	Age	Orig Note Rate	Coupon
5988492162		239,409	240,000	FL	658	80	80	26	2	4.875	4.875
5988492248		244,396	245,000	MA	643	62	62	40	2	4.875	4.875
5988492255		202,687	203,200	WA	646	80	80	44	2	4.875	4.875
5988492480		224,700	225,000	CA	637	74	74	28	1	4.875	4.875
5988492844		201,092	201,600	FL	643	70	70	41	2	4.750	4.750
5988492857		349,118	350,000	PA	621	65	65	34	2	4.750	4.750
5988493022		400,432	402,000	CA	693	84	84	43	2	4.750	4.750
5988493181		230,218	230,800	CA	654	80	80	34	2	4.750	4.750
5988493330		335,577	336,000	TX	637	80	80	42	1	4.750	4.750
5988493576		215,740	216,000	OR	663	78	78	30	1	5.000	5.000
5988493631		287,221	288,000	CA	656	74	74	34	2	4.750	4.750
5988493640		329,187	330,000	CA	695	75	75	41	2	4.875	4.875
5988493821		291,809	292,500	CA	630	75	75	44	2	5.125	5.125
5988493920		328,226	329,000	CA	657	80	80	43	2	5.125	5.125
5988493934		363,563	364,000	CA	620	80	80	41	1	5.000	5.000
5988493957		287,662	288,000	CO	682	80	80	36	1	5.125	5.125
5988493983		403,027	404,000	CA	639	80	80	34	2	5.000	5.000
5988494485		199,754	200,000	FL	667	80	80	30	1	4.875	4.875
5988494568		207,738	208,000	NV	680	80	80	44	1	4.750	4.750
5988495048		335,075	335,497	OR	658	90	90	32	1	4.750	4.750
5988495215		211,733	212,000	CO	675	76	76	39	1	4.750	4.750



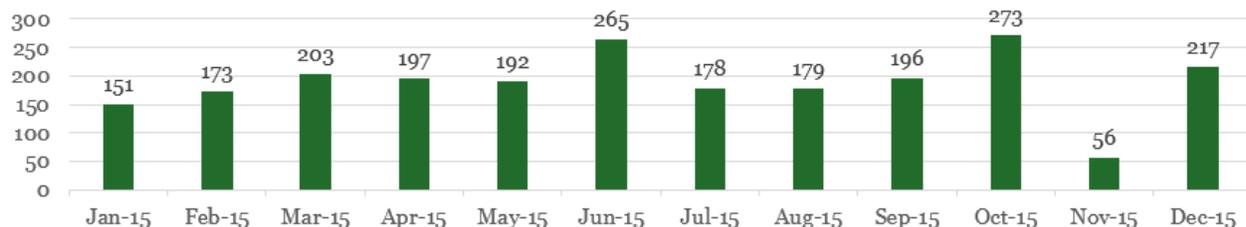
## Investor Benefits

The whole loan conduit is able to create a wide range of pool sizes (including multi-billion dollar pools) with various loan characteristics to meet investor needs. Additionally, the conduit is able to securitize, trade, and settle any business day of the month. In 2015, the total issuance amount of securities created by the whole loan conduit was approximately \$187 billion, which formed 2,280 pools. These pools included a variety of collateral, including loan terms and loan balance. The conduit sells a significant portion of this collateral on 'stip' reflecting the trust placed by the market in the product.

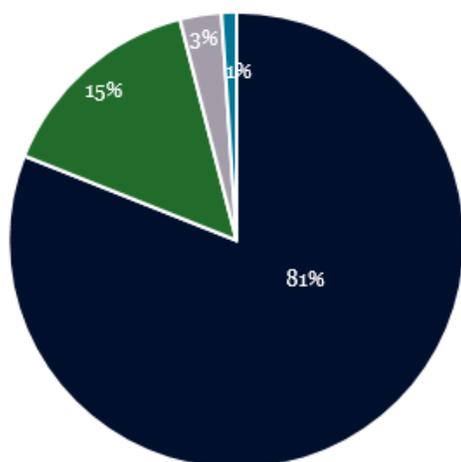
**Issuance Amount by Month**



**Number of Pools by Month**

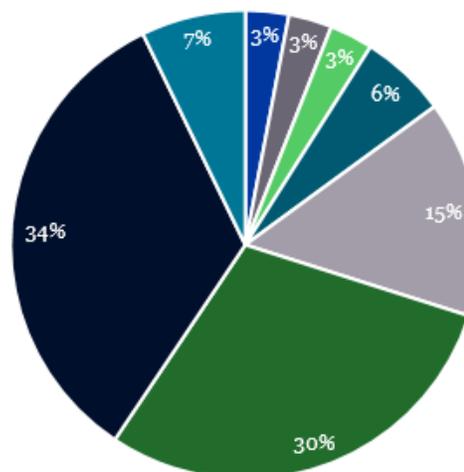


**Product Distribution**



■ 30 Year ■ 15 Year ■ 20 Year ■ 10 Year

**Loan Balance Distribution**



■ 85K ■ 110K ■ 125K ■ 150K ■ 200K ■ 300K ■ 425K ■ >425K

Note: Charts represent annual average as of December 31, 2015.



## Investor Considerations

Investors considering purchasing MBS should refer to the prospectus documents found in the Mortgage-Backed Securities section of [www.fanniemae.com](http://www.fanniemae.com). Certain risks are involved with investing in MBS and can impact the returns of the security.

- Prepayment risk, i.e., the risk someone will pay their mortgage off faster than the full term of the loan, can impact the yield of the security.
- Interest rate fluctuations can impact the price of the security and the return on the security.
- Volatility in currency exchange rates can impact the return on the security as principal and interest payments are made in U.S. dollars.
- Fannie Mae repurchase practices could result in the removal of a loan from a pool, which would result in a prepayment of principal and impact the yield on the security.

## Investor and Lender Inquiries

If an investor has questions related to an MBS, whether it be related to data, prepayment speeds, or any other reason, they are encouraged to contact Fannie Mae's Fixed-Income Securities Marketing Help Line at 1-800-232.6643, Option 2 or by [email](#). The analysts will work with the investor to research the issue and discuss appropriate actions.

For lenders interested in the Fannie Mae Whole Loan Conduit program, please contact the Capital Markets Sales Desk at 1-800-752-0257.

## Additional Resources

- To learn more about Fannie Mae's whole loan web-based committing options for lenders, please refer to [PE Whole Loan](#).
- To learn more about Mortgage-Backed Securities please review Fannie Mae's [Basics of Single-Family MBS](#) document.
- For data on MBS pools, including at-issuance loan level data, please access Fannie Mae's [PoolTalk](#) application.
- For information on the underlying loans in a given pool prefix, please access Fannie Mae's [Pool Prefix Glossary](#).