

Update of Refi Adverse Fee

Today FHFA extended the adverse market fee until December 1, 2020. Mortgages under 125 k are exempt. On August 24, 2020 NAR sent a [letter](#) to the Federal Housing Finance Agency requesting it extend the GSEs' program of purchasing eligible loans that enter forbearance after closing and funding, but prior to purchase by Fannie Mae or Freddie Mac. The program is set to expire on August 31st.

While the volume of loans that fall into this group is low, the threat of locking up lenders' lines, in part, has resulted in lender overlays. Furthermore, this volume could rise in the fall.

We fully expect FHFA to extend this authority which expires on September 1 very soon.



Adverse Market Refinance Fee Implementation now December 1

*\$6 Billion COVID losses projected at Fannie & Freddie,
Low-Balance Refinances now Exempt*

The Federal Housing Finance Agency (FHFA) today directed Fannie Mae and Freddie Mac (the Enterprises) to delay the implementation date of their Adverse Market Refinance Fee until December 1, 2020. The fee was previously scheduled to take effect September 1, 2020.

FHFA is also announcing that the Enterprises will exempt refinance loans with loan balances below \$125,000, nearly half of which are comprised of lower income borrowers at or below 80% of area median income. Affordable refinance products, Home Ready and Home Possible, are also exempt.

The fee is necessary to cover projected COVID-19 losses of at least \$6 billion at the Enterprises. Specifically, the actions taken by the Enterprises during the pandemic to protect renters and borrowers are conservatively projected to cost the Enterprises at least \$6 billion and could be higher depending on the path of the economic recovery.

Those expenses are expected to at least include:

- \$4 billion in loan losses due to projected forbearance defaults;
- \$1 billion in foreclosure moratorium losses; and
- \$1 billion in servicer compensation and other forbearance expenses.

FHFA has a statutory responsibility to ensure safety and soundness at the Enterprises through prudential regulation. The Enterprises' Congressional Charters require expenses to be recovered via income, allowing the Enterprises to continue helping those most in need during the pandemic.

Throughout the pandemic to protect borrowers and renters while supporting the mortgage market, FHFA allowed the Enterprises to:

- Offer forbearance on multifamily and single-family mortgages;
- Buy loans in forbearance;
- Modify mortgage terms to reduce monthly payments and simplify repayment options;
- Provide protections for tenants in properties in forbearance; and
- Provide loan processing flexibility.

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