# Whole Loan Selling Basics (Best Efforts Execution) Frequently Asked Questions

The following provides answers to questions frequently asked of Fannie Mae's Capital Markets Pricing and Sales Desk (1-800-752-0257) about best efforts committing in the Pricing & Execution – Whole Loan™ application (PE – Whole Loan). For more information, refer to the Fannie Mae *Selling Guide.*

**Q1. 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 non-delivery. Through our best efforts execution, loans are sold to Fannie Mae under loan level commitments. Bulk commitments and loan substitutions are not allowed.

**Q2. 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, one or the other may be better for 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.

> NOTE: *For more information, see Q9: What does Fannie Mae consider a duplicate commitment, and Q13: What happens to my price if I deliver a loan that was/is associated with a best efforts commitment against a mandatory commitment?*

**Q3. How do I get set-up for best efforts committing?**

To get access to our best efforts committing option, contact the Capital Market Sales Desk at 1-800-752-0257.

**Q4. Who do I contact if I have more questions?**

You may contact the Capital Market Sales Desk at 1-800-752-0257, between the hours of 8:00 a.m. and 5:00 p.m. ET, or email us at pe_wholeloansupport@fanniemae.com.

**Q5. 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. There are no tolerances to the commitment amount for a best efforts commitment, so you may update the commitment, or loan amount without paying a fee. See the "Modifying a Best Efforts Commitment" section under "Managing Best Efforts Commitments" in the PE – Whole Loan job aids for information on making the actual data change to your commitment.

- 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 worse-case pricing.

- However, when the product group changes, (e.g., from a fixed rate to an adjustable rate mortgage), PE - Whole Loan will return the worse-case price 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.

**Q6. What types of fees and/or pricing adjustments can I incur on a best efforts commitment?**

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

- Extension fees
- Pair-off fees
- Worse-case pricing adjustment

NOTE: *All draft fees can be viewed in the Committing and Delivery Fee Draft Notifications on fanniemae.com, including worse-case pricing adjustments. For a break-down of your committing extension and pair-off fees, please see the fees report within the PE – Whole Loan application.*

**Q7. How is an extension fee calculated?**

An extension fee is calculated 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 automatically will be extended for five calendar days until the commitment has reached its maximum allowed extension period or until the loan is purchased (the earlier of the two). After a commitment has reached its maximum allowed extension period of 60 days and the commitment remains in a "closed" loan status, PE – Whole Loan will automatically pair-off the commitment and a fee may be assessed.

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

NOTE: *See Q19: What happens if a loan in "closed" status doesn't purchase by the expiration date?*

**Q8. How could I incur a pair-off fee on a best efforts commitment?**

Closed loans are considered a mandatory obligation to deliver 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, a pair-off fee may be assessed 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 automatically will be extended for a minimum of five calendar days if the loan has not purchased by the expiration date. See the "Executing a Pair-Off" section under "Managing Best Efforts Commitments" in the PE – Whole Loan job aids.

NOTE: *See related questions for more information on extension fees, including Q19: What happens if a loan in "closed" status doesn't purchase by the expiration date?*

**Q9. What does Fannie Mae consider a duplicate commitment?**

Any additional commitment(s) for the same borrower and property address committed prior to or within 30 days of original fallout or expiration date (the earlier of the two) qualifies as a duplicate commitment. If the loan is recommitted within 30 days of fallout or expiration against either a best efforts or mandatory commitment it will receive worse-case pricing. Loans committed after 30 days will receive current market pricing.

> NOTE: *See related questions for more information on worse-case pricing and best efforts fallout such as **Q10**: What is a "worse-case pricing" adjustment and how does it work? **Q11:** What is "fallout" in PE – Whole Loan and how does it impact my best efforts pricing? **Q12:** How do I recommit a loan that previously expired or was put into "fallout" status? and **Q13:** What happens to my price if I deliver a loan that was/is associated with a best efforts commitment…?*

**Q10. What is a "worse-case pricing" adjustment for a duplicate commitment and how does it work?**

Worse-case pricing is assessed after a duplicate commitment has been funded by Fannie Mae. Your custodial account will be drafted on average within five to 10 business days, post-funding. You may monitor committing fee drafts online via the Committing and Delivery Fee Draft Notifications application. (Worse-case pricing adjustments for duplicate commitments are not captured in the Fees section within PE – Whole Loan.)

- Worse-case price calculation on a duplicate commitment typically comprises the difference between the original commitment price and duplicate (funded) commitment price, times funded loan amount, plus any applicable extension fees.
- Extension period is calculated from the original commitment expiration date to the duplicate commitment's funding date in calendar days. (Any extension fees already drafted will be taken into account within the calculation.)
- In cases where the funded commitment price is the worse price, an extension fee may still be assessed.
- Product and/or note rate changes may result in a re-pricing of the original commitment to match the parameters of the delivered loan. Fannie Mae will then consider a worse-case pricing calculation for a duplicate commitment.

Example:

| | Commitment #1 | Commitment #2 |
|---|---|---|
| Commitment Effective Date | 6/28/2013 | 8/5/2013 |
| Commitment Expiration Date | 7/29/2013 | 9/4/2013 |
| Loan Funded Date | | 8/19/2016 |
| Loan Amount | $100,000 | $100,000 |
| Product | 30-yr fixed | 30-yr fixed |
| Pass-Through Rate | 4.125 | 4.125 |
| Price | 101.1835 | 1.13735 |

**Price difference = (101.1835 – 101.3735) X $100,000 / 100 = ($190.00)**

**Extension fee (21 days extension from 7/29/2013 to 8/19/2013) = ($240.63)**

**Worse-Case Pricing Adjustment ($190.00 + $240.63) = ($430.62)**

> NOTE: *See related questions for more information on worse-case pricing and best efforts fallout such as Q9: What does Fannie Mae consider a duplicate commitment? Q11: What is "fallout" in PE – Whole Loan and how does it impact my best efforts pricing? Q12: How do I recommit a loan that previously expired or was put into "fallout" status? and Q13: What happens to my price if I deliver a loan that was/is associated with a best efforts commitment…?*

### Q11. What is "fallout" in PE – Whole Loan and how does it impact my 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 your best efforts pricing over time.

> NOTE: *See related questions for more information on duplicate commitments and worse-case pricing, such as Q9: What does Fannie Mae consider a duplicate commitment? Q10: What is a "worse-case pricing" adjustment and how does it work? Q12: How do I recommit a loan that previously expired or was put into "fallout" status? and Q13: What happens to my price if I deliver a loan that was/is associated with a best efforts commitment…?*

### Q12. How do I recommit a loan that previously expired or was put into "fallout" status?

You have two options. You can submit the loan again through Desktop Underwriter® (DU®) as a new loan with a new DU Casefile ID. Or you can 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 worse-case pricing.

NOTE: *See related questions for more information on duplicate commitments and worse-case pricing, such as Q9: What does Fannie Mae consider a duplicate commitment? and Q10: What is a "worse-case pricing" adjustment and how does it work?*

**Q13. What happens to my price if I deliver a loan that was/is associated with a best efforts commitment against a mandatory commitment?**

If a loan is 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, it will be considered a duplicate commitment and may be subject to worse-case pricing. Loans committed after 30 days will receive current market pricing.

NOTE: *See related questions for more information on duplicate commitments and worse-case pricing, such as Q9: What does Fannie Mae consider a duplicate commitment? Q10: What is a "worse-case pricing" adjustment and how does it work? and Q11: What is "fallout" in PE – Whole Loan and how does it impact my best efforts pricing?*

**Q14. How do I update my loan amount?**

See the "Modifying a Best Efforts Commitment" section under "Managing Best Efforts Commitments" in the PE – Whole Loan job aids.

**Q15. How do I extend a loan?**

See the "Executing an Extension" section under "Managing Best Efforts Commitments" in the PE – Whole Loan job aids.

**Q16. How do I change my loan status from "committed" to "closed"?**

See the "Modifying a Best Efforts Commitment" section under "Managing Best Efforts Commitments" in the PE – Whole Loan job aids.

**Q17. How soon after I put a loan in "closed" status can it be accessed in the Loan Delivery system?**

In general, 15 to 20 minutes.

**Q18. When should a loan be placed into "closed" status for a best efforts commitment within PE – Whole Loan?**

You should place a loan into "closed" status within one business day of the loan funding your borrower(s), 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.

**Q19. What happens if a loan in "closed" status doesn't purchase by the expiration date?**

The commitment will be automatically extended for five calendar days. If the loan has not been purchased by the expiration of the five-day extension, the commitment will continue to extend in increments of five calendar days until the loan is purchased, paired off, or reached a combined total of 60 days.

> NOTE: *See related question for more information on extension fee calculation Q7: How is an extension fee calculated?*

**Q20. 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 will not allow the loan to be committed with the same DU Casefile ID.

> NOTE: *See related question for more information on duplicate commitments, Q9: What does Fannie Mae consider a duplicate commitment? and Q12: How do I recommit a loan that previously expired or was put into "fallout" status?*

**Q21. Is it OK for me to sell a loan to another investor once my best efforts commitment expires?**

The intent of the best efforts program offered via PE – Whole Loan is for lenders to deliver to Fannie Mae all committed loans that close. We do monitor pull-through rates and performance and reserve the right to address any misuse of the program.

**Q22. 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, with odd term loans, underwrite a 25-year loan in Desktop Underwriter®, 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 |

**Q23. Can I commit/deliver a high-balance loan (HBL) in best efforts?**

Specific 15- and 30-year fixed-rate HBL products are available to accommodate high-balance loans. HBLs with 10- or 20-year fixed-rate mortgage (FRM) terms or products such as ARMs, 105.01% thru 125% LTV, or over 125% LTV products are not currently eligible for committing or delivery against a best efforts commitment. The amortization term on the delivered loan needs to match the term of the product selected.

> NOTE: *See related Q22: Can I commit/deliver a 25-year term (and other odd terms) against a 30-year commitment? Or refer to the High-Balance Loan Feature Matrix for more detail.*

**Q24. Can I commit/deliver a 105% thru 125%, or over 125% LTV loan via best efforts?**

In PE – Whole Loan for a best efforts commitment, specific 30-, 20-, and 15-year fixed-rate 105% thru 125% LTV, or over 125% LTV products are available. However, 105% thru 125% LTV, or over 125% LTV loans with terms less than the stated product term, are not currently eligible for committing or delivery through best efforts. The amortization term on the delivered loan needs to match the term of the product selected.

NOTE: *See related Q22: Can I commit/deliver a 25-year term (and other odd terms) against a 30-year commitment? And Q23: Can I commit/deliver a high-balance loan (HBL) in best efforts?*

**Q25. How do I update key data elements such as street address, borrower Social Security number, remittance type, and/or the DU Casefile ID?**

You may e-mail 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.

**Q26. 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, you would 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.

NOTE: *See related questions for more information on duplicate commitments, such as Q9: What does Fannie Mae consider a duplicate commitment?*

**Q27. Are pre-qualification loans eligible for committing?**

No. A commitment requires not only a specified borrower(s), but also a specified property address in order to a commit a loan for sale to Fannie Mae.

NOTE: *See related Q12: How do I recommit a loan that previously expired or was put into "fallout" status?*