



Announcement 08-21

August 19, 2008

Amends these Guides: Selling

Purchase of New York “Subprime Home Loans”

Over the past few years, Fannie Mae and its lender partners have worked together to expand affordable homeownership opportunities, promote responsible lending practices, and combat predatory lending. Among those efforts are Fannie Mae’s standards, which were first announced in Lender Letter 03-00: *Eligibility of Mortgages to Borrowers with Blemished Credit Records*, dated April 11, 2000, that guard against the purchase of home mortgages with predatory features. In addition, Fannie Mae has issued lender announcements from time to time stating that it will not purchase or securitize certain mortgage loans that meet the definition of "high-cost" or "high-risk" home loans under various state anti-predatory lending laws (see *Selling Guide*, Part VII, Section: 104.15).

The State of New York has enacted Senate Bill 8143-A, new legislation that imposes certain requirements on “subprime home loans” (as defined in the Bill) that are closed on or after September 1, 2008. Fannie Mae will not purchase or securitize any mortgage loan that meets the definition of a subprime home loan under New York law, regardless of whether any provision of the law is preempted by federal law with respect to a particular mortgage or for a particular originator.

Pursuant to its Mortgage Selling and Servicing Contract, each seller represents and warrants that each mortgage loan it delivers to Fannie Mae complies with all applicable laws and the requirements of the *Selling Guide*, including this Announcement. A lender that sells any mortgage to Fannie Mae that is secured by a property located in the State of New York is expected to comply with the New York law. Particularly, a lender is expected to have a process in place to ensure that subprime home loans are not inadvertently delivered to Fannie Mae.

Lenders who have questions about Announcement 08-21 should contact their Customer Account Team.

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