

HOUSING FINANCE AUTHORITY OF
MANATEE COUNTY, FLORIDA

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MEMORANDUM

TO: Members of the Housing Finance Authority of Manatee County

FROM: Tim Wranovix and Angela A. Abbott, Esquire

DATE: August 3, 2020

RE: Loan level price adjustment (LLPA)

The Federal Housing Finance Agency (regulator to Fannie/Freddie) is requiring 5% loan level price adjustment (LLPA) for first time homebuyers (FTHB) loans (7% for non-FTHB) that go into forbearance between the time the servicer purchases the loan and the time the loan is securitized. U.S. Bank (USB) is not passing this potential charge onto the lenders so it is requiring HFA's to pick up the tab for loans settled on and after August 1st. We were hoping there would be a potential solution of adjusting the SRP on conventional loans in exchange for USB taking the risk going forward but USB decided it wasn't worth the risk. With that said the vast majority of recent reservations since COVID have been FHA. With the exception of two loans in the pipeline, the Manatee HFA has temporarily suspended production of conventional loans.

The Lee County HFA has decided to temporarily suspend production of HFA Advantage loans just like Manatee. However, they did vote to allow the "staff" to resume reservations should the staff think the risk was low. Lee has a few loans in the pipeline already that they will take the risk on and if those go well they may restart reservations.

Also, see the attached notice from FHFA that came out on July 31, 2020. Apparently the ability to pay the 5%/7% LLPA for conventional loans was going to expire on 7/31 but was extended at the last second to August 31, 2020. When this does expire, such loans that go into forbearance between the time the servicer purchases the loan and the time the loan is securitized will be considered "early payment default" (EPD) and will be not pooled but kicked back to the lender.

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