



Smart Solutions for Your Bank  
*from the American Bankers Association*



## **Fannie Mae Mortgage Portfolio Review Service: Identify Risks and Opportunities in Your Portfolio for Free**

ABA Total Business Solutions partner Fannie Mae offers a free, no obligation, portfolio review service to ABA members who are holding mortgages on their balance sheets. This valuable service will give you a unique view of your mortgage assets in order to more effectively manage your whole loan portfolios.

Mortgage rules and regulations continue to change. Under Fannie Mae's loan limits, more of your portfolio may be eligible than you thought, greatly enhancing liquidity and execution. A simple eligibility analysis can determine this quickly.

The industry landscape continues to change, protecting your liquidity and healthy net-interest margin are more important than ever. Fannie Mae's Portfolio Review Service offers you insights in helping manage both.

Benefits of the Portfolio Review Service include:

- **Data Integrity Analysis**  
Many loans held in portfolio have incomplete data elements. For example, many servicing systems do not differentiate cash-out refinance loans from rate/term-refinance loans. Often the occupancy and the number-of-units fields are coded incorrectly. Sometimes loans are not amortizing correctly. There are a number of issues that can be identified and corrected at this early stage of the analysis.
- **Credit Risk Assessment**  
When preparing data for a portfolio review, Fannie Mae will request a new FICO score. This updated score will help determine the eligibility of the loans for sale to or securitization with Fannie Mae. This will also give you an up-to-date snapshot of the current credit profile of your portfolio. Your customers whose loans are included in the analysis will not have a credit inquiry posted to their credit reports when Fannie Mae pulls the updated FICO score.
- **Collateral Analysis**  
We recalculate the estimated current value of each property using Fannie Mae's proprietary automated property valuation model. We use the results of this valuation to determine an updated loan-to-value ratio (LTV) for the loans in your portfolio, using current property values. This gives you an assessment of the impact that rising or falling real estate prices have had on the loans in your portfolio. The updated LTV also helps determine the eligibility of your portfolio for sale or securitization.



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- **Ineligible Loan Summary**

Fannie Mae can quickly determine which loans are ineligible for sale to or securitization with Fannie Mae under current guidelines. Unfortunately, this step is often ignored in the marketplace and can delay the portfolio management process. This summary provides you with detailed information on your portfolio—information that many financial institutions do not have—including the reason(s) why a loan is ineligible. In some cases, the issue may be as simple as a minor data error; in other cases, this report could alert you to areas of credit risk and collateral exposure.

- **Indicative Price Stratification**

This is one of the most valuable aspects of the portfolio review and provides CFOs with a spreadsheet that can provide answers to the common question, “How much can I sell at what price?” The stratification process begins by grouping the loans in your portfolio into mortgage-backed securities (MBS)-like categories, then benchmarking those against the MBS market. This pricing analysis also takes into consideration the unique credit, collateral, seasoning, and performance characteristics of your portfolio. Loans can be isolated and grouped to determine their value based on benchmarks and other indicators. Additionally, this report can be used to target specific transactions that meet your balance sheet and income statement needs.

### **Execution Options**

Many lenders sell current production loans to Fannie Mae on a flow or monthly basis via eCommitting™ and deliver loans for cash within the commitment period. Fannie Mae’s Investor Channel specializes in the management of loans held on your balance sheet that may have been originated specifically for your portfolio, for investment purposes. These loans are seasoned and have a performance history.

With the results of your portfolio review in hand, you will be better equipped to determine how best to unlock the value of whole loans that are held on your balance sheet. There are two main executions that Fannie Mae offers for seasoned loans through the Investor Channel: a whole loan sale and a swap transaction. Both transactions offer liquidity to banks.

A seasoned whole loan sale results in cash proceeds, similar to what happens when you sell loans through eCommitting. Commitments are transacted via a recorded phone call with our Capital Markets Sales Desk. These cash transactions are a great source of mortgage funds and liquidity.

A swap transaction results in the issuance of a Fannie Mae MBS into the account in which you normally hold securities. This MBS is backed by your loans and your loans only. Under the swap transaction, you have the option to hold the security in portfolio like you would any other security or sell that security in the open market for cash proceeds.



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By holding MBS instead of whole loans, many lenders have found that they may be able to reduce their capital and reserve requirements and increase their borrowing capacity. The impact of securitization is broad. Please consult with your accountants for the specific impact to your organization.

The first step to getting a better understanding of your mortgages held in portfolio is simple — contact a Fannie Mae Investor Channel representative. The Portfolio Review Service is free, and Fannie Mae will gladly share report examples and data requirements with you. For institutions east of the Ohio-Mississippi, please contact Michael Matz at (202)752-3324. If your bank is west of the Ohio-Mississippi, please contact Ralph Bonner at (312)368-6228. To obtain more information, visit [www.efanniemae.com](http://www.efanniemae.com) and select “Execution Options” in the “Single-Family” tab.

*eCommitting is a trademark of Fannie Mae.*