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Washington, DC 20016-2892

Date: November 15, 2007

To: All Fannie Mae Single-Family Mortgage Sellers

Subject: Lender Letter 06-07: Six-Month Extension of Hurricane-Related Underwriting Flexibilities and FannieNeighbors[®] Designation in Selected Areas for MyCommunityMortgage[®] (MCM[®])

During the two years since Hurricanes Katrina and Rita (“the Hurricanes”) struck the Gulf Coast, many communities have made progress in their rebuilding efforts. However, in some communities, the rebuilding efforts are taking longer due to the magnitude of damage caused by the Hurricanes. As a result, Fannie Mae recognizes that challenges remain for homeowners who are committed to staying in the Gulf region.

The purpose of this Lender Letter is to announce that Fannie Mae will be extending the availability of all Hurricane-related underwriting flexibilities previously communicated in the Lender Letters noted below, with the exception of a single flexibility applicable to MCM. Also, Fannie Mae will continue offering the FannieNeighbors designation for ten areas in the Gulf Coast area that were among the most impacted by the Hurricanes.

Extension of Hurricane-related Underwriting Flexibilities

Lender Letter 07-06, *Hurricane-Related Mortgage Underwriting Policies*, dated December 21, 2006, (as modified by Lender Letter 02-07, *The Road Home Program and Hurricane-Related Underwriting Policies*, dated June 11, 2007) extended certain underwriting flexibilities, and provided additional clarifications and enhancements to the underwriting guidance originally contained in Lender Letter 02-05, *Hurricane-Related Mortgage Servicing and Underwriting Policies*, dated October 14, 2005, for borrowers impacted by the Hurricanes. Those flexibilities are currently scheduled to expire December 31, 2007 for loans closed on or before December 31, 2007, and delivered to Fannie Mae no later than March 31, 2008.

With this Lender Letter, Fannie Mae is extending all Hurricane-related underwriting flexibilities for an additional six months, with the exception of a single flexibility related to MCM. Therefore, the Hurricane-related underwriting flexibilities will remain in effect for mortgages closed on or before June 30, 2008, and delivered to Fannie Mae on or before September 30, 2008.

The MCM underwriting flexibility communicated in Lender Letter 07-06 that permitted borrowers to own one other property in certain circumstances will not be available as part of this extension. The MCM flexibility permitted borrowers to own one other property in areas impacted by the Hurricanes if the lender documented that: (1) the borrower's previous residence was un-inhabitable and either heavily damaged, destroyed or condemned, and was unlikely to be repaired, and (2) the borrower did not intend to return to his/her previous residence. All loans originated on or after January 1, 2008 must meet all terms and guidelines for the MCM product stated in the *Selling Guide*, except as stated below.

The Desktop Underwriter[®] (DU[®]) instructions in Lender Letter 02-07 continue to apply for the underwriting flexibilities being extended. These instructions include the following for loans identified as Hurricane-Related:

- Due to system constraints, DU will continue to disregard foreclosures or deeds-in-lieu of foreclosure that reportedly began after August 2005 in its credit analysis. However, lenders must manually underwrite the borrower's credit history pertaining to foreclosures and deeds-in-lieu of foreclosure in accordance with the Credit History guidelines stated in Lender Letter 02-07. It states that the borrower will need to demonstrate an acceptable credit history for at least two years following the event in accordance with the *Selling Guide*. Loans not meeting these criteria will be ineligible for delivery regardless of the DU recommendation and messaging.
- If a borrower is purchasing a new principal residence and still has an outstanding mortgage on his/her existing primary residence that is located in a FEMA Disaster Area, then the lender must include the mortgage payment on the existing primary residence in the qualifying ratio calculation.

Extension of FannieNeighbors designation for MyCommunityMortgage

In Lender Announcement 06-07, *Community Lending Enhancements – MyCommunityMortgage*, dated June 23, 2006, Fannie Mae announced that counties and parishes in Louisiana, Mississippi, Alabama and Texas that had been designated by the Federal Emergency Management Agency ("FEMA") as eligible for Individual Assistance in connection with the 2005 Hurricanes were eligible as FannieNeighbors locations. This designation removed borrower income limitations for MCM and applied to loans closed on or before December 31, 2007, and delivered to Fannie Mae on or before March 31, 2008.

Fannie Mae is continuing this FannieNeighbors designation for ten areas in the Gulf Coast beginning January 1, 2008. These ten areas include seven parishes in Louisiana (Calcasieu, Cameron, Jefferson, Orleans, Plaquemines, St. Bernard, and St. Tammany) and three counties in Mississippi (Hancock, Harrison, and Jackson). Applicable mortgages must close on or before June 30, 2008, and be delivered to Fannie Mae on or before September 30, 2008.

As with the previous Gulf Coast areas designated as FannieNeighbors areas in Lender Announcement 06-07, these areas will not be specified as FannieNeighbors locations in the Fannie Mae Property GeoCoder[™] on www.efanniemae.com. Lenders should rely on the

attached list of counties and parishes for this information. This list is also available on the Hurricane Relief page on www.efanniemae.com. All other MCM product guidelines will apply for MCM mortgages originated in the ten selected counties and parishes.

Fannie Mae's Hurricane Relief page on www.efanniemae.com provides information related to both the Gulf Coast Hurricane-related underwriting flexibilities, as well as the various mortgage product options, including MCM, offered to address the various situations facing borrowers on the Gulf Coast.

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Lenders should contact their Customer Account team with questions regarding Hurricane-related underwriting flexibilities, and the extension of the FannieNeighbors designation for MCM to selected areas.

Michael A. Quinn
Senior Vice President
Single-Family Risk Officer

Attachment (1)

Attachment 1

FannieNeighbors® Designation Extended to Hurricane-Impacted Areas

As noted in Lender Announcement 06-07, Fannie Mae is announcing that effective January 1, 2008, the FannieNeighbors® areas definition can be applied to the following parishes and counties in Louisiana and Mississippi that were designated by the Federal Emergency Management Agency (FEMA) as eligible for Individual Assistance in connection with the 2005 hurricanes.

Borrower income limits for MyCommunityMortgage® do not apply for loans secured by properties located in these areas and closed on or before June 30, 2008 and delivered to Fannie Mae on or before September 30, 2008.

Note that the counties and parishes eligible for this extended FannieNeighbors designation are not specified as FannieNeighbors locations in the Fannie Mae Property GeoCoder™, so lenders should rely on this list for this information.

Louisiana Eligible Parishes	Mississippi Eligible Counties
Calcasieu	Hancock
Cameron	Harrison
Jefferson	Jackson
Orleans	
Plaquemines	
St. Bernard	
St. Tammany	