

New Changes by Fannie Mae and Freddie Mac

Mortgage rates are low, but expect to pay more fees for a mortgage today.

Fannie Mae and Freddie Mac are adjusting their pricing grids and fees will be increasing. Mortgage lenders which are based on Fannie Mae and Freddie Mac platform must also increase their price adjustments. As a result your actual rate or closing costs could be higher. For example: Rates for refinancing condo will be higher than single family residence rates because lenders impose the condo adjustment. "It has created a different pricing scenario from one consumer to the next," said Rick Allen, vice president of MortgageMarvel.com. "What you see in the Sunday paper could be perfectly close for one borrower. The guy next door could be 1% higher."

Relationship between closing costs/points you pay and rate is also changed. Paying up-front closing costs/points gets borrowers a bigger discount these days. Historically, 1 point in fee (1% of the loan amount) gets borrower a rate that's about 0.25% lower. Now 1 point gets the rate about 0.625% to 0.875% lower.

Please note the following important changes:

- The credit score/LTV (Loan-to-Value) adjustment grid has changed.

- Certain cash-out refinance adjustment will increase.

- Two-unit property adjustment will increase.

- Adjustment for loans with subordinate financing will increase.

- Interest-only loan adjustment will increase.

- Condominium adjustment will increase.

The adjustment summarized above will apply to all loans locked on or after February 17th, 2009. In addition, the new fees will apply to all loans that need a rate lock extension on or after this date.