

Navigating Change

How to Manage a Sliding Scale Mortgage Benefit Without the Fannie Mae Yield



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The Evolution of the Sliding Scale

- Company policy used to pay points regardless of market conditions. Very expensive.
- Many companies transitioned to a sliding-scale policy.
 - Discount Point(s) paid based on tiers (i.e., less than 6% pays 0 Disc Pt, over 6% pays 1 Disc Pt).
 - Policy automatically adjusts with market, no need to make policy changes each time the market changes.
- Sliding scales must be based on an index rather than mortgage interest rate.

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What's Changing?

- Known as the Fannie Mae 30/60, the index has served as the relocation industry benchmark for sliding scale provisions since 1985.
- The index is based on 30-year fixed rate mortgage loans that will be delivered to Fannie Mae within 60 days.
- Fannie Mae (“FNMA”) will discontinue publication of this historical daily index for 30- and 15-year fixed-rate mortgages.
- No change until Q1 of 2024.
- There is no equivalent to the Fannie Mae 30/60.



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Freddie Mac PMMS Quick Facts

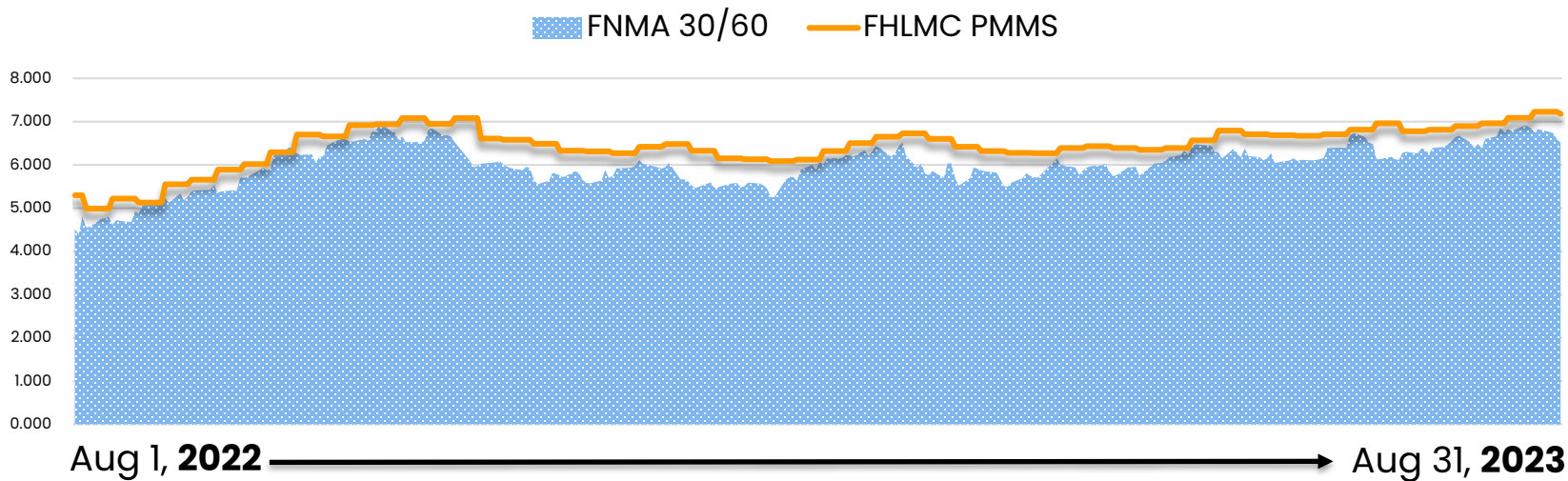
- Started in 1971.
- Collects the mortgage rate for purchase applications by surveying a mix of lenders.
- A national average mortgage rate is calculated based on the results of the survey.
- Published weekly, on Thursdays at 10:00 a.m. Eastern Time (ET).

PMMS vs. 30/60 Three Primary Differences

1. The PMMS is published weekly while the 30/60 Index is published daily.
2. The PMMS calculates a national average mortgage rate by surveying mortgage lenders, while the 30/60 Index is based on 30-year fixed-rate mortgage loans that will be delivered to Fannie Mae within 60 days.
3. The PMMS follows the same trend as the Fannie Mae Index, but on average, it runs just about a half percent higher.

04 30/60 & PMMS Relationship

- Analysis period: Aug 1, 2022–Aug 31, 2023.
- The FHLMC PMMS follows a similar trend pattern compared to the FNMA 30/60.
- On average, the PMMS is 0.456% higher than the 30/60.



Freddie Mac's Primary Mortgage Market Survey® (PMMS) is an established, accepted, and reliable indicator of mortgage interest rates.

Average Loan Amount: \$400,000

50 Homeowners
\$4,000 per point

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Comparison One – Current 6% Scale

CURRENT – No change to tier thresholds

- 60% No Change
- 40% FHLMC Pays → Cost – \$80,000 (40% x 50 x \$4,000)

PLUS 0.50 per tier threshold

- 86% No Change
- 5% FHLMC Pays → Cost – \$10,000 (5% x 50 x \$4,000)
- 9% FNMA 30/60 Would not pay

MINUS 0.50 per tier threshold

- 19% No Change
- 81% FHLMC Pays → Cost – \$162,000 (81% x 50 x \$4,000)

Average Loan Amount: \$400,000

50 Homeowners
\$4,000 per point

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Comparison Two – Current 7% Scale

CURRENT – no change to tier thresholds

- 97% No Change
- 3% FHLMC Pays → Cost – \$6,000 (3% x 50 x \$4,000)

PLUS 0.50

- 100% No Change
- 0% FHLMC Pays → Cost – \$0

MINUS 0.50

- 62% No Change
- 38% FHLMC Pays → Cost – \$76,000 (38% x 50 x \$4,000)

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Our Suggestions

- Determine changes to sliding scale thresholds, if any.
- Set effective/start date.
 - Eligible employees who have not yet locked an interest rate as of <date>.
- Update relocation policy language pertaining to the sliding scale:
 - Discount point(s) reimbursed on a sliding scale based on the most recently published Freddie Mac Primary Mortgage Market Survey® for a 30-Year Fixed Rate Mortgage (FHLMC PMMS® 30-Yr FRM) as confirmed by your lender on the day the rate is locked.
- Notify appropriate partners.

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Resources:

[FHLMC PMMS Publication Page](#)

[About the PMMS](#)

[Frequently Asked Questions](#)