



## **Selling Guide Announcement SEL-2018-06**

**August 7, 2018**

### **Selling Guide Updates**

The *Selling Guide* has been updated to include changes to the following:

- High Loan-to-Value Refinance Option
- *Market Conditions Addendum* (Form 1004MC)
- Disbursement of HomeStyle® Renovation Funds
- Consolidation of Data Quality and Integrity and Mortgage Fraud
- First Payment Date
- Miscellaneous *Selling Guide* Updates

Each of the updates is described below. The affected topics for each policy change are listed on the Attachment. The *Selling Guide* provides full details of the policy changes. The updated topics are dated August 7, 2018.

#### **High Loan-to-Value Refinance Option**

We updated the *Selling Guide* to include all of the details that were previously communicated in [LL-2017-05, High Loan-to-Value Refinance Option](#) and [LL-2018-02, High Loan-to-Value Refinance Option Update](#). We have also added a new page to the *Eligibility Matrix* for these transactions.

The high LTV refinance option is the permanent replacement for DU Refi Plus™ and Refi Plus™. We will remove the content related to these products from the *Selling Guide* in 2019, after the September 2019 loan delivery deadline.

#### **Effective Date**

While lenders may not begin accepting applications for this option until after November 1<sup>st</sup>, they may now access all of the requirements directly in the *Selling Guide*.

#### **Market Conditions Addendum (Form 1004MC)**

The Form 1004MC was introduced in response to the 2008 housing crisis to provide a standardized mechanism for appraisers to analyze and report changes in market conditions. This enabled lenders to make prudent lending decisions in appreciating, stable, or declining markets. Collateral Underwriter® (CU™) now provides robust market trend information for lenders and Fannie Mae, enabling measurement and management of market risks in a more rigorous way.

With this Guide update, we removed the requirement for the Form 1004MC. This will simplify reporting for appraisers and review for lenders

**NOTE:** *Appraisers remain responsible for analyzing market conditions and accurately reporting them in the Neighborhood section of our appraisal forms.*

#### **Effective Date**

Lenders can take advantage of this change immediately. The requirement for the 1004MC will be removed from Desktop Underwriter® (DU®) in a future release. Until that time, lenders may disregard the DU message.



## Disbursement of HomeStyle Renovation Funds

We are clarifying the following policies related to the process of disbursing renovation funds:

- Renovation funds may be disbursed using wire transfers as long as the lender has obtained written consent to release funds. Lenders continue to have the option to disburse renovation funds using a check jointly issued to the borrower and the contractor.
- All mechanics liens must be cleared or waived prior to the final disbursement at the completion of the renovation project. We do not require lenders to obtain lien waivers at each disbursement. This clarification aligns the timing of clearance of mechanics liens in the *Selling Guide* with the requirements in the *Servicing Guide*.

### Effective Date

Lenders can take advantage of these clarifications immediately.

## Consolidation of Data Quality and Integrity and Mortgage Fraud

As part of our ongoing efforts to consolidate Part A of our *Selling* and *Servicing Guides*, this month we are simplifying *Selling Guide* content related to data quality and integrity and the prevention, detection, and reporting of mortgage fraud. There have been no policy changes as a result of this effort, however content has been significantly streamlined to retain substantive requirements only and eliminate unnecessary explanations and examples.

Some items to note are as follows:

- Policy related to the reporting of gross monthly rent has been moved from [A3-4-02, Data Quality and Integrity](#) to [B3-3.1-08, Rental Income](#), where it is better suited.
- Duplicative policy pertaining to the quality of information on the *Residential Loan Application (Form 1003)* has been removed from [A3-4-02, Data Quality and Integrity](#) as it is already located in [B1-1-01, Contents of the Application Package](#).
- Similarly, content duplicative of the requirements for life-of-loan representations and warranties have been removed to eliminate redundancy.

## First Payment Date

We are clarifying that for both MBS and whole loans the maximum amount of time permitted to occur between the final disbursement date and the first payment date is two months. For single-close construction-to-permanent loans, the two month period begins at the time of the conversion to permanent financing. If the difference is greater than two months, the loan will not be eligible for purchase by Fannie Mae. For example, if the final disbursement date is in January, the first payment date must be no later than March.

### Effective Date

Lenders can take advantage of this change immediately, but must do so for loans with disbursement dates on or after January 1, 2019.



## Miscellaneous *Selling Guide* Updates

**[B3-2-01, General Information on DU](#)**: The DU loan casefile archival policy is being extended from 270 days (9 months) to 28 months from the date the loan casefile was last updated to determine if the loan casefile should be archived. We will no longer use the date the loan casefile was created to determine when it should be archived. We will still continue to retire the oldest version of DU when a new version of DU is activated. This update is effective immediately.

As a follow-up to the June *Selling Guide* update, we have made changes and clarifications to the following topics:

- **[B4-2.1-01, General Information on Project Standards](#)** – updated the name and description of Special Feature Code 588 Detached Condo Unit to clarify it applies to detached units in attached or detached condo projects. The [Special Feature Codes](#) list has also been updated accordingly.
- **[B5-2-03, Manufactured Housing Underwriting Requirements](#)** – clarified MH Advantage down payment requirements for loans with LTV ratios of 95.01 – 97% to align with the existing policy that applies when there are funds from a gift, grant, or employer.
- **[B7-1-02, Mortgage Insurance Coverage Requirements](#)** – changed the layout of the table to clarify the MH Advantage mortgage insurance requirements.

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Lenders who have questions about this Announcement should contact their Fannie Mae Account Team.

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Senior Vice President and  
Chief Credit Officer for Single-Family



## Attachment

Section of the Announcement	Updated <i>Selling Guide</i> Topics
High Loan-to-Value Refinance Option	<ul style="list-style-type: none"> <li>▪ <a href="#">A2-3.2-02, Enforcement Relief for Breaches of Certain Representations and Warranties Related to Underwriting and Eligibility</a></li> <li>▪ <a href="#">B2-1.1-04, Subordinate Financing</a></li> <li>▪ <a href="#">B2-1.2-02, Limited Cash-Out Refinance Transactions</a></li> <li>▪ <a href="#">B3-3.1-01, General Income Information</a></li> <li>▪ <a href="#">B3-3.1-09, Other Sources of Income</a></li> <li>▪ <a href="#">B3-4.1-02, Interested Party Contributions (IPCs)</a></li> <li>▪ <a href="#">B4-1.4-10, Property Inspection Waivers</a></li> <li>▪ <a href="#">B4-2.1-02, Waiver of Project Review</a></li> <li>▪ <a href="#">B4-2.3-04, Loan Eligibility for Co-op Share Loans</a></li> <li>▪ <a href="#">B5-1-01, High-Balance Mortgage Loan Eligibility and Underwriting</a></li> <li>▪ <a href="#">B5-7-01, High LTV Refinance Loan and Borrower Eligibility</a></li> <li>▪ <a href="#">B5-7-02, High LTV Refinance Underwriting, Documentation, and Collateral Requirements for the New Loan</a></li> <li>▪ <a href="#">B5-7-03, High LTV Refinance Alternative Qualification Path</a></li> <li>▪ <a href="#">B5-7-04, High LTV Refinance Representations and Warranties</a></li> <li>▪ <a href="#">B5-7-05, High LTV Refinance Pricing, Mortgage Insurance, and Special Feature Codes</a></li> <li>▪ <a href="#">B7-4-01, Liability Insurance</a></li> <li>▪ <a href="#">B7-4-02, Fidelity/Crime Insurance</a></li> </ul>
<i>Market Conditions Addendum</i> (Form 1004MC)	<ul style="list-style-type: none"> <li>▪ <a href="#">B4-1.1-06, Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal (UCDP)</a></li> <li>▪ <a href="#">B4-1.2-01, Appraisal Report Forms and Exhibits</a></li> <li>▪ <a href="#">B4-1.3-03, Neighborhood Section of the Appraisal Report</a></li> </ul>
Disbursement of HomeStyle Renovation Funds	<ul style="list-style-type: none"> <li>▪ <a href="#">B5-3.2-04, HomeStyle Renovation Mortgages: Costs and Escrow Accounts</a></li> <li>▪ <a href="#">B5-3.2-06, HomeStyle Renovation: Renovation Contract, Renovation Loan Agreement, and Lien Waiver</a></li> </ul>
Consolidation of Data Quality and Integrity and Mortgage Fraud	<ul style="list-style-type: none"> <li>▪ <a href="#">A3-4-02, Data Qualify and Integrity</a></li> </ul>



Section of the Announcement	Updated <i>Selling Guide</i> Topics
	<ul style="list-style-type: none"><li>▪ <a href="#">A3-4-03, Preventing, Detecting, and Reporting Mortgage Fraud</a></li><li>▪ <a href="#">B3-3.1-08, Rental Income</a></li></ul>
First Payment Date	<ul style="list-style-type: none"><li>▪ <a href="#">C2-2-01, General Requirements for Good Delivery of Whole Loans</a></li><li>▪ <a href="#">C3-2-01, Determining Eligibility for Loans Pooled into MBS</a></li></ul>