



Selling Guide Announcement SEL-2019-07

August 7, 2019

Selling Guide Updates

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

- Lender Quality Control Processes
- Construction-to-Permanent Financing for Manufactured Homes
- Removal of DU Refi Plus™ / Refi Plus™ References
- Appraisal Waiver Eligibility
- 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, 2019.

Lender Quality Control Processes

We have updated the lender quality control (QC) process requirements in Subpart D1, Lender QC Process of the *Selling Guide* to help clarify our intent and to provide flexibility to lenders. Specifically, we added requirements to the QC vendor reporting timeframes and the statistical sampling methodology. We added more specific guidance related to the independence of the QC function, the QC staff, and the reverification of income, employment, and assets. Lastly, we provided new flexibilities related to reverifying Social Security retirement income and military income.

Effective Date

While lenders may implement these changes immediately, requirements related to QC independence and statistical sampling must be incorporated into the lender's QC plan and implemented by January 1, 2020.

Construction-to-Permanent Financing for Manufactured Homes

Previously, we did not allow construction-to-permanent transactions for manufactured home loans. With this update, lenders may now use construction-to-permanent single-closing or two-closing financing options when originating a manufactured home loan. All construction-to-permanent policies described in Chapter B5-3, Construction and Energy Financing are applicable, in addition to existing manufactured home requirements. Special Feature Code 235 (manufactured home) is required at delivery. If single-closing option is used, Special Feature Code 151 is also required.

We also made the following clarifications to manufactured home policies:

- The loan amount of the manufactured home may include the cost of the land.
- Site preparation costs that are included in the loan amount may include the cost to remove an existing manufactured home and other outbuildings.
- Limited cash-out refinance transactions may involve a new or existing manufactured home.

See the [New Manufactured Home Financing Matrix](#) for a comparison of our standard manufactured home underwriting requirements and the construction-to-permanent options that are now available.

Effective Date

Lenders may take advantage of these changes immediately. Desktop Underwriter® (DU®) will be updated in a future release to support construction-to-permanent transactions. Until that time, lenders may deliver a DU loan with an



Approve/Ineligible recommendation if the only reason for the Ineligible is that a manufactured home transaction was submitted with a loan purpose of Construction or Construction-Permanent. Lenders must also ensure that the loan complies with the manufactured home guidelines in the *Selling Guide*, including the LTV, CLTV, and HCLTV ratios.

Removal of DU Refi Plus / Refi Plus References

Based on the previously announced program expiration of DU Refi Plus and Refi Plus, we have removed all references to these loans from the *Selling Guide* and [Eligibility Matrix](#).

Effective Date

As a reminder, all DU Refi Plus and Refi Plus loans must have application dates on or before December 31, 2018. All DU Refi Plus and Refi Plus whole loans must be purchased by Fannie Mae on or before September 30, 2019 or must be delivered into MBS pools with issue dates on or before September 1, 2019.

Appraisal Waiver Eligibility

Previously, for an appraisal waiver to be considered for a refinance, the borrower name on the loan casefile and prior appraisal had to match. To streamline appraisal waiver logic and align our policies for purchase and refinance transactions, we have removed this requirement.

Effective Date

This update was effective for all loan casefiles submitted on or after June 22, 2019.

Miscellaneous *Selling Guide* Updates

B3-2-10, Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report and B3-6-02, Debt-to-Income Ratios: Clarifies the resubmission trigger based on a prior Guide update made to the debt-to-income ratio for loans underwritten through DU. For further clarification, we also added examples to the Guide.

B5-3.2-04, HomeStyle Renovation Mortgages: Costs and Escrow Accounts: To align with an upcoming update to the *Servicing Guide*, we are clarifying that all applicable renovation funds must be deposited into an escrow account that meets the requirements of the *Selling Guide* at the time of delivery.

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

Malloy Evans
Senior Vice President and
Chief Credit Officer for Single-Family



Attachment

Section of the Announcement	Updated <i>Selling Guide</i> Topics
Lender Quality Control Processes	<ul style="list-style-type: none"> ▪ D1-1-01, Lender Quality Control Programs, Plans, and Processes ▪ D1-1-02, Lender Quality Control Staffing and Outsourcing of the Quality Control Process ▪ D1-3-01, Lender Post-Closing Quality Control Review Process ▪ D1-3-02, Lender Post-Closing Quality Control Review of Approval Conditions, Underwriting Decisions, and Documentation ▪ D1-3-06, Lender Post-Closing Quality Control Reporting, Record Retention, and Audit
Construction-to-Permanent Financing for Manufactured Homes	<ul style="list-style-type: none"> ▪ B5-2-03, Manufactured Housing Underwriting Requirements ▪ B5-3.1-01, Conversion of Construction-to-Permanent Financing: Overview ▪ B5-3.1-02, Conversion of Construction-to-Permanent Financing: Single-Closing Transactions ▪ B5-3.1-03, Conversion of Construction-to-Permanent Financing: Two-Closing Transactions
Removal of DU Refi Plus/Refi Plus References	<p>The following topics were deleted from the <i>Selling Guide</i>:</p> <ul style="list-style-type: none"> ▪ B5-5.2-01, DU Refi Plus and Refi Plus Eligibility ▪ B5-5.2-02, DU Refi Plus and Refi Plus Underwriting Considerations ▪ B5-5.2-03, DU Refi Plus and Refi Plus Property Valuation and Project Standards ▪ B5-5.2-04, DU Refi Plus and Refi Plus Closing, Pricing, and Delivery <p>References to DU Refi Plus and Refi Plus were removed from multiple other topics but are not listed in this Exhibit, nor will they be highlighted in the PDF version of the Guide.</p> <p>In the following topics, a reference to high LTV refinance transactions was added in lieu of a previous reference to DU Refi Plus or Refi Plus:</p> <ul style="list-style-type: none"> ▪ A2-2.1-07, Life-of-Loan Representations and Warranties ▪ B2-1.1-04, Subordinate Financing ▪ B2-1.2-02, Limited Cash-Out Refinance Transactions



Section of the Announcement	Updated <i>Selling Guide</i> Topics
	<ul style="list-style-type: none">▪ B2-3-03, Special Property Eligibility and Underwriting Considerations: Leasehold Estates▪ B3-3.5-01, Income and Employment Documentation for DU▪ B3-4.1-01, Minimum Reserve Requirements▪ B3-5.1-01, General Requirements for Credit Scores▪ B3-5.3-07, Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit▪ B3-6-02, Debt-to-Income Ratios▪ B5-3.3-01, HomeStyle Energy for Improvements on Existing Properties
Appraisal Waiver Eligibility	<ul style="list-style-type: none">▪ B4-1.4-10, Appraisal Waivers