

Selling Guide Announcement (SEL-2020-07)

Dec. 16, 2020

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

- [Single-width manufactured homes](#): expanded eligibility to allow the sale of loans secured by single-width manufactured homes
- [Retirement, government annuity, and pension income and employment-related assets as income](#): updated requirements related to the use of retirement, government annuity, and pension income Maintaining seller/servicer eligibility: modified our seller/servicer eligibility standards related to minimum liquidity
- [Sale of personal assets](#): updated the documentation requirements when the borrower is selling a personal asset
- [Community land trusts eligibility](#): simplified our eligibility requirements for community land trusts.
- [Earthquake insurance requirements](#): removed the requirement for earthquake insurance in Puerto Rico and Guam.
- [IRS Form 4506-C, IVES Request for Transcript of Tax Return](#): replacing references to the IRS Form 4506-T with 4506-C
- [Redesigned Loan Application Form 1003: added references to the redesigned Form 1003.](#)
- [Pro-rated real estate tax credits](#): clarified the treatment of pro-rated tax credits in underwriting
- [Miscellaneous Selling Guide Updates](#):
 - LIBOR references
 - Title waivers
 - Minimum loan term

View the list of [impacted topics](#).

Single-width manufactured homes

With this update, we are expanding our property eligibility criteria to allow for the sale of loans secured by single-width manufactured home loans that meet all the following property eligibility requirements. Allowing the sale of single-width manufactured homes aligns with our affordable housing and Duty to Serve objectives.

✓	A single-width manufactured home must...
	be legally classified as real property and cannot include an accessory dwelling unit (ADU).
	be located on an individual lot or in a Fannie Mae-approved project.
	have a manufacture date of 10 years or less measured from the effective date of the appraisal.
	be at least 12 feet wide and have a minimum of 400 sq. ft. of gross living area.



Single-width manufactured homes are eligible for principal residence purchase and limited cash-out refinance transactions but are not eligible for cash-out refinance transactions or as second homes (or investment properties). The [Eligibility Matrix](#) has been updated to reflect this change.

Along with the above policies, we have updated the manufactured housing appraisal requirements and standards. The appraiser must always use a minimum of two comparable sales of similar manufactured homes, but we have specifically added a requirement that for a single-width manufactured home, one of the comparable properties must be a closed sale of another single-width manufactured home. If the appraiser is unable to find a comparable closed sale of another single-width property, an additional comparable “under contract” sale or active listing may be used. Second, in addition to providing the numbers from the HUD Data Plate and Certification Label(s) affixed to the manufactured home, the appraiser must also provide photos of this information.

Lenders should confirm with their preferred mortgage insurance provider(s) that coverage is available on loans secured by single-width manufactured homes.

Delivery Requirements

All loans secured by a single-width manufactured home must be delivered with Special Feature Codes (SFC) 235 and 791. The [Special Feature Codes](#) document has been updated to reflect these changes. The following data elements must also be included in Loan Delivery:

ConstructionMethodType (Sort ID 51): Manufactured

ManufacturedHomeWidthType (Sort ID 33): SingleWide

Effective: Loans secured by single-width manufactured homes can be delivered to us beginning February 1, 2021. Note that DU is not able to identify this property type so lenders must apply these requirements manually. (DU will issue a message referencing this requirement when the property type is a manufactured home.)

Retirement, government annuity, and pension income and employment-related assets as income

We updated our requirements related to the use of retirement, government annuity, and pension income. Specifically, we

- added financial and bank account statements to the list of eligible documents to show current receipt of income;
- clarified the requirements for documenting income from a pension or annuity account when the income will begin on or before the first payment date of the new loan;
- clarified that a three-year continuance of income is only required for retirement income paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account;
- are allowing eligible retirement account balances to be combined for the purpose of determining the continuance; and
- removed the requirement to reduce the value of retirement assets consisting of stocks, bonds, and mutual funds by 30% when measuring the three-year continuance for retirement income, and for calculating net documented assets when employment-related assets are used as income.

Effective: Lenders may take advantage of these policy changes immediately but must apply the changes to loans with application dates received on or after February 15, 2021. The retirement income message in DU will be updated in a future release to reflect these changes.

Maintaining seller/servicer eligibility

At the direction of the Federal Housing Finance Agency and in collaboration with Freddie Mac, we are modifying our seller/servicer eligibility standards related to minimum liquidity. The unused, undesignated, and available portions of credit lines, including those for, or partially for, servicing advances, will no longer count as eligible liquidity toward meeting minimum



eligibility requirements for non-depository seller/servicers. The *Selling Guide* A4-1-01, Maintaining Seller/Servicer Eligibility, has been updated to reflect this change.

Effective: Non-depository seller/servicers must be compliant with the updated requirements based on financials reported as of March 31, 2021.

Sale of personal assets

As part of our efforts to improve certainty for lenders, we have updated our documentation requirements for the sale of personal assets to reflect the following:

- limiting the requirement to provide proof of the borrower's ownership of the asset to only those assets that have a title, for example an automobile title; and
- limiting the requirement to obtain an independent valuation of the asset to only those cases where the proceeds from the sale exceed 50% of the total monthly income used in qualifying. With this update that provides clearly defined guidelines, we are removing the prior policy that allowed for alternative documentation if the proceeds from the sale represented a minor percentage of the borrower's overall financial contribution.

As a reminder, proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the asset(s) is not a party to the mortgage transaction.

Effective: Lenders may take advantage of these policy changes immediately.

Community land trusts eligibility

To further support our commitment to affordable housing, we have simplified our policy for community land trust eligibility with regard to the community land trust's experience, staff, and annual reports.

In addition, we have added an example to illustrate the calculation of the LTV ratio for a community land trust purchase transaction.

Effective: Lenders may take advantage of the more flexible requirements immediately.

Earthquake insurance requirements

In accordance with *Servicing Guide* Announcement SVC-2020-07, we have updated the *Selling Guide* to remove the requirement for earthquake insurance for loans secured by properties in Puerto Rico and Guam.

The requirement for typhoon insurance for Guam properties will remain and is now noted in *Selling Guide* B7-3-02, General Property Insurance Coverage.

Refer to the Servicing Announcement for additional information.

Effective: Lenders may take advantage of these policy changes immediately.

IRS Form 4506-C, IVES Request for Transcript of Tax Return

Based on information we have seen from the IRS Income Verification Express Service (IVES) program, IRS Forms 4506-T and 4506T-EZ are being phased out for use by third parties in early 2021. (Taxpayers may continue to use these forms to obtain transcripts.) IRS Form 4506-C has been created for authorized IVES participants to order tax transcripts with the consent of the taxpayer. As a result of these changes, we have replaced all references to IRS Form 4506-T with IRS Form 4506-C.



Given the impact to reverifications required for loans selected for QC, we encourage lenders to begin using IRS Form 4506-C immediately. This form must be used to request a tax transcript beginning March 1, 2021. As a reminder, lenders must ensure the form is filled out completely and accurately before the taxpayer is asked to sign the form. This will facilitate lenders' ability to obtain the required transcripts from the IRS without delay.

Redesigned Loan Application Form 1003

We have been working with Freddie Mac for many years to update and implement the redesigned *Uniform Residential Loan Application* Form 1003 and are very close to the start of widespread usage. On January 1, 2021, the Open Production Period will begin, and all lenders may start using the redesigned Form 1003 (and the updated data specification for DU submissions). A new DU user interface will also be available on fanniemae.com.

We have updated the *Selling Guide* to reflect changes that are necessary as a result of the redesigned Form. However, we have taken into account that the current Form 1003 (and related DU loan casefiles) will continue to be used for many months. In some topics, there are references to both the current and redesigned Forms. The updates to the Guide are extensive, impacting many topics, and are summarized below.

- The terms “loan application” and “Form 1003” generally mean the same thing. The term “online loan application” refers to the DU user interface (or the lender’s loan origination system) where data is collected that is not on the Form 1003.
- To account for changes in the location of data between the current and redesigned forms, where possible, we have removed references to specific Form 1003 section numbers and field names.
- Where necessary for clarity, we have added specific references to fields in Form 1003 (7/05 rev.6/09) and Form 1003 (1/2021). (These are the dates in the footer of each form.)
- We have added some new fields that are on the redesigned Form 1003 that have related policies. For example, separate maintenance income has been added to alimony and child support income policy. Grants are considered donations from others and no longer referred to as gifts.
- We have retained some information that is on the current Form 1003 but no longer in the redesigned Form 1003.
- The date of the topic has been updated where substantial text updates have been made. However, for topics with minor updates, the topic dates remain unchanged.

Later in 2021 or early 2022, we will update the Guide again to remove all references to the current Form 1003 and data that no applies.

NOTE: As a reminder, on March 1, 2021, all lenders are required to use the redesigned Form 1003 (and the MISMO v3.4 format for DU loan casefiles) for new loan applications.

Pro-rated real estate tax credits

We have clarified that pro-rated real estate tax credits provided by the seller at closing in places where real estate taxes are paid in arrears cannot be considered when determining if the borrower has enough funds for the transaction. The lender must continue to verify that the borrower has sufficient assets from the list of eligible sources contained in our Guide. In addition, we clarified that a pro-rated tax credit is not an interested party contribution.

Miscellaneous Selling Guide Updates

LIBOR references: In February of this year we announced the retirement of LIBOR ARMs with the release of [LL-2020-01](#). We communicated then that all LIBOR ARMs must be purchased as whole loans on or before December 31, or included in MBS pools with issue dates on or before December 1, 2020. As a result of this deadline, we have removed all references to LIBOR and the LIBOR ARM plan numbers from the *Selling Guide* and the [Standard ARM Plan Matrix](#).



Title waivers: [B7-2-05, Title Exceptions and Impediments](#) – removed reference that states that requests for waivers of exceptions to title should be submitted to us in writing. Due to the nature of title exceptions, we typically cannot grant them because they are requested prior to closing. Since we are unable to approve any waivers pre-closing, we are removing this reference.

Minimum loan term: [B2-1.5-02, Loan Eligibility](#) – added a minimum loan term of 85 months to align with whole loan committing and MBS policies.

Lenders may also contact their Fannie Mae Account Team if they have questions about this Announcement. Have guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).

Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated Dec. 16, 2020)
Single-width manufactured homes	<ul style="list-style-type: none"> ▪ B2-3-02, Special Property Eligibility and Underwriting Considerations: Factory-Built Housing ▪ B2-3-04, Special Property Eligibility Considerations ▪ B4-1.4-01, Factory-Built Housing: Manufactured Housing ▪ B4-2.1-01, General Information on Project Standards ▪ B5-2-01, Manufactured Housing ▪ B5-2-02, Manufactured Housing Loan Eligibility ▪ B5-2-03, Manufactured Housing Underwriting Requirements ▪ B5-2-04, Manufactured Housing Pricing, Mortgage Insurance, and Loan Delivery Requirements ▪ E-3-06, Glossary of Fannie Mae Terms: F ▪ E-3-13, Glossary of Fannie Mae Terms: M ▪ E-3-19, Glossary of Fannie Mae Terms: S
Retirement, government annuity, and pension income and employment-related assets as income	<ul style="list-style-type: none"> ▪ B3-3.1-09, Other Sources of Income
Maintaining Seller/Service eligibility	<ul style="list-style-type: none"> ▪ A4-1-01, Maintaining Seller/Service Eligibility
Sale of personal assets	<ul style="list-style-type: none"> ▪ B3-4.3-18, Sale of Personal Asset
Community land trusts eligibility	<ul style="list-style-type: none"> ▪ B5-5.1-04, Community Land Trusts
Earthquake insurance requirements	<ul style="list-style-type: none"> ▪ B7-3-02, General Property Insurance ▪ B7-3-05, Additional Insurance Coverage
IRS Form 4506-C, IVES Request for Transcript of Tax Return	<ul style="list-style-type: none"> ▪ B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns
Redesigned Loan Application Form 1003	<p>Numerous topics were updated, many with a change to the topic date but many others were left unchanged. A few noteworthy topics are listed below.</p> <ul style="list-style-type: none"> ▪ B1-1-01, Contents of the Application Package ▪ B3-3.1-09, Other Sources of Income



	<ul style="list-style-type: none">▪ B3-3.5-01, Income and Employment Documentation for DU▪ B3-3.5-02, Income from Rental Property in DU▪ B3-4.3-06, Grants and Lender Contributions (topic name change)▪ B3-4.4-01, DU Asset Verification▪ B3-4.4-02, Requirements for Certain Assets in DU (topic name change)▪ B3-6-05, Monthly Debt Obligations▪ B5-3.4-01, Property Assessed Clean Energy Loans
Pro-rated real estate tax credits	<ul style="list-style-type: none">▪ B2-1.3-01, Purchase Transactions▪ B3-4.1-03, Types of Interested Party Contributions (IPCs)