



# Selling Guide Announcement (SEL-2022-01)

Feb. 2, 2022

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

- [Desktop appraisals](#): allowing the use of desktop appraisals for certain purchase transactions
- [HomeStyle® Renovation](#)
  - [HomeStyle Renovation loan agreement](#): updates renovation completion timeframes and information required in the loan renovation agreement
  - [Loan Quality Connect™ for HomeStyle Renovation loan reviews](#): using Loan Quality Connect to submit HomeStyle Renovation requests
- [Loan-level price adjustment credit for HomePath® properties](#): providing a credit to the lender to reimburse the borrower for the cost of the appraisal when a loan securing a HomePath property is sold to us
- [Asset documentation flexibility for certain refinances](#): simplifies documentation requirements for assets
- [Anti-money laundering provisions of the Bank Secrecy Act](#): clarifying reporting requirements related to anti-money laundering Bank Secrecy Act requirements
- [Loans secured by properties located in Guam](#): removing the restriction requiring lenders to negotiate the sale of loans secured by properties in Guam
- [Miscellaneous updates](#):
  - [Loan limits](#)
  - [Credit reports and public records](#)

In addition, an update to the following is described in this Announcement:

- [Comparable sales for new \(or recently converted\) projects](#): adding back allowable comparables if there are no closed sales in a new subject project or subdivision

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

## Desktop appraisals

With the next release of Desktop Underwriter® (DU®), we will allow the use of *Uniform Residential Appraisal Report (Desktop)* ([Form 1004 Desktop](#)) for certain purchase transactions of one-unit principal residences with LTV ratios less than or equal to 90%. For eligible transactions, DU will issue a message informing the lender they can choose to obtain an appraisal reported on Form 1004 Desktop. DU will also issue messages for other appraisal options and the lender may select from any of the options offered.

The minimum scope of work for Form 1004 Desktop does not include an interior and exterior on-site physical inspection of the subject property or comparable sales by the appraiser; instead, the appraiser relies on data obtained from alternative sources to identify property characteristics and condition. Form 1004 Desktop requires the use of a floor plan in addition to other exhibits required for traditional appraisals. Form 1004 Desktop should adhere to the UAD specification for Form 1004 and must be submitted through the Uniform Collateral Data Portal®.



**Effective:** This enhancement will apply to DU Version 11.0 loan casefiles submitted or resubmitted on or after the weekend of March 19, 2022. Refer to the [DU Release Notes](#) for additional information.

## HomeStyle Renovation

### HomeStyle Renovation loan agreement

We updated our requirements related to HomeStyle Renovation loans as follows:

- Renovation work must be completed within 15 months from the date the loan is closed.
- Extensions beyond the 15-month timeframe will only be permitted due to extenuating circumstances beyond the borrower’s control.

Additionally, we added the renovation loan agreement requirements described in the following table.

✓	<b>The renovation loan agreement must...</b>
	be fully executed by both the lender and the borrower at closing and dated the same date as the note.
	state the original principal amount of the related promissory note payable to the lender.
	include the property address.
	be kept in the loan file and the original document sent to the document custodian as part of the delivery package.

Our model *Renovation Loan Agreement* (Form 3731) was updated to reflect these changes and is available immediately for lender use.

The *Servicing Guide* will be updated on Feb. 9, 2022 to incorporate changes related to servicing HomeStyle Renovation loans. See *Servicing Guide* Announcement SVC-2022-01 for additional details (when published).

**Effective:** Lenders may take advantage of these process and policy changes immediately; but must comply with the new requirements and Loan Quality Connect process by May 1, 2022.

### Loan Quality Connect for HomeStyle Renovation loan reviews

In Nov. 2021, we announced a new process in Loan Quality Connect for extensions and recourse removals for HomeStyle Renovation loans. This process replaced the HomeStyle Renovation mailbox and provided lenders a new, transparent, and easier way to submit such requests. We updated the *Selling Guide* to align with our previous announcement.

## Loan-level price adjustment credit for sale of HomePath properties

A HomePath property is a property that was owned and sold by Fannie Mae through a transaction resulting in the disposition of its real estate owned (REO). To encourage the sale of loans on HomePath properties back to Fannie Mae, we will be issuing a \$500 loan-level price adjustment (LLPA) credit to the lender to reimburse the borrower for the cost of the appraisal. The following requirements must be met:

- The loan must be a purchase transaction for a principal residence underwritten with DU.
- The lender must obtain an appraisal for the transaction and pass the entire credit to the borrower to cover the cost of the appraisal.
- The lender must confirm the seller of the property is Fannie Mae (even though DU may identify the property as a HomePath property).
- The loan must be delivered with Special Feature Code 871.



**Effective:** Lenders can begin delivering DU underwritten loans that meet the above eligibility immediately. In a future release, DU will determine if the subject property is a HomePath property and issue a message identifying transactions where the loan may be eligible for the LLPA credit. We will communicate when the message will begin in a future release.

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## Asset documentation flexibility for certain refinances

We updated our documentation requirements for the verification of assets for certain refinance transaction underwritten in DU. Assets will not have to be documented when the funds required to be verified are \$500 or less.

**Effective:** This policy change will apply to DU Version 11.0 loan casefiles submitted or resubmitted on or after the weekend of March 19, 2022. On refinance transactions eligible for this flexibility, DU will issue a message specifying that assets do not need to be verified for the transaction. This policy does not apply to manually underwritten loans.

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## Anti-money laundering provisions of the Bank Secrecy Act

With this update, we clarified seller/servicer reporting requirements related to anti-money laundering. If subject to the anti-money laundering provisions of the Bank Secrecy Act (BSA), the seller/servicer is required to report to us instances where the seller/servicer has been subject to penalties (civil or criminal) or enforcement actions for compliance failures or violations related to anti-money laundering regulatory requirements.

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## Loan secured by properties located in Guam

Previously, delivery of mortgages secured by properties located in Guam was required to be specifically negotiated. We removed this requirement from our Guide allowing any lender to now sell such loans to us.

**Effective:** Lenders may take advantage of this policy change immediately. The DU message reminding lenders they must have approval to deliver loans in Guam will be removed the weekend of March 19, 2022.

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## Miscellaneous updates

**B2-1.5-01, Loan Limits:** This topic was updated to use terminology used in Lender Letter LL-2021-16, *Confirmation of Conventional Loan Limits for 2022*.

**B6-1-03, Eligible VA-Guaranteed Mortgages:** We removed reference to the specific loan limits for VA loans and replaced it with reference to use of the one-unit conforming loan limit based on the applicable county. (Note that we are not actively negotiating the purchase of VA loans at this time.)

**B3-5.2-01, Requirements for Credit Reports:** We removed the credit report requirement that public records information must be obtained from two sources. As a reminder, the report must include all available public records information, identify the sources of the public records information, and disclose whether any judgments, foreclosures, tax liens, or bankruptcies were discovered.



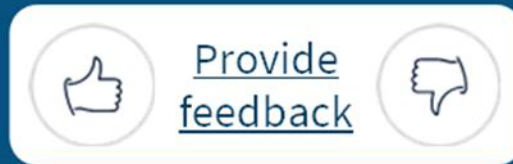
## Comparable sales for new (or recently converted) projects

In the *Selling Guide* update on Dec. 15, 2021, we inadvertently removed an existing policy that applies to acceptable comparables for new projects or subdivisions (with more than 20 units). The following policy continues to apply and will be added back to B4-1.3-08, Comparable Sales, in the March 2022 *Selling Guide* update (as the fourth bullet in the block):

- In the event there are no settled comparable sales inside a new condo project, subdivision, or PUD because the subject property transaction is one of the first units to sell, the appraiser may use two pending sales in the subject project, subdivision, or PUD in lieu of one settled sale. When the appraiser is using two pending comparable sales, the appraiser must also use at least three settled comparable sales from projects, subdivisions or PUDs outside of the subject project, subdivision, or PUD.

Lenders may 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](#).

**Let your voice be heard!** We want your feedback on our policy communications to help us improve the clarity of new and updated policy and understand any implications to borrowers. Click below to take a short survey regarding this Announcement.



## Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated Feb.02, 2022)
Desktop Appraisals	<ul style="list-style-type: none"> <li>▪ <a href="#">B4-1.1-03, Appraiser Selection Criteria</a></li> <li>▪ <a href="#">B4-1.1-04, Unacceptable Appraisal Practices</a></li> <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="#">B4-1.2-02, Desktop Appraisals</a> <b>NEW</b></li> </ul>



<b>HomeStyle Renovation</b>	<ul style="list-style-type: none"><li>▪ <a href="#">B5-3.2-01, HomeStyle Renovation Mortgages</a></li><li>▪ <a href="#">B5-3.2-03, HomeStyle Renovation Mortgages: Collateral Considerations</a></li><li>▪ <a href="#">B5-3.2-06, HomeStyle Renovation: Renovation Contract, Renovation Loan Agreement, and Liew Waiver</a></li><li>▪ <a href="#">E-1-02, List of Contacts</a></li><li>▪ <a href="#">E-2-01, Required Custodial Documents</a></li></ul>
<b>Loan-level price adjustment credit for sale of HomePath properties</b>	<ul style="list-style-type: none"><li>▪ <a href="#">B5-4.2-03, Loans Secured by HomePath Properties</a></li></ul>
<b>Asset documentation flexibility for certain refinances</b>	<ul style="list-style-type: none"><li>▪ <a href="#">B3-4.2-01, Verification of Deposits and Assets</a></li><li>▪ <a href="#">B3-4.4-02, Requirements for Certain Assets in DU</a></li></ul>
<b>Anti-money laundering provisions of the Bank Secrecy Act</b>	<ul style="list-style-type: none"><li>▪ <a href="#">A3-2-01, Compliance with Laws</a></li><li>▪ <a href="#">E-1-02, List of Contacts</a></li></ul>
<b>Loans secured by properties located in Guam</b>	<ul style="list-style-type: none"><li>▪ <a href="#">B2-3-01, General Property Eligibility</a></li></ul>