



Selling Guide Announcement (SEL-2022-05)

June 1, 2022

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

- [Construction cost overruns in refinances](#): allowing a two-closing construction-to-permanent loan to include documented construction cost overruns that occurred outside of the interim construction loan
- [Group homes](#): clarifying the definition of group home and related property eligibility
- [Calculating the fully indexed rate for ARM loans](#): aligning our policy with Regulation Z requirements
- [Miscellaneous update](#):
 - References to outdated Form 1003

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

Construction cost overruns in refinances

We updated our policy on limited cash-out refinance transactions for two-closing construction-to-permanent loans to allow documented construction cost overruns that occurred outside of the interim construction lien to be included in the new loan amount. These construction cost overruns must be paid directly to the builder at the time of closing.

Effective: Lenders may take advantage of this policy update immediately.

Group homes

We updated our policy to clarify the definition of group home and the related property eligibility. Group homes are residential structures utilized for occupancy by persons with disabilities (irrespective of familial relationship) and are not considered to be boarding houses. As such, group homes are (and remain) an eligible property type.

Calculating the fully indexed rate for ARM loans

To better align our requirements with Regulation Z, we made the following clarifications to policy for determining the index value used to calculate the fully indexed rate for ARM loans:

- specified note date as the end of the 90-day period to establish the index value, and
- changed the applicable index value from “lowest value” to “any index value” (in alignment with Regulation Z) to address the operational challenges lenders face when finalizing documentation in advance of the loan closing.

Effective: Lenders may take advantage of this clarification to policy immediately.

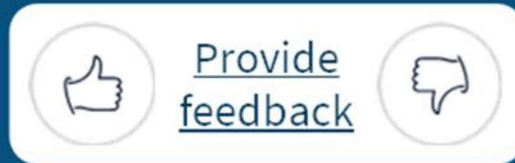
Miscellaneous update

References to outdated Form 1003: We removed all references to the Form 1003 7/05 revision (6/09).



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 June 1, 2022)
Limited cash-out refinance	<ul style="list-style-type: none"> ▪ B2-1.3-02, Limited Cash-Out Refinance Transactions
Group homes	<ul style="list-style-type: none"> ▪ B2-1.1-01, Occupancy Types ▪ B2-3-01, General Property Eligibility ▪ E-3-07, Acronyms and Glossary of Defined Terms: G
Calculating the fully indexed rate for ARM loans	<ul style="list-style-type: none"> ▪ B2-1.4-02, Adjustable-Rate Mortgages (ARMs)
References to outdated Form 1003	<ul style="list-style-type: none"> ▪ B1-1-01, Contents of the Application Package ▪ B2-1.2-01, Loan-to-Value (LTV) Ratios ▪ B2-2-03, Multiple Financed Properties for the Same Borrower ▪ B3-3.5-01, Income and Employment Documentation for DU ▪ B3-3.5-02, Income from Rental Property in DU ▪ B3-4.4-02, Requirements for Certain Assets in DU ▪ B5-3.2-01, HomeStyle Renovation Mortgages ▪ B5-3.3-01, HomeStyle Energy for Improvements on Existing Properties ▪ E-1-01, References to Fannie Mae’s Website