

**Announcement SEL-2011-04****May 24, 2011*****Selling Guide* Updates**

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

- Deferred student loans
- Documentation requirements for retirement accounts
- Prohibition of certain mortgage insurance agreements
- Resubmission to Desktop Underwriter® (DU®) after closing
- Mortgage Electronic Registration System (MERS®)
- Miscellaneous *Selling Guide* updates

Each of the updates is described below. The affected topics (and specific paragraphs) are noted for each policy change. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated May 24, 2011.

**Deferred Student Loans**

The *Selling Guide* currently requires deferred installment debts, such as student loans, to be included in the debt-to-income ratio. If the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the lender must obtain a copy of the borrower's payment letter or forbearance agreement to determine the monthly payment to be used in qualifying the borrower.

With this update, the *Selling Guide* now includes an exception to this policy for student loans. The lender may calculate a monthly payment based on 2% of the balance of the student loan in lieu of obtaining documentation of the monthly payment when the credit report does not contain one. However, if any documentation is provided by the borrower or obtained by the lender that indicates the actual monthly payment, that figure must be used in qualifying the borrower.

**Updated *Selling Guide* Topic**

[B3-6-05](#), Monthly Debt Obligations (Deferred Installment Debt)

**Effective Date**

This update is effective immediately.

**Documentation Requirements for Retirement Accounts**

The following updates have been made regarding retirement accounts:

- The requirement to document the terms of allowing a withdrawal from a retirement account was removed. A new policy was added that disallows retirement accounts as an asset for reserve calculation purposes when withdrawals for any reason are prohibited currently.

- For borrowers that have already reached retirement age we have modified our policy to allow retirement funds as assets for reserve purposes.

### **Updated *Selling Guide* Topics**

[B3-4.2-01](#), Verification of Deposits and Assets

[B3-4.3-03](#), Retirement Accounts

### **Effective Date**

For manually underwritten mortgage loans, these updates are effective immediately. For DU loan casefiles, the lender may apply these changes immediately; however the related DU verification message will be updated in a future release.

### **Prohibition of Certain Mortgage Insurance Agreements**

The *Selling Guide* has been updated to incorporate the content of Announcement SVC-2011-04, *Prohibitions on Loss Sharing, Indemnification, and Settlement Agreements with Mortgage Insurers*, that prohibits lenders from entering into agreements with mortgage insurance companies that may adversely affect Fannie Mae's interest in its mortgage loans. Sellers must continue to represent and warrant that each loan delivered to Fannie Mae, where mortgage insurance is required, is insurable as enumerated in B7-1-01, Provision of Mortgage Insurance. As a result, sellers are prohibited from delivering a loan to Fannie Mae where the mortgage insurer would not otherwise provide mortgage insurance coverage absent a loss sharing, indemnification, settlement or similar agreement. Furthermore, additional language concerning captive reinsurance arrangements has been added to the *Selling Guide* as a result of questions that arose after the issuance of the Servicing Announcement.

### **Updated *Selling Guide* Topics**

[B7-1-01](#), Provision of Mortgage Insurance

### **Effective Date**

This update is effective immediately.

### **Resubmission to DU After Closing**

With this update of the *Selling Guide*, Fannie Mae is establishing the following policies with regard to DU submissions:

- The same casefile ID may not be used to underwrite more than one mortgage loan with DU.
- The first submission to DU must occur before closing of the mortgage loan.
- New requirements apply when the loan casefile is resubmitted to DU after closing but prior to delivery to Fannie Mae.
- Certain requirements apply if the lender orders a new credit report after closing.
- In instances when the lender is not able to access the original DU loan casefile for resubmission purposes after closing, the lender may create a new loan casefile in DU subject to certain criteria.

Refer to the updated topics for complete information about these new requirements.

### **Updated *Selling Guide* Topics**

[A2-2.1-04](#), Limited Waiver of Contractual Warranties for Mortgages Submitted to DU  
[B3-2-01](#), General Information on DU (Underwriting with DU)  
[B3-2-10](#), Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report (Ensuring DU Data and Delivery Information Accuracy, Non-Applicant Debts/Accounts)  
[B3-5.3-09](#), DU Credit Report Analysis (Possible Non-applicant Debts)

### **Effective Date**

These updates are effective immediately.

### **Mortgage Electronic Registration System (MERS®)**

Several updates have been made related to MERS-registered loans. Fannie Mae requires lenders to report the valid, registered MERS Mortgage Identification Number (MIN) for mortgages originated with MERS as the nominee for the mortgagee or assigned to MERS. Additionally, the following clarifications have been incorporated:

- Document custodians must be able to identify MERS registered mortgages.
- Lenders must have controls to readily identify MERS registered mortgages.
- MERS cannot be named as the insured or loss payee on title and property insurance policies.
- By delivering the MIN, the lender warrants that the mortgage is properly registered in MERS and names the lender as the investor.

### **Updated *Selling Guide* Topics**

[A2-5.1-02](#), Individual Mortgage Loan Files (Contents of a Mortgage Loan File)  
[B7-2-03](#), General Title Insurance Coverage (Other Requirements)  
[B7-3-09](#), Mortgagee Clause for Hazard and Flood Insurance (Mortgage Clause)  
[B8-7-01](#), Mortgage Electronic Registration Systems (MERS)  
[C2-1.2-03](#), Best Efforts Commitment Terms, Amounts, Periods and Other Requirements

### **Effective Date**

These updates are effective immediately.

### **Miscellaneous *Selling Guide* Updates**

The following additional clarifications have been made in the *Selling Guide*:

- With regard to the requirements for re-establishing credit after a significant derogatory credit event, the *Selling Guide* has been updated to clearly show that all references to “LTV ratios” includes LTV, CLTV, and HCLTV. This clarification corresponds with the policy announced in SEL-2010-05, *Underwriting Borrowers with a Prior Preforeclosure Sale or Deed-in-Lieu of Foreclosure*. The following topic has been updated:

- [B3-5.3-07](#), Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit (Foreclosure, Deed-in-Lieu of Foreclosure and Preforeclosure Sale, and Summary – All Waiting Period Requirements)
- The *Selling Guide* has been clarified to more accurately reflect how DU handles non-applicant debts in the risk assessment and DTI ratio. The following topics have been updated:
  - [B3-2-10](#), Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report (Ensuring DU Data and Delivery Information Accuracy and Non-applicant Debts/Accounts)
  - [B3-5.3-09](#), DU Credit Report Analysis (Possible Non-applicant Debts)

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

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