

Selling Guide Announcement SEL-2012-10

October 2, 2012

Selling Guide Updates

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

- Incorporation of Announcement SEL-2012-09, *Updates to Refi Plus™ and DU Refi Plus™*
- Incorporation of Announcement SEL-2012-03, *Changes to Pricing Terms*
- Calculation of HCLTV Ratios with Permanently Modified HELOCs
- Weighted-Average Coupon Limit on Fixed-Rate Mortgages in MBS Pools
- Inactive and Deactivated Lender Status
- Updates to Document Custodian and Custodial Depository Requirements
- Miscellaneous *Selling Guide* Updates
- Updated *Eligibility Matrix*

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 October 2, 2012.

NOTE: *The Selling Guide has not yet been updated to reflect the contents of Selling Guide Announcement SEL-2012-08, New Lender Selling Representations and Warranties Framework, which become effective for loans acquired by Fannie Mae on or after January 1, 2013.*

Incorporation of Announcement SEL-2012-09, *Updates to Refi Plus and DU Refi Plus*

The *Selling Guide* has been updated to incorporate the contents of Announcement SEL-2012-09, which contained the following enhancements to underwriting and documentation policies for DU Refi Plus and Refi Plus mortgage loans:

- Reduced representations and warranties with regard to the subject property
 - [B5-5.2-01](#), DU Refi Plus and Refi Plus Eligibility (Representations and Warranties)
 - [B5-5.2-03](#), DU Refi Plus and Refi Plus Property Valuation and Project Standards (DU Refi Plus Property Valuation Requirements, Refi Plus Property Valuation Requirements)
- Alternative to income verification for Refi Plus loans with payment changes less than or equal to 20%
 - [B5-5.2-02](#), DU Refi Plus and Refi Plus Underwriting Considerations (Underwriting and Documentation Requirements – Refi Plus)
 - [B5-5.2-04](#), DU Refi Plus and Refi Plus Closing, Pricing, and Delivery (Delivery Data Elements)
- Reduced documentation for income and assets
 - [B5-5.2-02](#), DU Refi Plus and Refi Plus Underwriting Considerations (Underwriting and Documentation Requirements)

- Alternative qualification method when removing a borrower
 - [B5-5.2-01](#), DU Refi Plus and Refi Plus Eligibility (Borrower Eligibility)
- Use of Hardest Hit Fund® Programs
 - [B5-5.2-01](#), DU Refi Plus and Refi Plus Eligibility (Using Hardest Hit Fund Programs for Principal Reduction or Closing Cost Assistance)
- Removal of requirement for *Single-Family Comparable Rental Schedule* (Form 1007) for investment properties
 - [B5-5.2-03](#), DU Refi Plus and Refi Plus Property Valuation and Project Standards (*Single-Family Comparable Rent Schedule* (Form 1007))
 - [B5-5.2-04](#), DU Refi Plus and Refi Plus Closing, Pricing, and Delivery (Delivery Data Elements)

Refer to Announcement SEL-2012-09 and the specific topics in the *Selling Guide* for additional details about these updates.

In addition to the changes noted above, B5-5.2-02 was slightly reorganized, including movement of the policy regarding leasehold estates eligibility to B5-5.2-01 and movement of other content into the applicable DU Refi Plus or Refi Plus Underwriting and Documentation Requirements table.

Effective Date

As noted in Announcement SEL-2012-09, these changes were effective September 14, 2012.

Incorporation of Announcement SEL-2012-03, *Changes to Pricing Terms*

The *Selling Guide* is being updated to incorporate how pricing changes will be communicated to lenders and the process whereby such changes go into effect. This policy change was announced in *Selling Guide* Announcement SEL-2012-03, *Changes to Pricing Terms*, earlier this year.

Updated Selling Guide Topic

- [C1-1-01](#), Execution Options (Pricing Changes)

Effective Date

Announcement SEL-2012-03 described how the provisions in the Announcement would become effective. See the Announcement for additional information.

Calculation of HCLTV Ratios with Permanently Modified HELOCs

This *Selling Guide* update contains revisions to Fannie Mae's requirements for calculation of the HCLTV ratio with permanently modified home equity lines of credit (HELOCs). Currently, the *Selling Guide* states that to accurately calculate the HCLTV ratio, the lender must determine the maximum credit line for each HELOC, if applicable, and the unpaid principal balance (UPB) for all closed-end subordinate financing. However, if the credit limit of the HELOC has been permanently modified, the new limit may be less than the UPB. Therefore, Fannie Mae is requiring that if the HELOC has been permanently modified, the lender must use the higher of the outstanding UPB or the modified credit limit when calculating the HCLTV ratio for eligibility purposes and for delivery.

Updated Selling Guide Topic

- [B2-1.1-03](#), Home Equity Combined Loan-to-Value (HCLTV) Ratios (Permanently Modified HELOCs)

Effective Date

This *Selling Guide* update is effective immediately.

Weighted-Average Coupon Limit on Fixed-Rate Mortgages in MBS Pools

The *Selling Guide* currently places a limit on the weighted-average coupon of fixed-rate mortgage loans in MBS pools that involve a guaranty fee buyup. Given the current structure of buyup grids and fee calculations, this limit is no longer required. Therefore, the weighted-average fee cap of 87.5 basis points over the pass-through rate is no longer applicable. Note, however, that none of the pooling requirements set out in C3-3-02, Determining Eligibility for Loans Pooled into MBS, are changed in any way.

Updated Selling Guide Topic

- [C3-3-03](#), Buying Up and Buying Down the Guaranty Fee for MBS (Guaranty Fee Buyup Maximums and Buydown Minimums for Fixed-Rate Mortgages)

Effective Date

This update is effective immediately.

Inactive and Deactivated Lender Status

The *Selling Guide* has been updated to clarify the distinction between an inactive lender and a deactivated lender. The inactive lender status refers to lenders that fail to meet certain activity thresholds by the end of a calendar year. A lender that has not delivered any loans for the prior 12 months and does not currently service any loans for Fannie Mae is considered deactivated.

Updated Selling Guide Topic

- [A4-1-01](#), Maintaining Lender Eligibility (Inactive Lenders, Deactivated Lenders)

Effective Date

This clarification is effective immediately.

Updates to Document Custodian and Custodial Depository Requirements

The *Selling Guide* changes incorporate the requisite policy changes announced in *Servicing Guide* Announcement [SVC-2012-15](#), *Updates to Document Custodian and Custodial Depository Requirements*. That Announcement established new requirements regarding the full or partial acquisition of an existing document custodian's custody business by a new document custodian. Also, due to the announcement by Fitch, Inc., of the retirement of their Individual Rating, Fannie Mae is eliminating Fitch, Inc., as one of the three financial rating firms that may be used to satisfy the document custodian's eligibility requirements. Document custodians must now use either IDC Financial Publishing, Inc., or Kroll Bond Rating Agency, Inc. (formerly known as LACE Financial Publishing Corporation), for their financial rating eligibility requirements.

Updated Selling Guide Topics

- [A3-3-04](#), Document Custodians (Eligibility Criteria for Document Custodians)
- [A3-3.1-02](#), Document Custodian Reporting Requirements: Active and Inactive Status (Change in Document Custodian's Organization or Ownership)
- [B7-2-02](#), Title Insurer Requirements (Rating Requirements)

- [E-3-12](#), Glossary of Fannie Mae Terms: L (Deleted LACE Financial Publishing Corporation)
- [E-3-11](#), Glossary of Fannie Mae Terms: K (Added Kroll Bond Rating Agency, Inc.)

Updated Requirements for Document Custodians Guide (RDC guide)

The [RDC guide](#), which is available on Fannie Mae’s Web site, has also been updated.

Effective Date

As announced in SVC-2012-15, these changes were effective on August 8, 2012.

Miscellaneous Selling Guide Updates

- [A3-3.1-01](#), Operational Requirements for all Document Custodians (Monthly Quality Control Review, Annual Audit Requirements). As announced in *Selling Guide* Announcement SEL-2012-07, *Selling Guide and Other Updates*, Fannie Mae required that by September 30, 2012, document custodians develop and implement a monthly QC review process to examine the quality of document and data certifications for the prior month. The *Selling Guide* has been updated to remove the effective date language because that date has passed.
- [B3-6-02](#), Debt-to-Income Ratios (Exceptions to the Maximum DTI Ratio). The list of DTI ratio exceptions was updated to add the reference to the long-standing policy that exists in B2-2-04, Guarantors, Co-Signers, or Non-Occupant Co-Borrowers, with regard to non-occupant co-borrower’s DTI ratio requirements.


Updated Eligibility Matrix

The [Eligibility Matrix](#) has been updated to include the following changes:

- In August 2012, the *Eligibility Matrix* was updated and significantly redesigned. One of the redesign features included the removal of specific co-op share loan requirements and the addition of a specific “Co-op properties” note on page 8. With the October 2, 2012, version of the Matrix, this note has been updated to reflect the long-standing policy that cash-out refinances on second home co-op properties are not permitted.
- Page 4 and Page 5: The bolded text below has been deleted. This text conflicted with the contents of the cell above it where 0 months reserves are applicable with the same credit score and LTV ratio.

Principal Residence				
Purchase	1 Unit	FRM: 95%	Maximum DTI ≤ 45	Minimum Reserves 2
Limited Cash-Out Refinance		ARM: 90%	ARM: 640 if ≤ 75%	

- The note on page 8 regarding “Nontraditional credit” was updated to add the clarification that 0 months reserves are required with a maximum DTI ratio of 36%.



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

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