

## **Selling Guide Announcement SEL-2015-06**

May 26, 2015

### ***Selling Guide* and Other Updates**

The *Selling Guide* has been updated for the following:

- Payoff of Revolving Debt At or Prior to Closing
- Extension of DU Refi Plus™ and Refi Plus™
- Manufactured Housing Affidavit of Affixture
- Clarification of CLTV and HCLTV Ratio Requirements for Project Reviews on Florida Condos
- Replace References to “eCommitting™” and “eCommitONE™” with “Fannie Mae’s Whole Loan Committing Application”
- Replace References to “National Underwriting Center” with “Loan Quality Center”
- 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 26, 2015.

In addition, updates to the following are described in this Announcement:

- Revised Kentucky Security Instrument
- Updated List of Approved Mortgage Insurance Forms
- Updated List of *Special Feature Codes*

### **Payoff of Revolving Debt at or Prior to Closing**

When a revolving account is being paid off at or prior to closing, the current policy requires lenders to document that the revolving account has also been closed in order to exclude the payment from the debt-to-income (DTI) ratio. The *Selling Guide* has been updated to remove the requirement that the revolving account be closed. Going forward, revolving accounts that are paid down to zero at closing may remain open and no monthly payment needs to be included in the DTI ratio.

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

- [B3-6-02](#), Debt-to-Income Ratios (DTI Ratios, Calculating Total Monthly Obligation,)
- [B3-6-07](#), Debts Paid Off At or Prior to Closing (Payoff or Paydown of Debt for Qualification)

#### ***Effective Date***

This policy change is effective immediately. Desktop Underwriter® (DU®) currently issues a message stating that revolving debts must be included in the total expense payment if the account is not being closed. Lenders may disregard this message until it is removed in a DU release later in 2015.

## Extension of DU Refi Plus and Refi Plus

As announced in the May 12, 2015 *Selling Notice*, DU Refi Plus and Refi Plus have been extended until December 2016. The *Selling Guide* has been updated to reflect the new application and delivery dates.

### **Updated Selling Guide Topics**

- [B5-5.2-01](#), DU Refi Plus and Refi Plus Eligibility (Program Expiration)
- [B5-5.2-02](#), DU Refi Plus and Refi Plus Underwriting Considerations (Expiration of Mortgage Insurance Flexibilities)
- [B5-5.2-04](#), DU Refi Plus and Refi Plus Closing, Pricing, and Delivery (Delivery Deadlines)

## Manufactured Housing Affidavit of Affixture

Currently, the *Selling Guide* requires an Affidavit of Affixture for manufactured housing loans, which documents the borrower's and lender's intent for the manufactured home to be permanently part of the subject property. The Guide indicates that if the lender needs assistance in preparing an acceptable version of this form, the lender should contact its lead Fannie Mae regional office.

Many states publish a version of that form, and lenders can get the form from the appropriate state or local agency or can consult with their legal counsel if they need assistance. Therefore, the Guide has been updated to remove the reference to Fannie Mae's lead regional office. The Guide has also been updated to clarify who must sign the Affidavit of Affixture.

### **Updated Selling Guide Topics**

- [B5-2-05](#), Manufactured Housing Legal Considerations (Affidavit of Affixture)
- [B8-2-02](#), Special-Purpose Security Instruments (Security Instruments for Manufactured Home Mortgages)

### **Effective Date**

These updates are effective immediately.

## Clarification of CLTV and HCLTV Ratio Requirements for Project Reviews for Florida Condos

The *Selling Guide* currently describes the transactions that are eligible for a Limited Review based on the LTV, CLTV and HCLTV ratios. For Florida condo projects, Limited Review requirements are based on a slightly lower maximum LTV ratio. In response to lender questions, the Guide has been updated to include the CLTV and HCLTV ratios that currently apply to Limited Reviews of condo projects in Florida, which are the same ratios that apply to condo projects in all states. Only the LTV ratios (not the CLTV or HCLTV ratios) are lower for Limited Review of Florida projects. And as a reminder, lenders may perform a full review of a Florida condo project (with or without the use of Condo Project Manager™) to originate loans up to the maximum standard LTV, CLTV and HCLTV ratios permitted by Fannie Mae.

Additionally, Fannie Mae has clarified that the standard CLTV and HCLTV ratios (per the *Eligibility Matrix*) apply to Project Eligibility Review Service (PERS) and Full Reviews for condo projects in Florida.

These clarifications do not in any way change existing policies; rather, they address where lenders may be applying more conservative criteria than Fannie Mae's requirements.

### **Updated Selling Guide Topics**

- [B4-2.1-01](#), General Information on Project Standards (Project Review Methods; Condo, Co-op, and PUD Project Review Requirements for DU Refi Plus and Refi Plus Loans)
- [B4-2.2-01](#), Limited Review Process (Eligible Transactions for Limited Review of Attached Units in Established Condo Projects)
- [B4-2.2-04](#), Geographic-Specific Condo Project Considerations (Florida — Project Review Maximum LTV Requirements for Attached Units in New, Newly Converted, and Established Projects)

### **Replace References to “eCommitting” and “eCommitONE” with “Fannie Mae’s Whole Loan Committing Application”**

Fannie Mae will be replacing and combining its current mandatory and best efforts committing applications, eCommitting™ (eC) and eCommitONE® (eC1), with a new application called Pricing & Execution – Whole Loan (PE – Whole Loan). PE – Whole Loan will be made available to lenders via a phased rollout throughout 2015. As a result, references to “eCommitting” and “eCommitONE” in the *Selling Guide* have been replaced with “Fannie Mae’s whole loan committing application” or the “whole loan committing application.”

The references to “eCommitting” and “eCommitONE” in the *Standard ARM Plan Matrix* have also been updated; the revised Matrix is available on Fannie Mae’s website.

### **Updated Selling Guide Topics**

- [A3-4-02](#), Data Quality and Integrity (Entering Loan Data in Fannie Mae’s Whole Loan Committing Application)
- [C2-1.1-04](#), Mandatory Commitment Extensions and Pair-Offs (Lender-Requested Pair-offs)
- [C2-1.2-01](#), Best Efforts Commitment Process
- [C2-1.2-02](#), Best Efforts Commitment Pricing, Periods, and Fees (Best Efforts Commitment Periods and Extension Fees)
- [C2-1.2-03](#), Best Efforts Commitment Terms, Amounts, and Other Requirements (Best Efforts Commitment Terms and Amounts)
- [C2-2-01](#), General Requirements for Good Delivery of Whole Loans (Limitations on High-Balance Whole Loan Deliveries)
- [E-1-01](#), References to Fannie Mae’s Website
- [E-2-07](#), Servicing Execution Tool – Mortgage Loan Servicing Purchase and Sale Agreement
- [E-3-19](#), Glossary of Fannie Mae Terms: S

NOTE: *This update affected numerous topics; however, because the update did not impact any policies, the topic date was only updated in the topics listed above.*

### **Replace References to “National Underwriting Center” with “Loan Quality Center”**

Fannie Mae’s National Underwriting Center (NUC) has been renamed the Loan Quality Center (LQC), and references to the “National Underwriting Center” and “NUC” have been replaced with “Loan Quality Center” or “LQC.”

## Updated Selling Guide Topics

- [D2-1-02](#), Fannie Mae QC File Request and Submission Requirements (Document Submission Requirements)
- [E-1-02](#), Acronyms and Abbreviations
- [E-1-03](#), List of Contacts
- [E-3-12](#), Glossary of Fannie Mae Terms: L
- [E-3-14](#), Glossary of Fannie Mae Terms: N

NOTE: *This update affected a few other topics; however, because the update did not impact any policies, the topic date was only updated in the topics list above.*

## Miscellaneous Selling Guide Updates

- [A2-3.2-01](#), **Loan Repurchases and Make Whole Payments Requested by Fannie Mae.** When this topic was updated in August 2010, a sentence that appeared in the accompanying *Selling Guide* Announcement was inadvertently left out of the Guide. This sentence appears under “Redelivery of Repurchased Loans” and notes that a mortgage loan repurchased from another investor or GSE that was delivered in error to that investor or GSE is eligible for delivery to Fannie Mae, as long as it meets all relevant eligibility requirements.
- [B3-4.2-01](#), **Verification of Deposits and Assets.** Fannie Mae has had a long-standing policy that when bank statements are used to verify assets that statements covering a two month period are required. Some lenders have misinterpreted this requirement such that they are only documenting files with one monthly bank statement that shows the prior month ending balance and the current month ending balance. This topic is being updated to more clearly state that bank statements must show account activity for the most recent *full* two-month period.
- [B3-6-02](#), **Debt-to-Income Ratios.** A statement has been added to the Guide to recognize that sometimes lenders may apply a more conservative approach when qualifying borrowers. This is acceptable as long as Fannie Mae’s minimum requirements are met, and lenders consistently apply the same approach to similar loans. For example, a lender might calculate a higher minimum payment on a credit card account than what Fannie Mae requires, which is acceptable as long as the lender consistently applies this calculation to all mortgage applications with revolving debts.

## Revised Kentucky Security Instrument

The Kentucky security instrument (Form 3018) has been updated to comply with a recent state law change that will require mortgages submitted for recordation to include source of title information. This requirement becomes effective on June 24, 2015. Lenders may begin using the revised form immediately and must use the form for mortgage loans with note dates on or after December 1, 2015. Between now and December 1, 2015, lenders may continue to use the existing security instrument, as long as recording offices will accept the document for recording. For example, recording offices may permit the source of title information to be included in the legal description of the property that is attached to the security instrument.

The Kentucky Short Form Mortgage (Form 3018SF) and the Spanish translation of the mortgage (Form 3018s) have also been revised. The updated documents are available on [Fannie Mae’s website](#).

## Updated List of Approved Mortgage Insurance Forms

The list of Approved Mortgage Insurance Forms has been updated to include Arch Mortgage Insurance Company’s Amendatory Endorsement to First Lien Master Policy ARCH 1800.42 (06/15) and Genworth

Mortgage Insurance Corporation's Commitments/Certificates of Insurance CC (12/12). The updated list is available on [Fannie Mae's website](#).

NOTE: *Updating this list did not require any updates to the Selling Guide.*

### **Updated List of *Special Feature Codes***

The *Special Feature Codes* list was updated to incorporate changes to the definitions of the following codes:

- SFC 170 Flood Insurance — Special Flood Hazard Area,
- SFC 175 Flood Insurance — Not a Special Flood Hazard Area, and
- SFC 180 No Flood Insurance.

The updated definitions align with changes that were made to these special features codes in the *Selling Guide* last December. The revised list is available on [Fannie Mae's website](#).

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

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