

Selling Guide Announcement SEL-2015-13

December 15, 2015

Selling Guide Updates

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

- Loans with Age-Related Resale Restrictions
- Manufactured Housing and RD-Guaranteed Section 502 Mortgage Loans
- Lender Quality Control Updates
- Pledge of Servicing
- Custody of eMortgages
- Early Delinquency Counseling
- Posting of Buyup/Buydown Grids
- 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 December 15, 2015.

In addition, an update to a Special Feature Code is described in this Announcement.

Loans with Age-Related Resale Restrictions

Fannie Mae guidelines currently limit occupancy on a loan with resale restrictions to a borrower's one-unit principal residence, including units in eligible condo projects and PUDs, and two-unit principal residence properties.

In response to lenders' requests related to second homes and investment properties in age-restricted communities, the eligibility for age-related resale restrictions has been expanded to permit all occupancy types. This will expand opportunities for a borrower to purchase a property for the benefit of older family members or for future use. The applicable criteria of the deed restriction must continue to be met. Those requirements generally apply to the unit occupant and frequently require only one occupant to be age 55 or older.

Second homes must be one-unit properties, and investment properties and principal residences must be one- or two-unit properties. Mortgages secured by manufactured homes, units in co-op projects, and three- or four-unit properties will continue to be ineligible.

As a reminder, lenders are required to deliver loans with age-related resale restrictions with Special Feature Code 631 when a resale restriction remains in place or survives in the event of foreclosure or acceptance of a deed-in-lieu of foreclosure.

Updated Selling Guide Topic

- [B5-5.3-02](#), Loans with Resale Restrictions: Loan and Borrower Eligibility

Effective Date

These policy changes are effective immediately.

Manufactured Housing and RD-Guaranteed Section 502 Mortgage Loans

Fannie Mae previously revised the *Selling Guide* to allow delivery of HUD-guaranteed Section 184 mortgage loans and Rural Development (RD)-Guaranteed Section 502 first-mortgage loans as standard products and communicated the update in Announcement SEL-2014-12: *Selling Guide Updates*. Prior to that revision, those products were eligible for delivery only on a negotiated basis. When that change was made, RD-Guaranteed Section 502 loans that were secured by manufactured housing continued to be eligible for delivery only on a negotiated basis.

After carefully reviewing the RD-Guaranteed Section 502 first mortgage loan credit guidelines related to manufactured housing, and in an effort to further support rural housing, the *Selling Guide* has been revised to allow all lenders to deliver loans secured by manufactured housing properties under the RD-Guaranteed Section 502 mortgage loan program. All loans are subject to RD-Guaranteed Section 502 mortgage loan eligibility guidelines and Fannie Mae's standard product requirements apply (for example, minimum credit scores). Although Fannie Mae guidelines require manufactured housing to be underwritten through DU for conventional loans, RD-Guaranteed Section 502 loans are underwritten outside of DU regardless of whether or not the security property is manufactured housing.

Updated Selling Guide Topic

- [B6-1-05](#), Eligible RD-Guaranteed Mortgages (Overview, Delivery Requirements)

Effective Date

These policy changes are effective immediately.

Lender Quality Control Updates

The following updates are being made to the requirements for the lenders' quality control review process.

- **Reporting on QC vendor oversight:** When a lender uses a QC vendor to outsource its quality control activities, it is prudent for a lender to have adequate engagement and oversight of that vendor. This oversight must include reviews of the vendor's work to ensure that the lender's requirements and guidelines are applied consistently and that the vendor's QC results accurately reflect the quality of the lender's originations. The minimum standards in the *Selling Guide* are provided so that a lender can understand how they should be evaluating their QC vendors. In this Guide update, Fannie Mae is clarifying the importance for a lender to have oversight of the QC vendor by requiring evidence of appropriate oversight through a 10% sampling of the QC vendors work with monthly reporting on the results.
- **Reverification of income:** To help minimize the administrative burden of reverifications of income through the Social Security Administration (SSA) for lenders, Fannie Mae is clarifying when a reverification of income directly with the SSA is not required.
- **The selection methodology for verification of appraisals by field review:** Lenders have asked what type of methodology to use in selecting which appraisals will receive a field review and which will receive a desk review. The Guide is being updated to clarify that a discretionary sampling methodology may be used, allowing lenders to target loans or appraisals that would most benefit from a field review.

Updated Selling Guide Topics

- [D1-1-02](#), Lender Quality Control Staffing and Outsourcing of the Quality Control Process (Outsourcing of the QC File Review Process)
- [D1-3-02](#), Lender Post-Closing Quality Control Review of Approval Conditions, Underwriting Decisions, and Documentation (Reverification of Borrower Income, Employment, and Asset Information)
- [D1-3-04](#), Lender Post-Closing Quality Control Review of Appraisers and Appraisals (Verification of Appraisals by Field Review)

Effective Dates

The reverification of income requirement and the appraisal selection methodology updates are effective immediately; the QC vendor documentation requirements must be implemented for QC results reported on and after May 1, 2016.

Pledge of Servicing

The *Selling* and *Servicing Guides* address a seller/servicer's ability to pledge servicing rights but do not address a seller/servicer's ability to transfer an interest in servicing income. As a result, both Guides have been updated.

Selling Guide references to pledging servicing rights and transferring an interest in servicing income are being aligned with the changes made in the *Servicing Guide* released on November 25, 2015. Lenders will continue to be directed to the *Servicing Guide* for detailed guidance.

Updated Selling Guide Topics

- Chapter [A3-3](#), Third-Party Lending Functions and Servicing Arrangements (new title)
- [A3-3-01](#), Outsourcing of Mortgage Processing and Third-Party Originations (Approval Procedures, Management Procedures for Third-Party Originations)
- [A3-3-03](#), Other Servicing Arrangements (expanded Pledge of Servicing Rights and Transfer of Interest in Servicing Income block moved here)

Effective Date

Lenders are encouraged to implement these policy changes immediately, but must implement the changes by January 1, 2016.

Custody of eMortgages

Currently Fannie Mae acts as the custodian for electronic mortgages (eMortgages). Fannie Mae is working with its approved custodians to develop capabilities to support eMortgages for Fannie Mae (and other industry participants), and to transition custody of Fannie Mae's eMortgages to its custodians. Therefore, Fannie Mae is revising the *Selling Guide* to advise lenders that they may apply to Fannie Mae to become an eMortgage custodian, and that the eligibility requirements to be a Fannie Mae-approved eMortgage custodian will appear in an updated *Requirements for Document Custodians* (RDC) guide.

Updated Selling Guide Topics

- [A3-3-04](#), Document Custodians (Approval Process for New Document Custodians)

- [A3-3.1-01](#), Operational Requirements for all Document Custodians (Commingling of Fannie Mae Custodial Documents)

Effective Date

These policy changes are effective immediately.

Early Delinquency Counseling

In its November 25, 2015 release, the *Servicing Guide* simplified delinquent loan servicing for community lending mortgage loans, including Fannie Mae's new HomeReady™ loans. Several unique requirements related to servicing such mortgage loans have been updated or eliminated.

The *Servicing Guide* has been updated to eliminate the servicer requirement to provide the *Borrower's Authorization for Counseling* form to the borrower the first time the loan becomes delinquent, provided the servicer obtains all appropriate authorizations as required by applicable law when a third-party counselor is used to provide post-purchase early delinquency counseling. As a result, the requirement to have the *Borrower's Authorization for Counseling* form signed at closing is being removed from the *Selling Guide*.

Desktop Underwriter® (DU®) will be updated in a future release to remove the *Borrower's Authorization for Counseling* form requirement. The DU message requiring the lender verify that all borrowers have signed the *Borrower's Authorization for Counseling* form may be disregarded until that time.

Updated Selling Guide Topics

- [B2-2-06](#), Homeownership Education and Housing Counseling (Standards, Providers, and Methods; Post-purchase Early Delinquency Counseling)
- E-2-01, Borrower's Authorization for Counseling (deleted)

Effective Date

Lenders are no longer required to execute the *Borrower Authorization for Counseling* form at or prior to closing, effective immediately. Servicers are encouraged to implement the *Servicing Guide* policy changes immediately, but must do so by April 1, 2016.

Posting of Buyup/Buydown Grids

Beginning with February 2016 MBS issuances, Fannie Mae will be changing the posting dates of the buyup and buydown grids. The posting dates will no longer be published in the Guide. More information about the posting of the grids will be published on [Fannie Mae's website](#).

Updated Selling Guide Topics

- [C3-3-02](#), Accessing Buyup and Buydown Ratios and Calculating Payments or Charges

Effective Date

These changes will be effective with February 2016 MBS issuances.

Miscellaneous *Selling Guide* Updates

- [A4-1-01](#), **Maintaining Lender Eligibility (Eligible Lender Maintenance Fee)**. As Fannie Mae no longer charges lenders fees for the use of Desktop Originator® or Desktop Underwriter®, the reference to a fee threshold for maintaining lender eligibility has been removed.
- [B2-1.3-04](#), **Refinanced Balloon Mortgages (Pricing) and B5-1-02, High-Balance Pricing, Mortgage Insurance, Special Feature Codes, and Delivery Limitations (Pricing/Loan-Level Price Adjustments)**. Outdated references to the Adverse Market Delivery Charge have been removed from each topic.
- [B2-3-04](#), **Special Property Eligibility Considerations (Properties with Solar Panels)**. A clarification has been made to the policy that identifies when a monthly solar panel payment may be excluded from the debt-to-income ratio if a power purchase agreement has been obtained.
- [E-1-01](#), **References to Fannie Mae's Website**. Various website links have been updated.
- [E-2-02](#), **Required Custodian Documents**; and [E-3-05](#), **Glossary of Fannie Mae Terms: E**. References to outdated information related to the construction-to-permanent product have been removed.

Special Feature Code Update

In *Selling Guide* Announcement SEL-2014-06, Fannie Mae announced that SFC 214 Desktop Underwriter Loan (Seller Acquired after Evaluation) was being phased out and that all DU loans, regardless of the party submitting the loans to DU, should be identified with SFC 127. Effective April 1, 2016, Fannie Mae will retire SFC 214 and lenders will no longer be able to deliver loans with SFC 214 after that date. As a reminder, lenders should indicate "DesktopUnderwriter" in the MISMO Data Point "AutomatedUnderwritingSystem" and Fannie Mae will assign SFC 127 to the loan post-delivery.

NOTE: *No updates to the Selling Guide were necessary.*

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

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