



Selling Guide Announcement SEL-2016-06

July 26, 2016

Selling Guide Updates

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

- HomeReady® Mortgage Loans

The updates are described below. The affected topics (and specific paragraphs) are noted. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated July 26, 2016.

HomeReady Mortgage Loans

Fannie Mae continues to assess the HomeReady product in an effort to incorporate features that enable lenders to expand access to credit in a safe and responsible manner. Last month we announced the simplification and increase of the area median income limits. This month we are announcing the second round of updates that further simplify the product offering. Lastly, we are pre-announcing additional product enhancements that are planned for later this year.

HomeReady Enhancements that are Available Now

With this Guide update, we are announcing the following changes to HomeReady:

- allowing the occupant borrower on a HomeReady loan to own other residential properties;
- removing the requirement for homeownership education for limited cash-out refinance transactions;
- eliminating the requirement for landlord education for HomeReady loans secured by two-, three, or four-unit properties (homeownership education is still required);
- deleting references to post-purchase early delinquency counseling requirements to align the post-purchase counseling requirements for all Fannie Mae conventional mortgage loan types as recently described in *Servicing Guide* Announcement SVC-2016-05; and
- accepting homeownership education from Community Seconds® or Down Payment Assistance Program (DPAP) providers as long as the providers are HUD-approved counseling agencies and the first mortgage loan involves a Community Second or DPAP.

Furthermore, we are providing an additional option for borrowers to meet the homeownership education requirement. A borrower can obtain customized one-on-one assistance from a HUD-approved nonprofit counseling agency. Such assistance will assess the borrower's current financial situation, address credit challenges, develop a workable budget, help determine whether it is the appropriate time to become a homeowner and educate the borrower on the home buying process and responsibilities of homeownership. The assistance must meet HUD standards and cover the content detailed on the *Certificate of Pre-purchase Housing Counseling* (Fannie Mae [Form 1017](#)), which must be signed by the counseling recipient (the borrower) and the HUD counselor. By signing the form, the HUD counselor certifies that the assistance provided meets HUD standards and our requirements. The lender must retain the completed Form 1017 in the mortgage loan file.

NOTE: The additional education option meets the homeownership education requirement for both HomeReady purchase transactions, and non-HomeReady loans where all borrowers are relying on nontraditional credit to qualify.

Updated Selling Guide Topics

- [B2-2-06](#), Homeownership Education and Housing Counseling (Overview, Definitions, Transactions that Require Pre-purchase Homeownership Education, Evidence of Completion)
- [B5-6-02](#), HomeReady Mortgage Loan and Borrower Eligibility (Pre-purchase Homeownership Education)



- [E-3-05](#), Glossary of Fannie Mae Terms: E

Effective Date

These policy updates are effective immediately. Desktop Underwriter® (DU®) will be updated in a future release to reflect these changes. Until that time, lenders may disregard any messages that conflict with the changes described above.

Lender Grants and Down Payment Assistance

Entities such as banks with Community Reinvestment Act requirements or other institutions with regulatory commitments to provide funds for community development purposes may be eligible to provide lender-funded grants and down payment assistance on a case-by-case basis for HomeReady loans. The assistance, however, cannot be funded through the mortgage transaction and must represent the lender's own funds.

Future HomeReady Enhancements

Later in 2016, other underwriting and eligibility updates will be available for HomeReady borrowers, including:

- allowing a maximum loan-to-value ratio greater than 95% up to 97% on limited cash-out refinance transactions in DU, per standard underwriting guidelines, including a requirement that the existing mortgage be owned or securitized by Fannie Mae to be eligible;
- expanding current HomeReady eligibility for buydowns and adjustable-rate mortgage loans to include three- to four-unit properties; and
- the following additional benefits exclusively for HomeReady loans where borrowers have received customized one-on-one assistance from HUD-approved nonprofit counseling agencies in accordance with the requirements outlined above:
 - if the HomeReady loan is delivered with Special Feature Code 184, the lender will receive a loan-level price adjustment credit of \$500; and
 - when the lender indicates in DU that the HUD-approved one-on-one assistance was completed, that information will be considered a compensating factor for those loan casefiles with debt-to-income ratios greater than 45% up to 50%.

The timing of these additional HomeReady features will be announced in a future Guide update and DU Release Notes.

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

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