



Selling Guide Announcement SEL-2016-09

December 6, 2016

Selling Guide Updates

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

- DU® Validation Service
- Property Value Representations and Warranties
- Property Inspection Waiver Fee
- Disclosure of Information to Appraisers
- Pricing & Execution – MBS
- Manufactured Housing in Mississippi
- Miscellaneous *Selling Guide* Updates

Each of the updates is described below. The affected topics for each policy change are listed on the Attachment. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated December 6, 2016.

DU Validation Service

To offer an even greater degree of simplicity and certainty to lenders delivering loans to Fannie Mae, the Desktop Underwriter® (DU) validation service—which was introduced on October 24, 2016—will begin offering validation services for employment and assets the weekend of December 10, 2016.

DU will use information from the designated vendors to validate specific employment and asset data entered by the lender in DU. When data is validated by DU, the lender will receive certain representation and warranty enforcement relief. Different quality control and documentation requirements may also apply.

Lenders must “opt in” to participate with these designated vendors. Lenders that have already been activated for income validation using The Work Number® from Equifax® will also receive employment verification. The designated vendors that will be reporting employment and asset data, as well as the types of information that can be validated, are described below.

Employment Validation

The Work Number will be used to validate employment associated with base, bonus, overtime, and commission income. When employment is validated by DU, the validation satisfies the requirement for verbal verification of employment described in the *Selling Guide*.

Asset Validation

AccountChek™ by FormFree will be used to validate asset information from the borrower’s checking accounts, savings accounts, certificates of deposit, money market accounts, stocks, mutual funds, and retirement accounts.

Refer to the [Desktop Underwriter/Desktop Originator Release Notes](#) dated November 28, 2016, and the [DU Validation Service Reference Guide](#) for additional information. (DU, Desktop Originator®, or Fannie Mae Connect™ credentials are required to access the Reference Guide.)



Effective Date

The DU validation service for employment and assets will be available immediately for participating lenders that submit or resubmit Version 10.0 loan casefiles to DU after the weekend of December 10, 2016.

Property Value Representations and Warranties

As previously announced in the DU Version 10.0 December Update Release Notes, we will begin offering enforcement relief on representations and warranties related to the property value for certain loans that are secured by one-unit detached, attached, or condo properties. The enforcement relief will be offered when the loan casefile receives an Approve/Eligible recommendation from DU and the appraisal receives a Collateral Underwriter® (CU™) Risk Score of 2.5 or below.

The *Selling Guide* has been updated to reflect that for loans that are eligible for the enforcement relief for property value, the lender is not responsible for

- underwriting the appraisal report to determine whether the subject property presents adequate collateral for the mortgage;
- ensuring the appraisal accurately reflects the market value of the property;
- ensuring the appraiser used sound reasoning and provided evidence to support the methodology chosen to develop the opinion of value; and
- analyzing the comparable sales used in the appraisal report, including the description, selection, adjustments, and reconciliation of the comparables.

The lender does remain responsible for the accuracy and completeness of all data on the appraisal that pertains to the property and project (if applicable), including the property's condition and quality ratings. The lender is also responsible for the eligibility of the property. Lastly, the lender remains responsible for all other representations and warranties on the loan, including any life-of-loan representations and warranties that may apply to the property or the appraisal.

Effective Date

The enforcement relief will be available for DU Version 10.0 loan casefiles submitted or resubmitted after the weekend of December 10, 2016.

Property Inspection Waiver Fee

In Announcement SEL-2016-08, we announced that property inspection waivers (PIWs) would be available to all lenders on eligible DU loan casefiles with no additional prerequisites. If the lender chooses to exercise the waiver, we would assess a \$75 fee.

We are pleased to announce that we have decided not to charge the \$75 fee for PIWs. We are also discontinuing the \$75 fee that we currently charge for DU Refi Plus™ property fieldwork waivers. Lenders that choose to exercise the PIW or property fieldwork waiver must continue to deliver the applicable special feature code (801 and 807 respectively).

Effective Date

The fee will no longer be assessed beginning with whole loans purchased, or mortgages loans delivered into MBS with pool issue dates, on and after January 1, 2017.



Disclosure of Information to Appraisers

Currently, we require the lender to provide the appraiser with all amendments made to a sales contract, including amendments that are made after completion of the appraisal. With this update, we have clarified when the appraiser must be provided with updates to the sales contract and circumstances that warrant updates to the appraisal. For example, if the contract is amended in a way that affects the description of the real property used by the appraiser, then the lender must provide the updated contract to the appraiser and the appraisal should be updated. However, minor updates to the contract, such as changes to seller paid closing costs or changes to the contract price, do not require an updated appraisal. In addition, we have updated the policy to require disclosure of changes to financing information (such as loan fees and charges, and subordinate financing provided by interested parties) to the appraiser only for purchase transactions.

Effective Date

This policy update is effective immediately.

Pricing & Execution - MBS

Pricing & Execution – MBS (PE – MBS) is a web-based application that provides lenders with increased transparency and certainty into their MBS base guaranty fee pricing. Over the course of the past two years, lenders have transitioned to the use of PE-MBS. It eliminates the existing manual process for obtaining guaranty fee pricing and the need for MBS pool purchase paper contracts within the Master Agreements, and aligns more closely with how lenders manage their pricing and pipeline. In light of changes to the contract process, the *Selling Guide* has been updated accordingly. References to “MBS commitments” have been added throughout the Guide.

Manufactured Housing in Mississippi

Mississippi law provides for the surrender of certificates of title for a manufactured home affixed to real estate and taxed as real property. However, due to other provisions of Mississippi law and the practice in that state, we are updating the *Selling Guide* to require the lender to both record a deed of trust describing the manufactured home and the land to which it is affixed, and note the lien on the certificate of title. The lender must also retain the certificate of title in the loan file. Additionally, the lender maintains responsibility for all other applicable title insurance and lien requirement provisions of the *Selling Guide*.

Effective Date

Lenders must comply with these requirements for loans with note dates on or after January 1, 2017.

Miscellaneous *Selling Guide* Updates

B3-5.2-01, Requirements for Credit Reports. We added “FPO or DPO” to the military address designations that are permitted when obtaining a credit report for a DU loan casefile.

B5-3.2-01, HomeStyle Renovation Mortgages.

- HomeStyle Renovation mortgage loans delivered with recourse may have the recourse obligation removed when the renovation is complete. We updated the email submission process lenders must follow to request recourse removal.
- We added information about how DU determines if the loan casefile is to be underwritten as a HomeStyle Renovation loan based on entry of an amount in Line b. *Alterations, Improvements, Repairs* of the Details of Transaction section of the loan application.



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

Carlos T. Perez
Senior Vice President and
Chief Credit Officer for Single-Family



Attachment

Section of the Announcement	Updated <i>Selling Guide</i> Topics
DU Validation Service	<ul style="list-style-type: none"> ▪ A2-2.1-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU ▪ B3-2-02, DU Validation Service ▪ B3-3.1-07, Verbal Verification of Employment ▪ B3-4.2-01, Verification of Deposits and Assets ▪ B3-4.2-02, Depository Accounts ▪ B3-4.4-02, Documentation Requirements ▪ D1-2-01, Lender Prefunding Quality Control Review Process ▪ D1-3-02, Lender Post-Closing Quality Control Review of Approval Conditions, Underwriting Decisions, and Documentation
Property Valuation Representations and Warranties	<ul style="list-style-type: none"> ▪ A2-3.2-02, Enforcement Relief for Breaches of Certain Representations and Warranties Related to Underwriting and Eligibility ▪ B4-1.1-02, Lender Responsibilities
Property Inspection Waiver Fee	<ul style="list-style-type: none"> ▪ B5-5.2-03, DU Refi Plus and Refi Plus Property Valuation and Project Standards ▪ B4-1.4-10, Property Inspection Waivers (PIW)
Disclosure of Information to Appraisers	<ul style="list-style-type: none"> ▪ B4-1.1-05, Disclosure of Information to Appraisers
Confidentiality of Information and Data Breach	<ul style="list-style-type: none"> ▪ A3-2-01, Compliance With Laws ▪ A3-4-01, Confidentiality of Information ▪ E-1-02, Acronyms and Abbreviations ▪ E-1-03, List of Contacts
Pricing & Execution - MBS	<ul style="list-style-type: none"> ▪ A2-4-01, Master Agreement Overview ▪ A2-4-03, Variances and Special Provisions ▪ C1-1-01, Execution Options ▪ C1-2-01, General Information on Delivering Loan Data and Documents



Section of the Announcement	Updated <i>Selling Guide</i> Topics
	<ul style="list-style-type: none">▪ C2-1.1-07, Standard ARM and Converted ARM Resale Commitments▪ C3-1-01, General Information About Fannie Mae's MBS Program▪ C3-1-02, Preparing to Pool Loans into MBS▪ C3-2-01, Determining Eligibility for Loans Pooled into MBS▪ C3-2-02, Establishing the Contract Amount▪ C3-2-05, Mandatory MBS Commitments▪ C3-4-01, Term-Related Fixed-Rate Mortgage Pooling Parameters▪ C3-5-01, Creating Stated-Structure ARM MBS▪ C3-5-06, Pooling ARMs with Conversion Option▪ C3-7-04, Delivering Data and Documents▪ E-1-04, List of Lender Contracts
Manufactured Housing in Mississippi	<ul style="list-style-type: none">▪ B5-2-05, Manufactured Housing Legal Considerations