



Selling Guide Announcement SEL-2017-05

May 30, 2017

Selling Guide Updates

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

- Use of Electronic Notarization including Remote Notarization
- Medium of Recorded Mortgages
- ARM Pass-through Rate after Adjustment
- Over Deliveries of Whole Loan Commitments
- Whole Loan Cash Back Pair-Offs

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 May 30, 2017.

Use of Electronic Notarization including Remote Notarization

Fannie Mae supports industry efforts to adopt new technologies and capabilities that support electronic closings, signatures, and notarization. These advancements enable lenders to be more nimble in the origination, closing, and servicing processes by accepting electronic documents and signatures. As technologies progress, we have incorporated some of these capabilities into our processes and policies. We are also working to accommodate additional capabilities in order to facilitate lender and servicer adoption of these important advances in their origination and servicing processes.

We currently have policies describing our requirements for delivering an eMortgage to Fannie Mae, where the promissory note and other documents, such as the security instrument, are created, transferred, and stored electronically rather than on traditional paper documentation with pen and ink signatures. We have similar requirements with respect to servicing-related documentation.

Many states are beginning to consider the use of electronic notarization (“eNotarization”) as a means for expediting or facilitating the closing process. This next step in the process of moving deeper into electronic origination requires greater specificity in our current policies; therefore, we are taking this opportunity to clarify our requirements for eNotarization. The practice of electronic notarizations (including remote notarizations) is not limited to eNote/eMortgage transactions.

Many state laws expressly permit in-person eNotarization. Only Virginia and Montana, however, have adopted laws and regulations expressly permitting remote notarization for mortgage loan documents; that is, the use of real-time, two-way audio/video communication to notarize documents. eNotarization is addressed in the federal Electronic Signatures in Global and National Commerce (E-SIGN) Act and the Uniform Electronic Transactions Act (UETA). However, the lack of specific state recognition of remote notarization has hampered its widespread adoption, particularly when accomplished by out-of-state notaries.

We accept delivery and servicing of mortgage loans with electronic documents, including security instruments or mortgage loan modification agreements that have been electronically notarized, either in person or remotely using real-time, two-way audio/video communication, provided certain requirements are met. The *Selling Guide* has been updated to reflect these requirements. Additionally, the *Servicing Guide* will be updated in June to reflect these requirements.

Effective Date

These requirements are effective immediately.



Medium of Recorded Mortgages

Currently, we require the lender to maintain a mortgage loan file that contains “originals” of the recorded mortgage or deed of trust, riders, and loan modification agreements. Documents that are electronically recorded often appear the same as those recorded on paper, which has led to confusion as to which documents are “originals” under our policy and which are electronic copies.

As a result, we have updated this policy to allow for copies of the recorded documents that contain the recording information from the recorder’s office. In addition, we have clarified that we require originals of any applicable unrecorded rider and any other unrecorded document that changes the mortgage loan terms (or otherwise affects our legal or contractual rights under the mortgage).

Effective Date

These updates are effective immediately.

ARM Pass-through Rate after Adjustment

Lenders may take down whole loan commitments to deliver ARMs to Fannie Mae. Currently, ARMs are committed using the required net margin. We are changing the committing and delivery of whole loan ARMs to instead use the gross mortgage margin that is on the security instrument. The *Selling Guide* has been updated to remove references to multiple Glossary Terms that no longer apply. The Glossary Term yield differential adjustment has also been updated.

Using the gross mortgage margin will also impact how the pass-through rate is calculated when the ARM adjusts. This change will be communicated in a future *Servicing Guide* update.

These changes will further align whole loan ARM execution with the process for ARM MBS.

Effective Date

These changes are effective for whole loan ARMs committed (and subsequently delivered) on or after September 1, 2017.

Over Deliveries of Whole Loan Commitments

We limit the amount by which a lender can deliver loans over the whole loan commitment amount, known as the “over delivery” amount. The current maximum over delivery amount is 25% of the original commitment amount, up to a maximum of the one unit single family conforming loan limit (currently \$424,100). We are simplifying the over delivery limit to only require that it not exceed 25% of the original commitment amount.

Effective Date

This change will be effective on whole loan commitments taken on or after June 12, 2017.

Whole Loan Cash Back Pair-offs

As part of the June 10, 2017 update to the PE-Whole Loan application, we are giving more flexibility to lenders in pairing-off whole loan commitments. We are removing the following requirements when determining if a commitment is eligible for a cash back pair-off:

- pair-off quotes requested after the expiration date of the original commitment (defined as no later than 5:00 p.m. Eastern time on the expiration date);
- the lender accepts Fannie Mae’s offer of an overdelivery.

NOTE: *Commitments paired off through the automatic pair-off process will continue to be ineligible for cash back.*



Effective Date

This change will be effective for lender-requested pair-offs performed on or after June 12, 2017.

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
Use of Electronic Notarization including Remote Notarization	<ul style="list-style-type: none">▪ A2-5.1-03, Electronic Records, Signature, and Transactions▪ A3-2-01, Compliance With Laws▪ B7-2-04, Special Title Insurance Coverage Considerations
Medium of Recorded Mortgages	<ul style="list-style-type: none">▪ A2-5.1-02, Individual Mortgage Loan Files
ARM Pass-through Rate after Adjustment	<ul style="list-style-type: none">▪ C2-1.1-07, Standard ARM and Converted ARM Resale Commitments▪ E-3-05, Glossary of Fannie Mae Terms: E▪ E-3-13, Glossary of Fannie Mae Terms: M▪ E-3-18, Glossary of Fannie Mae Terms: R▪ E-3-25, Glossary of Fannie Mae Terms: Y
Over Deliveries of Whole Loan Commitments	<ul style="list-style-type: none">▪ C2-2-01, General Requirements for Good Delivery of Whole Loans
Whole Loan Cash Back Pair-Offs	<ul style="list-style-type: none">▪ C2-1.1-04, Mandatory Commitment Extensions and Pair-Offs