



Resale Restrictions

To help address the high cost of housing in some markets, many governmental and nonprofit entities support the development of properties subject to resale restrictions. Those strategies help to create and preserve affordable housing stock in communities over the long term. Resale restrictions are a right in perpetuity or for a certain number of years, stated in the form of a restriction, easement, covenant, or condition in any deed, mortgage, ground lease, agreement, or other instrument executed by or on behalf of the owner of the land.

Resale restrictions may limit the use of all or part of the land to occupancy by persons or families of low- or moderate-income or on the basis of age (senior communities must comply with applicable laws).

Resale restrictions may also restrict the resale price of the property to ensure it is available to future low- and moderate-income borrowers. The restricted resale price provides a subsidy to the homeowner in an amount equal to the difference between the sales price and the market value of the property without resale restrictions.

Resale restrictions are binding on current and subsequent property owners and remain in effect until they are formally removed or modified or terminate in accordance with their terms, such as at a foreclosure sale or upon acceptance of a deed-in-lieu of foreclosure.

Lender Responsibilities

Lenders must review the terms and conditions of the affordable housing program, including any documents that describe the resale restrictions, such as termination or survival upon foreclosure.

When resale restrictions are documented by a second mortgage or deed of trust, the lender must ensure that the second mortgage or deed of trust complies with Fannie Mae's [Community Seconds® guidelines](#). If the resale restrictions are included in a separate covenant or agreement instead of a second mortgage or deed of trust, they must comply, if applicable, with Fannie Mae's requirements related to shared appreciation in property value.

Underwriting Loans for Properties with Resale Restrictions

As detailed in the *Selling Guide*, Fannie Mae will purchase mortgages that are subject to one or more of the following types of resale restrictions (although some restrictions are likely to occur only in combination with others):

- income limits,
- age-related requirements (senior communities must comply with applicable laws),
- purchasers must be employed by the subsidy provider,
- principal residence requirements,
- first-time home buyer requirements as designated by the subsidy provider,
- properties that are group homes or that are principally used to serve disabled residents, and
- resale price limits.

For purchase transactions with resale restrictions that terminate upon foreclosure, the loan-to-value (LTV), combined LTV (CLTV), and home equity CLTV (HCLTV) ratio determination is based solely on the appraised value.

For purchase transactions with resale restrictions that survive foreclosure, the LTV, CLTV, and HCLTV ratios use the lesser of the sales price or the appraised value, which is the standard calculation method. Fannie Mae requires the standard calculation using the lower value because the presence of resale restrictions would limit the property's sale price in the event of foreclosure or acceptance of a deed-in-lieu of foreclosure.



NOTE: *Desktop Underwriter® (DU®) has an “affordable LTV ratio determination” to make it easier for lenders to underwrite transactions for resale-restricted properties. Lenders can inform DU that the loan casefile will be underwritten using the resale-restricted feature by entering “Affordable LTV” in the Product Description field in the Additional Data section of the online loan application. When this indication is made, DU will determine the LTV, CLTV, and HCLTV ratios solely on the appraised value for purchase transactions, and not the lesser of the sales price or the appraised value. DU will then issue a message that specifies what lenders need to confirm when indicating the use of the resale-restricted feature.*

Resources

For more information refer to the Fannie Mae *Selling Guide* Section [B5-5.3](#): Loans with resale restrictions or contact your Fannie Mae customer account team.

This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae Selling Guide and Servicing Guide. In the event of any conflict with this document, the Selling Guide and/or Servicing Guide will govern.