Executive Overview of Selling Guide Updates

In our July Selling Guide update, we made several changes to simplify your work and provide an even better experience for your customers. Below is a summary of the updates:

- **Simplified underwriting with policy changes in Desktop Underwriter® (DU®) Version 10.1.** Selling Guide policies are aligned with updates in DU 10.1 (July 29 release) to:
  - Expand the number of borrowers with debt-to-income ratios between 45 and 50 percent that can get a DU Approve/Eligible recommendation. We’ve removed the specific compensating factors previously required for these loans, and instead we’re relying on DU’s standard, comprehensive risk assessment.
  - Align the loan-to-value (LTV) ratio for adjustable-rate mortgages (ARMs) and fixed-rate mortgages up to a maximum LTV of 95% for ARMs, and add a 5/5 ARM plan.
  - Simplify underwriting of loan casefiles with disputed tradelines, and no longer require lenders to investigate unless it would make the difference in obtaining a DU Approve/Eligible recommendation.
- **Expedited loan approval process for borrowers with written employment offers or contracts.** Lenders can now deliver loans to us prior to a borrower starting new employment when certain criteria are met.
- **Expanded borrower debt solutions.** We’re offering even more solutions for borrowers with student loans, mortgages paid by others, alimony obligations, and timeshare accounts. Our policy updates:
  - Simplify DTI ratio calculations by allowing lenders to use a zero monthly payment amount for borrowers with student loan debt who can provide evidence of an income-driven repayment plan.
  - Exclude mortgages paid by others from the DTI ratio calculation if another party shares the mortgage debt and is making the payments.
  - Increase flexibility for borrowers paying alimony by allowing lenders to reduce the monthly qualifying income by the amount of the alimony obligation as an alternative to counting it as a monthly payment.
  - Clarify that timeshares should be treated as installment loans, not as mortgage debt.
- **Streamlined document custody requirements in the Selling and Servicing Guides.** We have updated, reorganized, and clarified our document custody requirements in the Selling Guide and removed duplicative content from the Servicing Guide.
- **Aligned fidelity bond and errors and omissions insurance with current risk management practices.** We’ve updated our fidelity bond and errors and omissions insurance to clarify our policies and align them with current market conditions. Fannie Mae seller/servicers must implement the changes by Oct. 1, 2018.

See Announcement SEL-2017-06 for details.

Thank you for providing valuable feedback as we work to enhance your processes. Let’s keep the momentum going!

Carlos Perez