

Announcement SEL-2011-03**March 31, 2011*****Selling Guide Updates***

The *Selling Guide* has been updated to include a number of miscellaneous clarifications. Each of the updates is described below. The affected topics (and specific paragraphs) are noted for each policy change. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated March 31, 2011.

Clarification of LTV, CLTV, and HCLTV Ratio Calculations

The *Selling Guide* contains a number of references to the calculation of LTV, CLTV, and HCLTV ratios. The vast majority of these references indicate that the ratio calculation is based on the “loan amount,” however in a few instances, the Guide referenced using “unpaid principal balance”. In an effort to provide consistency and clarity across the Guide and to match Fannie Mae’s current loan delivery requirements, the *Selling Guide* was updated to reflect “original loan amount” in all references to these ratio calculations.

Updated *Selling Guide* Topics

[B2-1.1-01](#), Loan-to-Value (LTV) Ratios (Calculation of the LTV Ratio)

[B2-1.1-02](#), Combined Loan-to-Value (CLTV) Ratios (Calculation of the CLTV Ratio)

[B2-1.1-03](#), Home Equity Combined Loan-to-Value (HCLTV) Ratios (Calculation of the HCLTV Ratio)

[B2-1.2-06](#), Payoff of Installment Land Contract Requirements

[B2-1.3-04](#), Convertible ARMs (Lender Warranties for Converted ARMs)

[B2-1.4-01](#), General Mortgage Terms and Conditions (First Mortgage Loan Limits)

[B2-3-03](#), Co-op Properties (Eligible Co-op Projects, Calculating the LTV Ratio for Co-op Share Loans, Whole Loan and MBS Delivery Requirements)

[B4-2.3-04](#), Loan Eligibility for Co-op Share Loans (Calculating the Loan-to-Value Ratio - deleted text)

[B5-2.3-03](#), Manufactured Housing Underwriting Method and Requirements (Sales Price and Original Loan Amount)

[B5-3.1-02](#), Conversion of Construction-to-Permanent Financing Loan Eligibility (Purchase Transaction, Limited Cash-Out or Cash-Out Refinance)

[B5-3.2-03](#), HomeStyle® Renovation Mortgages: Underwriting and Collateral Considerations (LTV Ratios)

[B5-3.3-01](#), Mortgage Loans with Energy Improvements Features on Existing Properties (Eligibility and LTV Ratio Calculations)

[B5-5.1-04](#), Community Land Trusts (LTV Ratio Calculation and Collateral Considerations)

[E-3-03](#), Glossary of Fannie Mae Terms: C (combined-loan-to-value (CLTV) ratio, conforming mortgage amount)

[E-3-08](#), Glossary of Fannie Mae Terms: H (home equity combined loan-to-value (HCLTV) ratio)

[E-3-12](#), Glossary of Fannie Mae Terms: L (loan-to-value (LTV) ratio)

[E-3-15](#), Glossary of Fannie Mae Terms: O (original loan amount)

Provision of Mortgage Insurance

The one exception to using “original loan amount” for the calculation of the LTV ratio is in determining the requirement for mortgage insurance. The *Selling Guide* states that unless the lender has provided another charter-compliant form of credit enhancement, the lender must obtain a primary mortgage insurance policy for a conventional first mortgage loan that has an LTV ratio greater than 80% *at the time it is purchased* for Fannie Mae’s portfolio or securitized. Additional clarity has been added that states for this purpose, the LTV ratio is calculated based on the unpaid principal balance of the mortgage loan at the time it is purchased or securitized by Fannie Mae.

Updated *Selling Guide* Topic

[B7-1-01](#), Provision of Mortgage Insurance (General Requirements)

Updated Reference Material

The [Field Definitions for the 2000-Character Loan Delivery File Format](#) document posted on eFannieMae.com has been updated to reflect a number of changes, including:

- Field 36, LTV Ratio and 134, CLTV Ratio - updated to refer to the applicable sections of the *Selling Guide* for LTV and CLTV ratio calculations.
- Field 33, Occupancy Code - reference to Community Living[®] mortgages was removed due to the product’s retirement.
- Field 77, Number of Bedrooms - updated to reflect delivery of “studio” and “efficiency” properties.
- Field 137, Co-Borrower Race – Code 8 = No Co-Borrower was removed because this is not a valid code.
- Other minor clarifications and grammatical updates were made to the document. (For example, references to RD 502 products were added where appropriate.)

In addition, the [2000-Character Loan Delivery File Format](#) document was updated in a number of places to reflect the allowable field values as described in the Field Definitions.

Miscellaneous *Selling Guide* Updates

This *Selling Guide* update includes a number of other miscellaneous updates and clarifications:

- The *Selling Guide* has been updated to clarify that cash-out refinances are ineligible for delivery on installment land contract transactions. Fannie Mae permits purchase and limited cash-out refinances only on installment land contract transactions. The following topics have been updated:
 - [B2-1.2-03](#), Cash-Out Refinance Transactions (Ineligible Transactions)
 - [B2-1.2-06](#), Payoff of Installment Land Contract Requirements
- The *Selling Guide* states that the lender must warrant that the current value of the property is not less than the original value for mortgage loans that are more than four months old from the “loan closing date.” For the sake of consistency and clarity, “loan closing date” was changed to “date of the note” in the following topic:
 - [B2-1.4-01](#), General Mortgage Terms and Conditions (Property Valuation Representation and Warranty Requirements)

- The *Selling Guide* has been updated to explicitly state that land-home or land-lease co-op projects are eligible for delivery to Fannie Mae only by lenders that are approved to deliver co-op share loans and that have a variance in their Master Agreement permitting delivery of such loans. The following topic has been updated:
 - [B2-3-03](#), Co-op Properties (Eligible Co-op Projects)
- The following topic was updated to replace certain details regarding the calculation of subject property net cash flow with links to other topics in the *Selling Guide*. These other topics contain more complete information about this calculation. Two blocks within this topic were also reorganized.
 - [B3-3.4-03](#), Income From Rental Property (Net Rental Income, Entering Net Rental Income and Calculation of Subject Net Cash Flow)
- A link to the *General Mortgage Terms and Conditions* topic was inserted into the following topic to alert lenders to an existing policy pertaining to the age of an appraisal:
 - [B4-1.2-01](#), Age of Appraisal or Age of Property Inspection (Age of Appraisal or Age of Property Inspection)
- The *Selling Guide* has been updated to clarify the types of commitments that are available for high-balance mortgage loans using eCommitONE™ and eCommitting™. The following topic has been updated:
 - [C2-2-01](#), General Requirements for Good Delivery of Whole Loans (Limitations on High-Balance Whole Loan Deliveries)

In addition, the [High-Balance Loan Feature](#) matrix on eFannieMae.com has also been updated to reflect this clarification.

- Requirements regarding Flash MBS® pool deliveries have been moved from the Fannie Majors® topic to a general topic regarding MBS pool deliveries (since Flash MBS is available for single and Fannie Majors pools). The following topics have been updated:
 - [C3-6-01](#), Parameters for Pooling Loans Into Fannie Majors (Selecting a Settlement Date and Security Issuance)
 - [C3-7-06](#), Settling the Trade (Turnaround Times for MBS Pool Deliveries)
- Lenders are required to review the Truth-in-Lending disclosure during their post-closing quality control process. The *Selling Guide* itemizes the items the lender is required to review and it currently includes “borrower signature.” Regulation Z does not require a borrower signature on this disclosure, thus, the reference to borrower signature has been removed from the following topic:
 - [D1-3-07](#), Lender Post-Closing QC Review of Closing Documents (Review of Closing Documents)
- Fannie Mae has a long-standing requirement for home-buyer education for certain MyCommunityMortgage® loans, which is clearly described in the *Selling Guide* in a topic dedicated to home-buyer education and counseling (B2-2-06). With this update, Fannie Mae is changing the name of this topic to more clearly reflect the contents of the topic. In addition, a link to the home-buyer education topic has been added to one of the MyCommunityMortgage loan topics. The following topics have been updated:
 - [B2-2-06](#), Home-buyer Education and Counseling

- [B5-6-02](#), MyCommunityMortgage Loan and Borrower Eligibility (Home-buyer Education and Counseling)
- In Announcement SEL-2011-02, *Extension of Home Affordable Refinance Program*, Fannie Mae announced the changes made by the Federal Housing Finance Agency to extend the availability of the Home Affordable Refinance Program to additional borrowers. These changes have been incorporated into the *Selling Guide*. Mortgage loans that were purchased as whole loans by Fannie Mae prior to June 1, 2009, or in an MBS pool with an issue date prior to June 1, 2009, are now eligible for the Refi Plus™ and DU Refi Plus™ programs. However, Desktop Underwriter® (DU®) will not identify these loan casefiles as eligible to be refinanced using DU Refi Plus until April 11, 2011, and DU and manually underwritten loans meeting the new eligibility requirement cannot be delivered to Fannie Mae until April 11, 2011.

In addition, references to Refer recommendations on DU Refi Plus loan casefiles have been removed since DU no longer issues a Refer recommendation for any loan. (Loan casefiles that previously received a Refer recommendation due to excessive debt-to-income ratios now receive an Approve/Ineligible recommendation.) The following topics have been updated:

- [B5-5.1-05](#), DU Refi Plus and Refi Plus Eligibility (Eligible Existing Mortgage Loan Types)
- [B5-5.1-06](#), DU Refi Plus and Refi Plus Underwriting Considerations (Converting DU Refi Plus to Refi Plus)

Refer to eFannieMae.com for a number of updated resources pertaining to Refi Plus and DU Refi Plus.

Effective Date

With the exception of the Refi Plus updates, all of the above clarifications are effective immediately.

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

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