

Announcement SEL-2011-06**July 26, 2011*****Selling Guide* Updates**

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

- Uniform Appraisal Dataset and Uniform Collateral Data Portal™ requirements
- Qualified participants policy change
- Performing modified loans policy update
- Nonstandard payment collection options clarification
- Housing Goals data update
- Reorganized topics
- Miscellaneous *Selling Guide* updates

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 July 26, 2011.

Uniform Appraisal Dataset and Uniform Collateral Data Portal Requirements

In an effort to enhance appraisal data quality and consistency and promote the collection of electronic appraisal data, Fannie Mae and Freddie Mac, at the direction of their regulator, the Federal Housing Finance Agency (FHFA), worked together to develop the Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal (UCDP™). Fannie Mae previously introduced the UAD and UCDP in Lender Letter LL-2010-15, *Uniform Appraisal Dataset and Uniform Collateral Data Portal*. The purpose of this *Selling Guide* update is to establish the formal policies related to the UAD and the UCDP.

Uniform Appraisal Dataset Requirements

Fannie Mae and Freddie Mac created the *UAD Specification* document to provide business and technical requirements for implementation of the UAD. The UAD includes all data elements required to complete the following appraisal report forms (collectively referred to as the “four UAD appraisal report forms”):

- *Uniform Residential Appraisal Report* (Fannie Mae Form 1004),
- *Individual Condominium Unit Appraisal Report* (Fannie Mae Form 1073),
- *Exterior-Only Inspection Individual Condominium Unit Appraisal Report* (Fannie Mae Form 1075), and
- *Exterior-Only Inspection Residential Appraisal Report* (Fannie Mae Form 2055).

The UAD also standardizes the input values for certain elements (for example, specific date and dollar amount formats) and standardizes the definitions for select key appraisal data elements, such as property condition and quality of construction, on the four UAD appraisal report forms.

The *UAD Specification* may be amended from time to time. Refer to the [UAD](#) page on eFannieMae.com for the current version of the *UAD Specification* as well as additional UAD-related information.

Definitions of Property Condition; Not Updated, Updated, and Remodeled; and Quality of Construction

The *UAD Specification* provides standardized definitions for property condition; not updated, updated, and remodeled; and quality of construction. Property condition will be rated C1, C2, C3, C4, C5, or C6, and quality of construction will be rated Q1, Q2, Q3, Q4, Q5, or Q6. Refer to the *Selling Guide* for the definitions of each of these ratings and for the definitions of various levels of updating. This information and additional UAD-related information is also available on [eFannieMae.com](#) in the *UAD Specification; Appendix D, Field-Specific Standardization Requirements; Exhibit 1 and Exhibit 2*.

Updates to Property Eligibility Requirements

LL-2010-15 stated that properties with a condition rating of C1 to C4 will be eligible for delivery in “as is” condition, and that properties with a rating of C5 or C6 will be eligible for delivery, but the required repairs must be completed before the mortgage loan is delivered to Fannie Mae. With this *Selling Guide* update, Fannie Mae has revised this policy such that properties with condition ratings C1 to C5 are eligible for delivery in “as is” condition. Condition rating C6 is applicable when the appraiser identifies physical deficiencies that affect the safety, soundness, or structural integrity of the subject property. Mortgage loans secured by properties with this rating will be eligible for sale to Fannie Mae provided any deficiencies that impact the safety, soundness, or structural integrity of the property are repaired prior to the delivery of the mortgage loan.

LL-2010-15 also stated that properties with a quality of construction rating of Q6 would not meet Fannie Mae’s property eligibility requirements. Fannie Mae has revised this policy and will purchase mortgage loans secured by properties with a quality of construction rating of Q6 provided any items in relation to the quality of construction that impact the safety, soundness, or structural integrity of the property are repaired prior to the delivery of the mortgage loan to Fannie Mae. (Note: The final submission to the UCDP should include the property condition and quality of construction ratings after any necessary repairs are made.)

In addition, the current eligibility requirements concerning property condition and postponed improvements contained in the *Selling Guide* refer to the livability, soundness, or structural integrity of the property. In order to align Fannie Mae’s requirements with the UAD requirements, the word “livability” has been replaced with “safety.”

UAD Effective Dates

The UAD is required for appraisals with effective dates on or after **September 1, 2011** that are completed on the four UAD appraisal report forms. Only conventional mortgages sold to Fannie Mae that are accompanied by one of the four UAD appraisal report forms must meet this requirement.

Other appraisal report forms may be completed using the standards contained in the *UAD Specification* to the extent those standards are applicable to that particular form. In addition,

although not required, the UAD may be used for appraisal reports with effective dates prior to September 1, 2011.

Uniform Collateral Data Portal

Fannie Mae began working with Freddie Mac, at FHFA's direction, to develop a common approach to the standardization and collection of appraisal data. As a result of that collaborative effort, the UCDP was developed to serve as the joint portal through which lenders can submit electronic appraisal reports to Fannie Mae (and Freddie Mac). The UCDP was made available on June 27, 2011, for customers and their designated agents to begin to submit appraisal data files to Fannie Mae (and Freddie Mac).

The following Fannie Mae appraisal report forms, including all exhibits, addenda, and photographs, must be submitted to the UCDP before the delivery date of the mortgage loan to Fannie Mae in accordance with the effective dates noted below:

- *Uniform Residential Appraisal Report* (Form 1004),
- *Manufactured Home Appraisal Report* (Form 1004C),
- *Small Residential Income Property Appraisal Report* (Form 1025),
- *Individual Condominium Unit Appraisal Report* (Form 1073),
- *Exterior-Only Inspection Individual Condominium Unit Appraisal Report* (Form 1075),
- *Exterior-Only Inspection Residential Appraisal Report* (Form 2055),
- *Individual Cooperative Interest Appraisal Report* (Form 2090), and
- *Exterior-Only Inspection Individual Cooperative Interest Appraisal Report* (Form 2095).

Appraisal report forms not listed above must not be delivered through UCDP at this time, including the *Appraisal Update and/or Completion Report Form* (Fannie Mae Form 1004D), *One-Unit Residential Appraisal Field Review Report* (Form 2000), and *Two- to Four-Unit Residential Appraisal Field Review Report* (Form 2000A). All appraisal report forms must continue to be included in the loan file.

The submissions to UCDP must consist of either an acceptable Extensible Markup Language (XML) data stream, including an embedded Portable Document Format (PDF) file, or a first-generation PDF file that will be converted to XML. The PDF file must include all exhibits, addenda, and photographs, including the *Market Conditions Addendum to the Appraisal Report* (Fannie Mae Form 1004MC). Refer to the [UCDP](#) page for additional information.

UCDP Effective Dates

For all conventional mortgage loans for which an appraisal report form is required and with an application date on or after **December 1, 2011** and a delivery date on or after **March 19, 2012**, the appraisal report form, including all exhibits, addenda, and photographs, must be submitted to the UCDP before the delivery date of the mortgage loan to Fannie Mae.

Updated Selling Guide Topics

- [B4-1.2-04](#), Requirements for Postponed Improvements (Requirements for Existing Construction)
- [B4-1.2-05](#), Requirements for the Appraisal Report
- [B4-1.2-06](#), Appraisal Forms and Report Exhibits (List of Appraisal Forms)

- [B4-1.4-15](#), Appraisal Report Review: Property Condition and Quality of Construction
- [B5-2.3-02](#), Manufactured Housing Loan Eligibility (Manufactured Home Property Requirements)
- [B5-4-07](#), Disaster-Related Limited Cash-Out Refinance Flexibilities (Appraisal Requirements)

Qualified Participants Policy Change

In Announcement SEL-2010-01, *Selling Guide Updates for the Loan Quality Initiative*, Fannie Mae implemented a policy that required lenders to confirm that companies or individuals involved in the origination, underwriting, or servicing of the mortgage transaction are not on the General Services Administration (GSA) Excluded Party List or the HUD Limited Denial of Participation List (LDP List) prior to delivery of the loan.

In response to questions from lenders regarding the implementation and scope of this policy, Fannie Mae is retiring the current qualified participants policy and replacing it with a new lender hiring practices policy which redefines how the lists are to be utilized. The new policy requires that lenders must incorporate review of the lists as part of the hiring process for potential employees involved in the origination (application through closing) of mortgage loans sold to Fannie Mae. Individuals found to be on either of the lists are not permitted to manage or perform origination functions on loans sold to Fannie Mae.

In addition, lenders that sell Fannie Mae third-party originated loans must confirm that the third-party originator has a documented procedure for complying with this policy.

Updated *Selling Guide* Topics

- [A3-2-02](#), Responsible Lending Practices
- [A3-3-01](#), Outsourcing of Mortgage Processing and Third-Party Originations

Effective Date

The current policy is retired effective immediately. The new policy must be in place for employees involved in the origination (application through closing) of mortgage loans hired on or after November 1, 2011 for lenders and their third-party originators.

Performing Modified Loans Policy Update

Fannie Mae has removed the existing provision within the *Selling Guide* that permits the delivery of “modified seasoned mortgages,” and replaced it with a provision that applies to all mortgage loans that have been modified. This policy update relates solely to performing mortgages that have been held in the lender’s portfolio and modified prior to delivery, and does not relate to modifications of loans that are in default or faced with imminent default.

In addition, the *Selling Guide* has been updated to clarify the types of mortgage loans that continue to be eligible when the loan terms have changed after origination and before delivery. Corresponding updates have also been made to policies related to mortgages with a capitalization option and mortgages with an open-end advance provision.

Updated *Selling Guide* Topics

- [A2-2.1-03](#), Document Warranties (Nonstandard Documents)
- [B2-1.4-02](#), Mortgage Loan Eligibility (Seasoned Mortgages, Modified Mortgages)
- [B2-1.4-03](#), Legal Requirements (Mortgages with a Capitalization Option, Open-End Advances)
- [B6-1-01](#), General Government Mortgage Requirements (Mortgages Permitting Open-End Advances)

Effective Date

These policy changes are effective immediately.

Nonstandard Payment Collection Options

In the January 2011 *Selling Guide* update, Fannie Mae published a policy regarding nonstandard payment collection options. In part, the policy provided that the borrower could not sign a nonstandard collection plan agreement until after the loan was sold to Fannie Mae. Fannie Mae is clarifying the policy to provide that the foregoing restriction only applies in the case of a nonstandard payment collection option plan that could result in collection of unscheduled principal.

If a nonstandard payment collection option plan does not result in unscheduled principal payments, then the requirement that the agreement be signed after the sale of the mortgage loan to Fannie Mae does not apply.

An example of a nonstandard payment collection agreement that does not result in unscheduled principal: An agreement that allows the borrower to divide his or her scheduled monthly payment in half and remit it on a semi-monthly basis, such that only one full payment is collected and applied by the lender each month. An agreement such as this can be in place prior to the sale of the loan to Fannie Mae.

Updated *Selling Guide* Topics

- [B2-1.4-02](#), Mortgage Loan Eligibility (Nonstandard Payment Collection Options)

Effective Date

This policy is effective immediately.

Housing Goals Data Update

Lenders must provide information about certain borrower and property characteristics – Housing Goals data - as part of the loan delivery data. The *Selling Guide* has been updated to reflect that missing or corrected Housing Goals data must be provided by the lender as soon as possible after initial delivery. (Lenders use Fannie Mae's Additional Data Elements (ADE) application to submit this data.)

In addition, several links are being updated to refer to the Housing Goals Data site on eFannieMae.com.

Updated *Selling Guide* Topics

- [A3-4-02](#), Data Quality and Integrity
- [C1-2-02](#), Loan Data and Documentation Delivery Requirements

Effective Date

These policy changes are effective immediately.

Updated Documents on eFannieMae.com

In addition to these *Selling Guide* updates, several related documents posted on eFannieMae.com are also being updated:

- *Housing Goals Data Field and Edit Definitions*: Each month Fannie Mae sends lenders Housing Goals Data Reports that identify missing or invalid Housing Goals data for year-to-date deliveries. The *Housing Goals Data Field and Edit Definitions* document describes the Housing Goals data fields and the edit messages that appear on the Housing Goals Data Reports. This document is being updated to reflect changes to the edits that will be implemented July 29, 2011. It has also been updated to reflect that co-borrower race, co-borrower gender, and co-borrower ethnicity fields should be left blank if there are no co-borrowers on the mortgage loan. Refer to *Upcoming Changes to Fannie Mae Housing Goals Data Reports* for additional information. Both of these documents are available on the [Housing Goals Data](#) page on eFannieMae.com.
- *2000-Character Loan Delivery File Format and Field Definitions for the 2000-character Loan Delivery File Format*: These [documents](#) have been updated to reflect that co-borrower race, co-borrower gender, and co-borrower ethnicity fields should be left blank if there are no co-borrowers on the mortgage loan.

Reorganized Topics

In order to facilitate improved organization of like content, Section [B2-1.4](#), Other Loan Attributes and Related Policies, was reorganized and several topic and paragraph titles were revised to more accurately reflect the subject matter. No policy changes were made to any of the topics in B2-1.4, except as identified elsewhere in this Announcement.

The table below describes the new organization of Section B2-1.4, Other Loan Attributes and Related Policies.

Topic Numbers and New Topic Titles	Contents
B2-1.4-01 , Mortgage Loan Limits	<ul style="list-style-type: none">• Mortgage Loan Limits Overview• First Mortgage Loan Limits• Second Mortgage Loan Limits• Loan Limits and Modified Mortgages

B2-1.4-02 , Mortgage Loan Eligibility	<ul style="list-style-type: none"> • Acceptable Mortgage Loan Terms • Higher-Priced Mortgage Loans • Impact of Special Assessments on Maximum Mortgage Loan Amount • Property Valuation Representation and Warranty Requirements • Seasoned Mortgages • Modified Mortgages • Restructured Mortgage Loans • Nonstandard Payment Collection Options
B2-1.4-03 , Legal Requirements	<ul style="list-style-type: none"> • First Mortgage Lien Position • Personal Property • Rental Property Leases • Points and Fees Limitation • Mortgages with a Capitalization Option • Mortgages Permitting Open-End Advances
B2-1.4-04 , Escrow Accounts	<ul style="list-style-type: none"> • Escrow Deposit Accounts • Escrow Waivers

As a result of the reorganization of B2-1.4, the paragraph titled Fees and Payments for the Purchase of Preforeclosure or Short Sale Properties has been moved to B2-1.2-01, Purchase Transactions. In addition, the contents of B2-1.4-05, Rental Property Leases, and B2-1.4-06, Nonstandard Payment Collection Options, have been moved into B2-1.4-03 and B2-1.4-02, respectively, and topic numbers B2-1.4-05 and B2-1.4-06 have been removed from the *Selling Guide*.

Note: All previously issued announcements that pertained to a specific subject appear at the end of the topic into which the subject has been moved. When reviewing the actual announcement, however, the announcement will refer to the prior topic name and number.

Lastly, links to the former topics have been updated throughout the *Selling Guide* to refer to the appropriate reorganized topic. The following topics have updated links:

- [A2-2.1-04](#), Limited Waiver of Contractual Warranties for Mortgages Submitted to DU
- [A3-2-02](#), Responsible Lending Practices
- [B2-1.2-02](#), Limited Cash-Out Refinance Transactions
- [B2-1.2-03](#), Cash-Out Refinance Transactions
- [B2-1.3-04](#), Convertible ARMs
- [B2-1.3-05](#), Refinanced Balloon Mortgages
- [B4-1.1-01](#), General Information on Appraisal Requirements
- [B4-1.2-01](#), Age of Appraisal or Age of Property Inspection
- [B4-2.1-01](#), General Information on Project Standards
- [C3-2-01](#), Determining Eligibility for Loans Pooled into MBS

Miscellaneous *Selling Guide* Updates

The following additional updates and clarifications have been made in the *Selling Guide*:

- [A2-5.1-04](#), Lender's or Document Custodian's Electronic Transactions With Third Parties: The *Selling Guide* has been updated to note that electronically signed sales contracts are

acceptable to Fannie Mae. Because the signing of the contract occurs outside the loan transaction, it is not subject to the other “electronic signature” requirements in the *Selling Guide* that apply when the lender is a party to the transaction (such as, confirmation of the method by which the document was signed).

- [B2-2-04](#), Guarantors, Co-Signers, or Non-Occupant Co-Borrowers: A link was added to a related topic regarding debt-to-income ratios for non-occupant co-borrowers.
- [B3-2-11](#), DU Underwriting Findings Report: This topic was updated to remove a reference to outdated resources.
- [B5-2.3-03](#), Manufactured Housing Underwriting Requirements: Some of the content in the former block titled Manufactured Home Improvements: Level of Completion was moved to [B5-2.3-02](#), Manufactured Housing Loan Eligibility, and the remaining duplicate text was removed.
- [B5-5.1-06](#), DU Refi Plus and Refi Plus Underwriting Considerations: As noted in Announcement SEL-2011-02, *Extension of the Home Affordable Refinance Program*, the expiration date of the mortgage insurance flexibilities permitted for Refi Plus™ and DU Refi Plus™ has been extended until June 30, 2012.

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

John S. Forlines
Vice President
Single-Family Chief Risk Officer