

Selling Guide Announcement SEL-2014-07

June 24, 2014

Selling Guide Updates

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

- HomePath® Properties
- Incorporate Announcement SEL-2014-05, *Lender Selling Representations and Warranties Framework Updates*
- Federal Home Loan Banks as Grant and Community Seconds® Providers
- 2014 Area Median Incomes
- Miscellaneous *Selling Guide* Update

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 June 24, 2014.

HomePath Properties

As part of the on-going management of the portfolio of foreclosed properties currently owned by Fannie Mae (Fannie Mae REO), these properties are frequently sold to home buyers, with Fannie Mae as the seller in the transaction.

Fannie Mae is defining a “HomePath property” as any property that is a Fannie Mae REO available for sale. In support of transactions involving the sale of HomePath properties, Fannie Mae is allowing certain exceptions to the following policies:

- interested party contributions;
- maximum LTV, CLTV, HCLTV ratios for borrowers with multiple financed properties; and
- certain resale restrictions.

These flexibilities are available on all HomePath properties. All other requirements of the *Selling Guide* apply. Lenders should work with their individual mortgage insurance providers to determine mortgage insurance coverage options for loans making use of these expanded eligibility parameters.

Special Feature Code Requirements

Lenders must use SFC 679 when delivering a loan secured by a HomePath property when the multiple financed property exception or the interested party contribution exception applies to the transaction. Loans delivered subject solely to the resale restriction exception do not require the use of SFC 679. The [Special Feature Codes](#) document on Fannie Mae’s website has been updated to reflect this change.

More on HomePath Properties

All HomePath properties are available for viewing on Fannie Mae’s website homepath.com. In addition to listing all Fannie Mae-owned properties available for sale, the website provides assistance and information for prospective home owners interested in purchasing a HomePath property, including information on available financing options.

Additional financing options, which are currently available on a negotiated basis on select HomePath properties through HomePath Mortgage and HomePath Renovation Mortgage, will be discontinued. Lenders who have negotiated terms for HomePath Mortgage and HomePath Renovation Mortgage should contact their account teams with any questions.

Updated Selling Guide Topics

- [B3-4.1-02](#), Interested Party Contributions (IPCs) (IPC Limits)
- [B2-2-03](#), Multiple Financed Properties for the Same Borrower (Eligibility Requirements for Investor and Second Home Borrowers with Five to Ten Financed Properties)
- [B5-4-08](#), Loans Securing HomePath Properties (New Topic)

Effective Date

These flexibilities are effective for mortgage loans delivered to Fannie Mae on or after July 1, 2014.

Incorporate Announcement SEL-2014-05, Lender Selling Representations and Warranties Framework Updates

On May 12, 2014, Fannie Mae released Announcement SEL-2014-05. This Announcement described a number of enhancements to the representations and warranties framework, which have now been incorporated into the *Selling Guide*. The following table briefly describes the updates to the applicable topics in the *Selling Guide*:

<i>Selling Guide Topic (specific paragraphs)</i>	<i>Description of Changes</i>
A2-2.1-06 , Life of Loan Representations and Warranties (Overview)	<ul style="list-style-type: none"> ▪ Minor update to the Overview (removed reference to remedies)
A2-3.2-01 , Loan Repurchases and Make Whole Payments Requested by Fannie Mae (Overview, Violation of Contractual Warranty, Conditions Requiring Repurchase)	<ul style="list-style-type: none"> ▪ Updated references to the criteria a mortgage loan must meet to be eligible for relief ▪ Due to unnecessary repetition, deleted block titled Additional Policies Related to Repurchases
A2-3.2-02 , Enforcement Relief for Breaches of Certain Representations and Warranties Related to Underwriting and Eligibility (Numerous sections of the topic added or updated)	<ul style="list-style-type: none"> ▪ Updated eligibility criteria to include new Version 2 requirements ▪ Added three new sections to the topic: <ul style="list-style-type: none"> • Additional Eligibility Criteria for Versions 1 and 2, • Notification of Relief, and • Comparison of Versions 1 and 2 of the Framework
A2-3.2-03 , Additional Policies Related to Mortgage Loan Repurchases (Alternatives to Mortgage Loan Repurchases, Conditions to Mortgage Loan Repurchase Alternatives)	<ul style="list-style-type: none"> ▪ Added references to the new MI stand-in repurchase alternative
A2-4-03 , Variances and Special Provisions (Eligibility for Enforcement Relief)	<ul style="list-style-type: none"> ▪ Minor update (removed reference to remedies) ▪

A3-2-01 , Compliance With Laws (Compliance with Laws)	<ul style="list-style-type: none"> Updated reference to the criteria a mortgage loan must meet to be eligible for relief
A3-2-02 , Responsible Lending Practices (Responsible Lending Policies)	<ul style="list-style-type: none"> Updated reference to the criteria a mortgage loan must meet to be eligible for relief
D2-1-01 , General Information on Fannie Mae QC Reviews (Fannie Mae's QC Policy)	<ul style="list-style-type: none"> Noted that the satisfactory conclusion of a Fannie Mae QC review may make a mortgage loan eligible for relief under Version 2 of the framework
D2-1-03 , Fannie Mae QC Report of Findings and Lender Rebuttal (Fannie Mae QC Report of Findings)	<ul style="list-style-type: none"> Provided additional detail on the reports Fannie Mae makes available to lenders Added a sub title - Repurchase Resolution (no changes to the paragraph)

2014 Area Median Income

Area Median Incomes (AMI) are established by the U.S. Department of Housing and Urban Development and provided to Fannie Mae annually by FHFA. Fannie Mae uses these AMIs to determine performance on its regulatory housing goals, and lenders must use these AMIs to determine borrower eligibility for MyCommunityMortgage[®] (MCM[®]) loans. The 2014 AMIs have been published on [Fannie Mae's website](#) and will be implemented in Desktop Underwriter[®] (DU[®]) the weekend of August 16, 2014.

Effective with the 2014 AMIs, Fannie Mae will use the county income limits across the country, replacing the use of MSA income limits. The *Selling Guide* has been updated to reflect the applicable counties in lieu of the MSA names for the high-cost area income limits that apply to MCM loans.

NOTE: Fannie Mae must use the AMIs provided by FHFA to determine Fannie Mae's performance on its regulatory housing goals. For determining Fannie Mae loan eligibility, lenders should refer to the AMIs on Fannie Mae's website, and may not rely on other published versions (such as AMIs posted on huduser.org).

Updated Selling Guide Topic

- [B5-6-02](#), MyCommunityMortgage Loan and Borrower Eligibility (High-Cost Areas)
- [E-1-01](#), References to Fannie Mae's Website

Effective Date

For manually underwritten MCM loans, lenders are encouraged to use the 2014 AMIs immediately but are required to use them for MCM loans with applications dates on or after August 16, 2014.

Federal Home Loan Banks as Grant and Community Seconds[®] Providers

The *Selling Guide* was updated to permit Federal Home Loan Banks to be acceptable providers of funds for gifts, grants, and Community Seconds for down payment and closing cost assistance. The [Community Seconds Checklist](#) on Fannie Mae's website has also been updated.

Updated Selling Guide Topics

- [B3-4.3-06](#), Donations From Entities (Donations From Entities)
- [B5-5.1-02](#), Community Seconds Loan Eligibility (Community Seconds Mortgage Terms/Proceeds)

Effective Date

This change is effective immediately.

Miscellaneous Guide Update

[B2-2-04](#), Guarantors, Co-Signers, or Non-Occupant Co-Borrowers; and [B3-4.4-01](#), Asset Verification (Non-Occupant Co-Borrower Asset Requirements). The *Selling Guide* was updated to more clearly describe the following non-occupant borrower policies:

- non-occupant borrowers are credit applicants on a principal residence transaction, and
- current policies that apply to manually underwritten loans versus those that apply to DU loan casefiles.

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

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Chief Credit Officer for Single-Family