

***Selling Guide* Announcement SEL-2014-11**

August 26, 2014

***Selling Guide* Updates**

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

- Retirement of ARM Plans 1445 and 1446
- Removal of Remaining References to Retired Products
- Suspended Counterparty Program
- Disputed Tradelines
- Allowable Age of Credit Documents
- 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 August 26, 2014.

Retirement of ARM Plans 1445 and 1446

In accordance with revisions to the regulations implementing the Truth-in-Lending Act, a servicer must provide the borrower with certain information about an interest rate adjustment at least 60 (but no more than 120) calendar days before the payment change date of an adjustable-rate mortgage (ARM) loan originated after January 10, 2015. Two standard Fannie Mae ARM plans—ARM Plan 1445 and ARM Plan 1446—use a “first business day” (FBD) look-back period, meaning that the look-back is to the index value in effect on the first business day of the month immediately preceding the month in which the interest-rate change date occurs. Because this look-back period does not provide sufficient time for the servicer to provide the minimum required 60-days notice, both of these ARM plans are being retired and removed from the *Standard ARM Plan Matrix*.

Because these are the only standard ARM plans using the 6-month LIBOR index, references to that index are being removed from the *Selling Guide*. In addition, the definition of look-back period in the *Selling Guide* is being updated to align with this new requirement.

Updated Selling Guide Topic

- [B2-1.3-02](#), Adjustable-Rate Mortgages (ARMs) (ARM Plan Indexes, Disclosures Regarding Availability of Index Values)
- [E-3-12](#), Glossary of Fannie Mae Terms: L

Effective Date

In light of the fact that Fannie Mae has not received any deliveries of loans using these ARM plans in a number of years, these plans are retired immediately.

Removal of Remaining References to Retired Products

In Selling Announcement SEL-2013-06, *Selling Guide Updates Related to Ability to Repay and Qualified Mortgages*, Fannie Mae announced that it would retire the following mortgage loan features:

- loan terms in excess of 30 years,
- loans with an interest-only feature, and
- growing-equity mortgages.

Due to market and operational considerations, Fannie Mae implemented a flow delivery cut-off for mortgage loans with these retired product features. All whole loans were to be purchased by Fannie Mae on or before July 31, 2014, and MBS backed by these loans must have had issue dates on or before July 1, 2014. Now that these deadlines have passed, references to loans with these product features have been removed from the *Selling Guide*, Part C, Selling, Securitizing, and Delivering Loans, and all other remaining references in other parts of the Guide. These product features have also been removed from the *Standard ARM Plan Matrix*, the *Loan-Level Price Adjustment Matrix and Adverse Market Delivery Charge Information*, and the *Refi Plus Mortgages matrix*.

In addition, references to first mortgage loans with prepayment penalties have been removed from the Guide as loans with this feature are no longer eligible for delivery to Fannie Mae.

Updated Selling Guide Topics

- [B5-5.1-02](#), Community Seconds Loan Eligibility (Minimum Borrower Contribution Requirements)
- [B5-5.1-04](#), Community Land Trusts (Loan Eligibility)
- [B5-5.2-01](#), DU Refi Plus and Refi Plus Eligibility (Ineligible New Mortgage Loan Types)
- [B5-5.3-02](#), Loans with Resale Restrictions: Loan and Borrower Eligibility (Eligible Products)
- [C1-3-01](#), General Information on Remittance Types (Scheduled/Scheduled, Scheduled/Actual)
- [C2-1.1-03](#), Mandatory Commitment Terms, Amounts, Periods and Other Requirements (Required Common Loan Attributes)
- [C2-2-01](#), General Requirements for Good Delivery of Whole Loans (Limitations on High-Balance Whole Loan Deliveries)
- [C3-2-01](#), Determining Eligibility for Loans Pooled into MBS (Interest Rate Requirements for Loans Pooled into MBS)
- [C3-2-05](#), Obtaining a Pool Purchase Contract (Loans Requiring Separate Pool Purchase Contracts)
- [C3-4-01](#), Term-Related Fixed-Rate Mortgage Pooling Parameters (removed 40-year (Extra Long-Term) FRM MBS)
- [C3-4-02](#), Commingling Fixed-Rate Mortgages in MBS (Fixed-Rate Loan Types that May Be Commingled in the Same Pool, Fixed-Rate Loan Types that May Not Be Commingled in the Same Pool, removed Special Considerations for Fixed-Rate Prepayment Premium and Interest-Only Mortgages)
- [C3-5-01](#), Creating Stated-Structure ARM MBS (General Information on Stated-Structure ARM MBS)
- [C3-5-03](#), Creating Weighted-Average ARM MBS (General Information on Weighted-Average ARM MBS (ARM Flex))
- [C3-7-04](#), Delivering Data and Documents (removed Delivering Interest-Only Fixed-Rate Mortgages and Future Feature Codes for Interest-Only Loans)
- [E-3-07](#), Glossary of Fannie Mae Terms: G (removed definition of *growing-equity mortgage* (GEM))

Effective Date

These policy changes were effective as of the deadlines noted above.

Suspended Counterparty Program

The Federal Housing Finance Agency (FHFA) established the Suspended Counterparty Program (SCP) to help address the risk to Fannie Mae presented by individuals and entities with a history of fraud or other financial misconduct. Under this program, FHFA may suspend an individual or entity from doing business with Fannie Mae and other FHFA-regulated entities. FHFA maintains a list on its website of each person and entity currently suspended under this program. Questions regarding the list should be addressed to FHFA at SuspendedCounterpartyProgram@fhfa.gov.

As a result, lenders may not allow any individual or entity on the SCP list to be directly involved in activities related to the origination or servicing of loans owned by Fannie Mae. The requirement to confirm that potential employees are not on the SCP list has been added to Fannie Mae's requirements for lender hiring practices in the Guide. It has also been added to the procedures that third party originators must follow.

In a separate communication, servicers will also be notified of this policy update, with appropriate changes made to the *Servicing Guide*.

Updated Selling Guide Topics

- [A3-3-01](#), Outsourcing of Mortgage Processing and Third-Party Originations (Third-Party Originations)
- [A3-4-03](#), Preventing, Detecting, and Reporting Mortgage Fraud (Lender Fraud-Prevention Measures, Lender Hiring Practices)

Effective Date

This policy is effective immediately.

Disputed Tradelines

The *Selling Guide* currently contains Fannie Mae policy with regard to requirements pertaining to lender review of disputed tradelines. The policy, as stated in B3-5.2-03, has been clarified to reflect that it applies to manually underwritten loans. The DU policy is described in B3-5.3-09, DU Credit Report Analysis.

Updated Selling Guide Topic

- [B3-5.2-03](#), Accuracy of Credit Information in a Credit Report

Effective Date

This clarification is effective immediately

Allowable Age of Credit Documents

Fannie Mae is clarifying the policy regarding the allowable age of credit documents to specify that when consecutive documents are in the loan file, the most recent document is used to determine the age. For example, when two consecutive monthly bank statements are used to verify a depository account, the most recent bank statement must be dated within four months of the date the note is signed.

Updated Selling Guide Topic

- [B1-1-03](#), Allowable Age of Credit Documents and Federal Income Tax Returns (Allowable Age of Credit Documents)

Effective Date

This clarification is effective immediately.

Miscellaneous Selling Guide Updates

- [B2-1.4-02](#), Mortgage Loan Eligibility. In specific circumstances, Ability to Repay (ATR) Exempt Loans are treated as ATR Covered Loans. A text change to the Guide was required to correctly identify the specific circumstance that pertains to a loan made to an *inter vivos* trust.
- [B5-6-03](#), MyCommunityMortgage Underwriting Methods and Requirements. In April 2014, the *Selling Guide* was updated to clarify that sweat equity is acceptable only for MyCommunityMortgage (MCM) loans. In this update, the reference to case-by-case acceptability of sweat equity for MCM is being removed because that policy no longer applies.
- [A3-3-04](#), Document Custodians. As a result of updates made to the *Master Custodial Agreement* (Form 2003) and announced in a Servicing Notice on July 30, 2014, the directions for completing that form have been updated.

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

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