

Selling Guide Announcement SEL-2015-01

January 27, 2015

Selling Guide Updates

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

- Incorporation of Announcement SEL-2014-15, *Expanded LTV, CLTV, and HCLTV Ratios for Purchase and Limited Cash-out Refinances*
- Clarification of Home-buyer Education and Counseling Requirements
- Sublease of a Leasehold Estate
- Removal of References to Expanded Approval™
- 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 January 27, 2015.

Incorporation of Announcement SEL-2014-15, Expanded LTV, CLTV, and HCLTV Ratios for Purchase and Limited Cash-out Refinances

On December 8, 2014, Fannie Mae issued the above-referenced Announcement, which allows LTV ratios greater than 95% up to a maximum of 97% for the following transactions:

- MyCommunityMortgage® (MCM®) purchase transactions if at least one borrower is a first-time home buyer and pre-purchase home-buyer education and counseling is completed,
- standard purchase transactions (non-MCM) if at least one borrower is a first-time home buyer, or
- standard limited cash-out refinances (non-MCM) of existing Fannie Mae loans.

These policies and all related requirements have been incorporated into the *Selling Guide*.

In addition, the policy for MyCommunityMortgage has also been updated to allow reserves to come from gifts in accordance with SEL-2014-15.

Updated Selling Guide Topics

- [B2-1.2-01](#), Purchase Transactions (97% LTV Ratio Purchase Transactions)
- [B2-1.2-02](#), Limited Cash-Out Refinance Transactions (97% LTV Ratio Transactions)
- [B2-2-06](#), Home-buyer Education and Counseling (Borrowers Required to Complete Pre-purchase Home-buyer Education and Counseling)
- [B3-3.1-09](#), Other Sources of Income (Non-Occupying Co-Borrower Income)
- [B4-2.2-04](#), Geographic-Specific Condo Project Considerations (Florida – Project Review Maximum LTV Requirements for Attached Units in New, Newly Converted, and Established Projects)

- [B5-6-02](#), MyCommunityMortgage Loan and Borrower Eligibility (General Loan Eligibility, 97% LTV Ratio Purchase Transactions, Home-buyer Education and Counseling)
- [B5-6-03](#), MyCommunityMortgage Underwriting Methods and Requirements (Underwriting Options, Minimum Borrower Contribution for Purchase Transactions, Minimum Reserve Requirements)
- [B7-1-02](#), Mortgage Insurance Coverage Requirements

Effective Date

As announced in SEL-2014-15, the 97% LTV ratio options were available for loan casefiles submitted to Desktop Underwriter® (DU®) Version 9.2 beginning the weekend of December 13, 2014. The updated policy allowing reserves to come from gifts was effective upon release of the Announcement.

Clarification of Home-buyer Education and Counseling Requirements

With the release of Announcement SEL-2014-15, a number of questions were raised concerning the home-buyer education and counseling required for certain MCM loans. As a result, the Guide has been clarified to indicate that online education and counseling programs may be delivered by any eligible provider. In addition, video-conferencing has been added to the list of acceptable formats.

Updated Selling Guide Topic

- [B2-2-06](#), Home-buyer Education and Counseling (Providers and Methods)

Effective Date

This clarification is effective immediately.

Sublease of a Leasehold Estate

The requirements related to leasehold estates have been expanded and clarified. In the event the mortgage sold to Fannie Mae is secured by a sublease of a leasehold estate, documentation must confirm that a default under the leasehold estate will not result in the termination of the sublease. In addition, the lease must provide that the borrower is obliged to pay lease rents (as well as taxes, insurance, and homeowners' association dues, as appropriate).

Updated Selling Guide Topic

- [B2-3-03](#), Special Property Eligibility and Underwriting Considerations: Leasehold Estates

Effective Date

This policy is effective immediately.

Removal of References to Expanded Approval

With the release of DU Version 9.2, DU Version 9.0 was retired. As a result, DU will no longer return Expanded Approval (EA) recommendations. The *Selling Guide* has been updated to remove references to Expanded Approval, EA-I, EA-II, EA-III, and Refer with Caution-IV recommendations.


Updated Selling Guide Topics

- [A2-2.1-04](#), Limited Waiver of Contractual Warranties for Mortgages Submitted to DU

- [A2-2.1-05](#), Invalidation of Limited Waiver of Representation and Warranties
- [B3-2-01](#), General Information on DU (DU Underwriting Recommendations)
- [B3-2-04](#), Approve/Eligible Recommendations
- [B3-2-05](#), Approve/Ineligible Recommendations
- [B3-2-06](#), Refer with Caution (Overview of Refer with Caution Recommendations)
- [B3-2-08](#), Erroneous Credit Report Data (Erroneous Credit Report Data)
- [B3-2-10](#), DU Underwriting Findings Report (Overview)
- [B5-5.2-01](#), DU Refi Plus and Refi Plus Eligibility (Representations and Warranties)
- [C2-1.2-03](#), Best Efforts Commitment Terms, Amounts, and Other Requirements (DU Recommendations on Loans Delivered with Best Efforts Commitments)
- [E-2-04](#), Master Agreement Terms and Conditions (Part IV, Mortgages Submitted To Desktop Underwriter)
- [E-3-05](#), Glossary of Fannie Mae Terms: E

Miscellaneous *Selling Guide* Updates

- [B7-2-03](#), **General Title Insurance Coverage (Other Requirements)**. When a mortgage is registered with the Mortgage Electronic Registration System (MERS®) and is originated naming MERS as original mortgagee of record, the *Selling Guide* stated that MERS may not be named as “beneficiary” of a title policy. The *Selling Guide* has been updated to state that MERS may not be named as the “insured” of the title policy.
- [B3-3.1-06](#), **Requirements and Uses of IRS Form 4506-T**. Removed a note pertaining to the execution of IRS Form 4506-T prior to closing for multiple financed properties. (This policy was updated in November 2014 and the requirement eliminated.)
- **Updates Related to DU Version 9.2 Release.**
 - In DU Version 9.2, the term “total expense ratio” was replaced with “debt-to-income ratio” in the DU Underwriting Findings report. As a result, this terminology was updated in the applicable DU topics in the *Selling Guide*.
 - A new multiple financed properties message was also added in DU Version 9.2. The related *Selling Guide* text in [B2-2-03](#), Multiple Financed Properties for the same Borrower (Applying the Multiple Financed Property Policy to DU Loan Casefiles), was updated to align with the new messaging. See the [DU Version 9.2 Release Notes](#) for additional information.
- [B4-1.1-06](#), **Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal (UCDP)**. The link to information on Fannie Mae’s website on UAD was corrected.
- **References to the *Servicing Guide*** in the following topics were updated in light of the publication of the new 2014 revision:
 - [A3-3-02](#), Concurrent Servicing Transfers,
 - [B2-1.4-02](#), Mortgage Loan Eligibility,
 - [B5-5.2-01](#), DU Refi Plus and Refi Plus Eligibility.



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

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