

Selling Guide Announcement SEL-2015-03

March 31, 2015

Selling Guide Updates

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

- Servicing Execution Tool™ (SET™) Bifurcation Transactions
- Co-op ARM Margin
- Notification to Fannie Mae of Changes in the Lender's Organization
- Principal Residence Occupancy Exception
- Desktop Underwriter® (DU®) Identification of Derogatory Credit
- Disputed Tradelines
- ALTA Short Forms
- Miscellaneous *Selling Guide* Updates
- Updated List of Approved Mortgage Insurance Forms

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, 2015.

Servicing Execution Tool (SET) Bifurcation Transactions

In December 2014, Fannie Mae incorporated a standard non-negotiable *eCommitONE*®/*Servicing Execution Tool – Mortgage Loan Servicing Purchase and Sale Agreement (PSA)* into the *Selling Guide* that governs all concurrent servicing transfers supported via the *eCommitONE*/*Servicing Execution Tool* solution. In an effort to further enhance the SET solution, Fannie Mae is introducing an option for concurrent servicing transfers under which the selling representations and warranties for the delivered loans will be bifurcated from the servicing duties, obligations, and responsibilities. This option is referred to as “SET Bifurcation.”

Lenders must be approved to sell mortgage loans under the SET Bifurcation option.

Updated Selling Guide Topics

- [A3-3-02](#), Concurrent Servicing Transfers (Servicing Execution Tool (SET) Bifurcation Option Terms and Conditions)
- [C2-1.3-01](#), Servicing Execution Tool (Concurrent Sale of Servicing)
- [E-2-07](#), *eCommitONE*/*Servicing Execution Tool – Mortgage Loan Servicing Purchase and Sale Agreement* (Section 7.4(b) Mortgage Loan Repurchases)

Effective Date

The SET Bifurcation option is available to lenders (approved for this option) as of the date of this Announcement.

Co-op ARM Margin

The *Selling Guide* currently requires that 25 basis points be added to the margin of a co-op share ARM loan. Fannie Mae is removing this additional 25 basis point requirement.

DU will be updated in a future release to remove rules and references to the 25 basis point margin addition previously required for co-op share loans. Until that time, lenders may disregard the DU message stating that if the loan will securitize a co-op property, the applicable margin limit must be increased by 25 basis points.

Updated Selling Guide Topics

- [B2-1.3-02](#), Adjustable-Rate Mortgages (ARMs) (Mortgage Margin)
- [B4-2.3-04](#), Loan Eligibility for Co-op Share Loans (Eligible Products and Repayment Terms)

Effective Date

Lenders are encouraged to implement this change immediately, but must do so for mortgage loans with application dates on or after June 1, 2015.

Notification to Fannie Mae of Changes in the Lender's Organization

The *Selling Guide* has been updated to align with a recent update to the *Servicing Guide* regarding the circumstances under which Fannie Mae requires advance written notice of a change in a lender's organization, and which circumstances require Fannie Mae's prior written approval or notice of non-objection before the change is made.

Updated Selling Guide Topics

- [A4-3-01](#), Report of Changes in the Lender's Organization
- [E-1-03](#), List of Contacts (added Organization Change mailbox)

Effective Date

This policy change is effective immediately.

Principal Residence Occupancy Exception

Currently, Fannie Mae has owner-occupancy requirements for principal residence transactions, but allowance is made for "parents" that are providing housing for their physically handicapped or developmentally disabled adult child when the parents, as borrowers, do not intend to occupy the property as their principal residence. This policy has been updated to also apply to legal guardians.

Updated Selling Guide Topic

- [B2-1-01](#), Occupancy Types (Principal Residence Properties)

Effective Date

This clarification is effective immediately.

Desktop Underwriter (DU) Identification of Derogatory Credit

The credit report identifies significant derogatory credit events, such as bankruptcy or foreclosure. When the lender must determine whether or not the applicable waiting period has been met after a significant derogatory

event, the DU messages instruct the lender to use the disbursement date of the new loan. The *Selling Guide* has been updated to align with the DU message (it previously referenced the use of the credit report date) and clarify that the date used to measure the applicable waiting period will depend on the type of event and the information provided in the credit report.

Updated Selling Guide Topic

- [B3-5.3-09](#), DU Credit Report Analysis (Prior Bankruptcy, Foreclosure, Deed-in-Lieu of Foreclosure, Preforeclosure Sales, and Charge-Off of Mortgage Accounts)

Effective Date

This update is effective immediately.

Disputed Tradelines

When DU underwrites a loan casefile for a borrower with a disputed tradeline in his or her credit report, DU does not take the information on that disputed tradeline into account as part of its overall credit risk assessment and, as such, the information does not impact the DU underwriting recommendation. The DU message alerts lenders to the disputed accounts and requires the lender to validate whether the information on the disputed tradeline is accurate or inaccurate (since it was not considered in the DU risk assessment).

With the DU Version 9.2 April Update, the disputed tradeline message will be issued less often, and will be updated to clarify what information the lender needs to confirm on the tradeline. The message will only be issued when the non-medical disputed account has a delinquency reported within the last two years from the credit report date. The *Selling Guide* has been updated to align with this update. Refer to the [DU Version 9.2 April Update release notes](#) for additional information.

Updated Selling Guide Topics

- [B3-5.2-03](#), Accuracy of Credit Information in a Credit Report
- [B3-5.3-09](#), DU Credit Report Analysis (Disputed Credit Report Tradelines)

Effective Date

The updated message will appear on DU Version 9.2 loan casefiles submitted or resubmitted to DU on and after the weekend of April 18, 2015. Lenders may apply the updated requirements immediately, meaning for loan casefiles submitted or resubmitted to DU prior to the weekend of April 18, 2015, lenders may disregard the requirement from DU to verify the accuracy of the information on any disputed tradelines where the most recent late payment occurred greater than two years prior to the credit report date.

ALTA Short Forms

Fannie Mae currently accepts title policies that are written on the American Land Title Association (ALTA) short form. The *Selling Guide* has been updated to state that the ALTA short form must provide coverage equivalent to the 2006 ALTA standard form.

Updated Selling Guide Topic

- [B7-2-03](#), General Title Insurance Coverage (Terms of Coverage, Other Requirements)

Effective Date

Lenders are encouraged to implement this change immediately, but must do so for mortgage loans with application dates on or after June 1, 2015.

Miscellaneous *Selling Guide* Updates

- [B2-1.2-02](#), Limited Cash-out Refinance Transactions. A limited cash-out refinance transaction includes the pay off of an existing first mortgage loan (and may include the pay off of certain subordinate liens). The policy is being updated to clarify that the existing first mortgage loan being paid off can be a home equity line of credit (HELOC).
- [B2-3-03](#), Special Property Eligibility and Underwriting Considerations: Leasehold Estates. This topic was updated to add a reference that leaseholds must be serviced in accordance with the leasehold requirements in the *Servicing Guide*.
- [B3-2-03](#), DU Documentation Requirements. A reference to Special Feature Code 214, which was retired in 2014, has been removed from this topic.
- [B3-4.1-01](#), Minimum Reserve Requirements. This topic is being updated to clarify that cash proceeds from a cash-out refinance are an unacceptable source of reserves when they are from a cash-out refinance of the subject property. (Cash proceeds from a cash-out refinance of another property that is not the subject property are an acceptable source of reserves.)
- [E-1-03](#), List of Contacts. Bank of New York Mellon has consolidated its document custodial functions and re-located the offices that serve Fannie Mae lenders. The addresses to which loan documents are to be mailed have been updated and should be used, effective immediately.

Updated List of Approved Mortgage Insurance Forms

The list of [Approved Mortgage Insurance Forms](#) has been updated to correct the version date of one form and include certain new and revised forms (along with corresponding form numbers and version dates) related to the approved forms. The changes are detailed below and appear on the list available on Fannie Mae's website.

NOTE: *Updating this list required no changes or updates to the Selling Guide.*

Arch Mortgage Insurance Company

- Corrected the version date of the Commitment and Certificate of Insurance. It should have been dated (07/14).
- Added a new Florida endorsement, including form number and version date. Florida has approved the new endorsement.
- Revised Texas's endorsement and updated the version date. Texas has approved the revised endorsement.

Essent Guaranty, Inc.

- Revised the Non-Delegated Underwriting Endorsement and the Enhanced Coverage Endorsement, and updated the version dates. Pending approval by all states, added a footnote allowing prior version.

National Mortgage Insurance Corporation

- Revised the Commitment and Certificate of Insurance and updated the version date. Pending approval by all states, added a footnote allowing prior version.

Effective Date

These changes are effective immediately.



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

Carlos T. Perez
Senior Vice President and
Chief Credit Officer for Single-Family