

Selling Guide Announcement SEL-2015-08

July 28, 2015

Selling Guide Updates

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

- Affordable Loan-to-Value Ratio Calculations Added to Desktop Underwriter
- Increased LTV, CLTV, and HCLTV Ratios for Limited Project Reviews
- Policy for Leased Solar Panels
- “Value” Used to Determine MI Coverage for New York Properties, including Co-ops,
- 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 28, 2015.

In addition, revisions to the West Virginia Deed of Trust (Form 3049) are described in this Announcement.

Affordable Loan-to-Value Ratio Calculations Added to Desktop Underwriter

Over the years, Fannie Mae has purchased mortgage loans involving community land trusts, properties with resale restrictions, and Community Seconds® with a subsidized sales price. However, because these transactions use an alternative LTV ratio determination, Fannie Mae required that they be manually underwritten and using Desktop Underwriter® (DU®) was not an option.

With Fannie Mae’s focus on process improvement, access to credit, and affordable housing opportunities, DU is being updated to allow these transactions to be underwritten. In the DU Version 9.2 August Update, an affordable LTV ratio calculation is being added. Subsequently, lenders will be able to indicate in DU that the loan casefile will be underwritten using one of the affordable lending product options. DU will then determine the LTV, CLTV, and HCLTV ratios based solely on the appraised value for purchase transactions, and not the lesser of the sales price or the appraised value. The *Selling Guide* has been updated to reflect these changes. Refer to the [DU Version 9.2 August Update Release Notes](#) for additional information.

Note that Fannie Mae has changed the terminology from “alternative LTV ratio” to “affordable LTV ratio.”

Updated Selling Guide Topics

- [B5-5.1-02](#), Community Seconds Loan Eligibility (Subsidizing the Sales Price)
- [B5-5.1-03](#), Community Seconds Delivery Considerations (Special Feature Codes and Other Reporting)
- [B5-5.1-04](#), Community Land Trusts (Underwriting Considerations, LTV Ratio Calculation)
- [B5-5.3-01](#), Loans with Resale Restrictions: General Information (Topic Title Change ONLY)
- [B5-5.3-03](#), Loans with Resale Restrictions: Underwriting and Collateral Considerations (Underwriting Methods, Calculation of LTV Ratios)

Effective Date

DU will be updated the weekend of August 15, 2015, to reflect these changes. These changes will apply to new loan casefiles and existing loan casefiles that are re-underwritten through DU after August 15, 2015, if the “Affordable LTV” indicator is entered in the online loan application.

Increased LTV, CLTV, and HCLTV Ratios for Limited Project Reviews

To enable lenders to serve condo markets more efficiently, Fannie Mae is increasing the LTV, CLTV, and HCLTV ratio requirements for attached condo units in established projects under the Limited Review process. Specifically, for a principal residence in such a project, the maximum ratios will be increased from 80% to 90%. This increase is also applicable to the CLTV and HCLTV ratios for Limited Reviews of principal residence attached units in established projects in Florida (the LTV ratio is not changing). The ratio requirements for second home and investment property condo units remain unchanged.

Updated Selling Guide Topics

- [B4-2.2-01](#), Limited Review Process (Eligible Transactions for Limited Review of Attached Units in Established Condo Projects)
- [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)

Effective Date

Lenders may implement these policy changes immediately but these changes will not be incorporated into DU until a future release. Until that time, lenders may disregard the DU message requiring a Full Review for principal residence transactions with an LTV, CLTV, or HCLTV ratio greater than 80% and up to 90%, and may perform a Limited Review.

Policy for Leased Solar Panels

In December 2014, Fannie Mae published a policy regarding the eligibility of loans on properties with leased solar panels. Since publication, Fannie Mae has received questions requesting clarification of the policy and was asked to expand the circumstances that would permit solar lease payments to be excluded from debt-to-income (DTI) ratios. Fannie Mae worked with industry stakeholders to respond to these requests and conducted additional research. As a result, the Guide has been updated as follows:

- Lease payments may be excluded from the DTI ratio calculation if certain lease provisions are met.
- Property casualty and title insurance requirements have been streamlined to reduce complexity.
- Overall, the leased solar panel policies have been clarified.

Updated Selling Guide Topic

- [B2-3-04](#), Special Property Considerations (Properties with Solar Panels)

Effective Date

These updates are effective immediately.

“Value” Used to Determine MI Coverage for New York Properties, including Co-ops

For properties in New York, the “value” that is used to calculate the LTV ratio varies depending on the policy that uses the LTV ratio. The LTV ratio policies use the appraised value, the sales price, or the standard definition of value (the lesser of the sales price or appraised value). Many of these policies reflect the coverage mortgage insurers are permitted to provide under New York statute.

Fannie Mae has updated the *Selling Guide* to more clearly describe how the LTV ratio is calculated with regard to policies that apply to mortgage insurance for loans secured by properties in New York. In addition, an LTV ratio calculation for co-op properties has been added to the Guide. This calculation corresponds to the LTV ratio calculation for co-op properties that applies to mortgage insurers under New York statute.

The following policies apply to mortgage insurance for loans secured by New York properties:

- The appraised value is used to calculate the LTV ratio to determine whether mortgage insurance is required for non-co-op properties.
- The sales price is used to calculate the LTV ratio to determine whether mortgage insurance is required for purchase transactions for co-op properties.
- The appraised value is used to calculate the LTV ratio to determine whether mortgage insurance is required for refinance transactions for co-op share loans.
- The lesser of the appraised value or sales price is used to calculate the LTV ratio to determine the level of mortgage insurance coverage that is required for all New York properties.

Additional LTV ratio policies are described in the Guide.

Updated Selling Guide Topic

- [B7-1-01](#), Provision of Mortgage Insurance (LTV Ratio Determination in New York State)

Effective Date

Lenders are encouraged to implement these updates immediately, but must do so for mortgage loans with application dates on or after November 1, 2015.

Miscellaneous Selling Guide Updates

- **Reference to Variances Permitted for Borrowers Without a Social Security Number or Individual Taxpayer Identification Number (ITIN).** Fannie Mae has retired the variance that permitted delivery of loans for borrowers without a Social Security Number or ITIN. As a result, the Guide is being updated. Lenders with this variance have been notified.

Updated Selling Guide Topics

- [B2-2-01](#), General Borrower Eligibility (Tax Identification Numbers)
- [B2-2-02](#), Non-U.S. Citizen Borrower Eligibility Requirements (Non-U.S. Citizen Borrower Eligibility Requirements)
- [B3-3.1-06](#), **Requirements and Uses of IRS Form 4506-T.** This topic was updated in June 2015 but the date of the topic was inadvertently left unchanged and the June 30 Announcement, SEL-2015-07, was not referenced in the Related Announcements table. These items have been corrected.

Revisions to West Virginia Deed of Trust

Fannie Mae and Freddie Mac have updated the [West Virginia Deed of Trust](#) (Form 3049) to make it consistent with the state's Consumer and Credit Protection Act. The following sections of the security instrument have been revised:

- Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges;
- Application of Payments or Proceeds;
- Protection of Lender's Interest in the Property and Rights Under this Security Instrument;
- Loan Charges;
- Borrower's Right to Reinstate after Acceleration;
- Acceleration;
- Remedies; and
- Attorneys' Fees.

Lenders are encouraged to review these changes carefully as they affect the "uniform covenants" of the security instrument. Lenders may begin using this revised security instrument immediately and must use it for all West Virginia loans closed on or after January 1, 2016.

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

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