



## ***Selling Guide Announcement SEL-2017-09***

**October 31, 2017**

### ***Selling Guide Updates***

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

- Servicing Execution Tool™ (SET™) and Servicing Marketplace
- *Inter Vivos* Revocable Trusts
- Consolidation of eSign and Electronic Transactions
- Mortgages Paid by Others
- Form 1004D as Optional for Uniform Collateral Data Portal (UCDP)
- Miscellaneous *Selling Guide* Updates

Each of the updates is described below. The affected topics for each policy change are listed on the Attachment. The *Selling Guide* provides full details of the policy changes. The updated topics are dated October 31, 2017.

In addition, revisions to the Texas Security Instrument are described in this Announcement.

#### **Servicing Execution Tool (SET) and Servicing Marketplace**

In December 2014, we introduced the Servicing Execution Tool (SET) Bifurcation option for concurrent transfers of servicing via the Pricing & Execution – Whole Loan® (PE-Whole Loan) committing platform, under which the selling representations and warranties for the delivered loans are bifurcated from the servicing duties, obligations, and responsibilities.

With this update, we are expanding access to the bifurcation of selling and servicing representations and warranties available through PE-Whole Loan. In addition, we are introducing the Servicing Marketplace, an application designed to enhance and bring new concurrent transfer of servicing options to customers. This expansion is designed to simplify the customer experience related to concurrent transfers of servicing transactions and provide certainty of sale, execution, and process efficiency. In order for a seller to join SET or Servicing Marketplace, the eligibility criteria outlined in the *Selling Guide* must be met.

As a reminder, specific lender approval is required to participate in the SET and Servicing Marketplace solutions.

#### **Effective Date**

Loans delivered against PE-Whole Loan servicing released commitments taken on or after December 4, 2017 will be bifurcated if seller participates in SET or Servicing Marketplace.

#### ***Inter Vivos* Revocable Trusts**

Normally, Fannie Mae deems property in which no borrower has a direct ownership interest as ineligible collateral. An exception has been granted for *inter vivos* revocable trusts, a common estate planning tool that may involve instances where no individual borrower has an ownership interest in the mortgaged property. We have made changes to the *Selling Guide* to clarify the distinction between the individual borrower and the *inter vivos* revocable trust as owner of an interest in the mortgaged property. We also clarify our expectations for the execution of notes and mortgages.



## Effective Date

These updates are effective immediately.

## Consolidation of eSign and Electronic Transactions

In line with our continued efforts to simplify and consolidate policies shared by the *Selling* and *Servicing Guide*, we have again updated and streamlined duplicative content in a few topics in Part A, Doing Business with Fannie Mae, pertaining to electronic records, signatures, and other electronic transactions.

With this update, we have

- consolidated into one topic the various policies that pertain to the management of electronic transactions and confirmed that sellers/servicers are authorized to originate, service, and modify loans using electronic records (special approval is still required for electronic promissory notes);
- clarified that audio and video recording are not permitted formats except to the extent requested by us in connection with permitted remote notarizations;
- streamlined language to clarify that electronic records must accurately reflect information and formatting as it was presented to the intended beneficiaries and signers;
- required that systems generating electronic records generate them as valid records and be maintained as secure;
- confirmed that recorded mortgages and deeds of trust need not be maintained in paper format;
- confirmed that all electronic signatures must comply with ESIGN, UETA, and applicable law; and
- removed requirements for document custodians from the Guide as they were duplicative of requirements in Fannie Mae's [Requirements for Document Custodians](#) (RDC).

There are no policy changes associated with this consolidation of content. The duplicative content was removed from the *Servicing Guide* in the update published on October 11, 2017, and the consolidated policy now resides within *Selling Guide* [A2-5.1-03, Electronic Records, Signatures, and Transactions](#).

## Effective Date

These updates are effective immediately.

## Mortgages Paid by Others

We recently updated our policies in the *Selling Guide* related to multiple financed properties and mortgage debts paid by others. With this update, we are clarifying that when a borrower is obligated on a mortgage, but another party has been making the mortgage payments

- the lender may exclude the *full* monthly housing expense from the DTI ratio, provided the borrower is not using rental income from the applicable property to qualify; that is, the PITIA may be excluded and not just the principal and interest payment;
- the mortgaged property must still be included in the borrower's multiple financed property count and the unpaid principal balance for the mortgage must still be included in the calculation of reserves for multiple financed properties.

## Effective Date

These clarifications are effective immediately.

## Form 1004D as Optional for Uniform Collateral Data Portal (UCDP)

To align with the UCDP Release Notification from September 12, 2017, we updated our policy related to forms that can be submitted to UCDP. Lenders now have the option to submit the *Appraisal Update and/or Completion Report*, ([Form 1004D](#)) directly to the portal for conventional mortgage loans delivered to Fannie Mae.



## Effective Date

Effective immediately.

## Miscellaneous *Selling Guide* Updates

- [B4-1.3-01, Review of the Appraisal Report](#). We updated the overview to clarify the purpose of our appraisal report policies.
- [B5-5.2-03, DU Refi Plus and Refi Plus Property Valuation and Project Standards Condo, Co-op, and PUD Project Review Requirements](#). To align with our standard policy, we updated the condo, co-op, and PUD project insurance requirements for DU Refi Plus loans to remove the requirement for liability insurance coverage.
- [A2-4-01, Master Agreement Overview](#). The *Selling Guide* contains a list of the types of mortgage loans that currently require negotiated terms in a Master Agreement, which includes second mortgage loans. From time to time, we receive questions as to whether we are currently negotiating second mortgages. As a result, we have added a clarification that we are not approving lenders for or accepting deliveries of second mortgages.

## Revisions to the Texas Security Instrument

Fannie Mae and Freddie Mac have revised the Texas Deed of Trust (Form 3044) to reflect recent changes to state law that affect the date of foreclosure sales. The revised Form 3044 (with a revision date of 10/17) is available on the [Single-Family Security Instruments](#) page on our website.

## Effective Date

Lenders are encouraged to use the updated document immediately, but must do so for mortgage loans with note dates on or after April 1, 2018.

## Proposed Texas Constitutional Amendments for Home Equity Lending

Voters in Texas will be voting on proposed amendments to the Texas constitution on November 7, 2017. These amendments, if passed, will affect home equity lending in Texas, and will become effective on January 1, 2018. Fannie Mae is assessing the potential impact on our Texas home equity legal documents and will provide guidance and updates if the amendments are passed.

\*\*\*\*\*

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

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



## Attachment

Section of the Announcement	Updated <i>Selling Guide</i> Topics
Servicing Execution Tool (SET) and Servicing Marketplace	<ul style="list-style-type: none"><li>▪ <a href="#">A3-3-02, Concurrent Servicing Transfers</a></li><li>▪ <a href="#">C2-1.3-01, Servicing Execution Tool</a></li><li>▪ <a href="#">C2-1, Mandatory and Best Efforts Commitments to Sell Whole Loans</a></li></ul>
<i>Inter Vivos</i> Revocable Trusts	<ul style="list-style-type: none"><li>▪ <a href="#">B2-2-05, <i>Inter Vivos</i> Revocable Trusts</a></li><li>▪ <a href="#">B8-3-03, Signature Requirements for Notes</a></li><li>▪ <a href="#">B8-5-02, <i>Inter Vivos</i> Revocable Trust Mortgage Documentation and Signature Requirements</a></li><li>▪ <a href="#">E-2-05, Signature Requirements for Mortgages to <i>Inter Vivos</i> Revocable Trusts</a></li></ul>
Consolidation of eSign and Electronic Transactions	<ul style="list-style-type: none"><li>▪ <a href="#">A2-5.1-03, Electronic Records, Signature, and Transactions</a></li><li>▪ A2-5.1-04, Lender's or Document Custodian's Electronic Transactions with Third Parties (deleted)</li><li>▪ A2-5.2-03, Retention and Storage of Mortgage File Records (deleted)</li><li>▪ A3-3-06, Document Custodian Electronic Transactions (deleted)</li></ul>
Mortgages Paid by Others	<ul style="list-style-type: none"><li>▪ <a href="#">B2-2-03, Multiple Financed Properties for the Same Borrower</a></li><li>▪ <a href="#">B3-6-05, Monthly Debt Obligations</a></li></ul>
Form 1004D as Optional for Uniform Collateral Data Portal (UCDP)	<ul style="list-style-type: none"><li>▪ <a href="#">B4-1.1-06, Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal (UCDP)</a></li></ul>