

Selling Guide Announcement (SEL-2021-02)

Mar. 03, 2021

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

- [Power of attorney](#): updated eligibility and documentation requirements
- [Servicing Execution Tool™ retirement](#): removal of servicing execution tool in anticipation of final commitment and delivery dates and transition to Servicing Marketplace®
- [Risk factors evaluated by Desktop Underwriter®](#): changes to risk factors evaluated by DU® as noted in DU Version 11.0 Release Notes
- [Miscellaneous update](#): updated the definition of planned unit development

View the list of [impacted topics](#).

Power of attorney

Currently, the *Selling Guide* supports the use of a power of attorney (POA) on certain transactions and describes the documentation requirements. In May 2020, guidance and additional flexibilities to our standard POA requirements were issued in LL-2020-03 in response to the COVID-19 impact on loan originations. We are revising the Guide to include some of these requirements outlined in the Lender Letter. Specifically,

- allowing all borrowers to sign the loan documents pursuant to a POA,
- allowing certain interested parties to serve as attorney-in-fact for purchase transactions, and
- requiring a closing protection letter when the attorney-in-fact or agent
 - is an employee of the title insurer, or
 - is an employee of the policy-issuing agent of the title insurer.

Additionally, we have added a new requirement pertaining to the use of a POA with an *inter vivos* revocable trust.

Effective: Lenders may take advantage of these policy changes immediately. Note the current flexibilities related to use of a POA in LL-2021-03 will remain until further notice.

Servicing Execution Tool retirement

Lenders that used Servicing Execution Tool (SET™) to make loan commitments to us were advised last year of its retirement and the transition to Servicing Marketplace. We have updated the *Selling Guide* to remove references to SET and add Servicing Marketplace where applicable. We also replaced the SET Purchase and Sale Agreement Exhibit with a revised Servicing Marketplace Mortgage Loan Servicing Purchase and Sale Agreement.

Effective: The last day to create a new SET commitment is Apr. 16, 2021. The last date to deliver loans against outstanding SET commitments May 28, 2021. For additional information refer to the SET [FAQs](#) in our Learning Center.



Risk factors evaluated by Desktop Underwriter

In alignment with the Desktop Underwriter (DU) Version 11.0 Release Notes, we have updated the *Selling Guide* to reflect changes to the following risk factors evaluated by DU:

- **Debt-to-income ratio:** The composition of the borrower's debt will be taken into consideration in addition to the actual ratio itself (the lower the ratio, the lower the risk and vice versa). Borrowers whose revolving debt makes up a smaller percentage of their monthly expense have been shown to represent less risk than those whose revolving debt makes up a large percentage of their monthly expenses. Also, borrowers with student loan debt have been shown to represent less risk than those with only revolving debt.
- **Self-employment/variable income:** We have removed self-employment as a risk factor and replaced it with variable income. DU will view a borrower whose total annual income is made up of a higher percentage of variable income (bonus, overtime, commission, and other) as representing increased risk. (Note that other income is based on entry in Form 1003 of "Other" gross monthly income type in current employment, and "Other" in income from other sources.)

Effective: As stated in the Release Notes, the changes in the DU 11.0 release will apply to new loan casefiles submitted to DU on or after the weekend of Mar. 13, 2021. These changes will not impact existing loan casefiles created and resubmitted in DU Version 10.3.

Miscellaneous update

B4-2.1-01, General Information on Project Standards; B4-2.3-01, Eligibility Requirements for Units in PUD Projects; E-3-16, Glossary of Fannie Mae Terms: P: Updated the definition of planned unit development (PUD) to achieve alignment throughout the Guide.

Lenders may contact their Fannie Mae Account Team if they have questions about this Announcement.
Have guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).



Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated Mar. 03, 2021)
Power of attorney	<ul style="list-style-type: none">▪ B8-5-05, Requirements for Use of a Power of Attorney
Servicing Execution Tool retirement	<ul style="list-style-type: none">▪ A3-3-02, Concurrent Servicing Transfers▪ C2-1.2-02, Best Efforts Commitment Pricing, Periods, and Fees▪ C2-1.2-03, Best Efforts Commitment Terms, Amounts, and Other Requirements▪ C2-1.3-01, Servicing Marketplace▪ E-2-06, Servicing Marketplace – Mortgage Loan Purchase and Sale Agreement▪ E-3-19, Glossary of Fannie Mae Terms: S
Risk factors evaluated by Desktop Underwriter	<ul style="list-style-type: none">▪ B3-2-03, Risk Factors Evaluated by DU