



Lender Letter (LL-2021-08)

Mar. 10, 2021

To: All Fannie Mae Single-Family Sellers Eligibility of Loans Secured by Second Home and Investment Properties

We are updating our policies to require that any loan secured by a second home or investment property be delivered as a Desktop Underwriter® loan with an Approve/Eligible recommendation (with one exception).

Recent amendments to our senior preferred stock purchase agreement with Treasury impose additional risk criteria on the loans we acquire. One of those restrictions is a 7% limit on our acquisition of single-family mortgage loans secured by second home and investment properties.

Eligibility

As a result of this amendment, we are announcing the following changes to our eligibility policies. Other than the exception noted below, all second home and investment property loans must meet the following requirements to be eligible for purchase:

- be underwritten with Desktop Underwriter (DU®),
- receive an Approve/Eligible recommendation, and
- be delivered as a DU loan in Loan Delivery
 - Automated Underwriting System Type = Desktop Underwriter
 - Automated Underwriting Case Identifier must include the DU casefile ID
 - Automated Underwriting Recommendation Description = Approve Eligible

The above policies apply to all lenders and include loans delivered under negotiated terms (such as variances or special requirements). The only exception that will be permitted for second home and investment properties loans is for high LTV refinance loans that are manually underwritten in accordance with the Alternative Qualification Path and delivered with Special Feature Code 840.

Loan delivery and effective dates

These policies are effective for whole loans submitted to our Loan Delivery system on or after Apr. 1, 2021, and for loans delivered into MBS pools with issue dates on or after Apr. 1, 2021. After this date Loan Delivery will apply a “Fatal” error for loans that do not meet the above requirements. Due to our need to comply with these restrictions in the Treasury agreement, we will be monitoring deliveries of second home and investor loans on a lender-level basis, and will be working with lenders that have excessive delivery volume of these types of loans.

Future changes

The *Selling Guide* and *Eligibility Matrix* will be updated in April to reflect these changes to eligibility. To address additional restrictions in the amendment to our preferred stock purchase agreement we may announce other changes to the requirements in the Guide. In addition, we may further update negotiated terms to restrict the risk characteristics for non-DU purchase and refinance loans.

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