



Selling Guide Announcement (SEL-2021-07)

Aug. 4, 2021

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

- [Prohibited refinancing practices](#): clarifying the policy related to prearranged refinance arrangements
- [Credit card reward points](#): specifies how credit card reward points can be used as eligible assets
- [Miscellaneous updates](#):
 - Version 1 of the representations and warranties framework
 - Risk factors in DU
 - Interested party contributions

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

Prohibited refinancing practices

We are clarifying our policy on prohibited refinance transactions to add an additional scenario under the prearranged refinancing agreements section. A transaction is not eligible as a limited cash-out refinance if the borrower completed a cash-out refinance transaction with a note date 30 days or less prior to the application date of a new refinance secured by the same property.

Effective: This policy update is effective for all refinance transactions with application dates on or after Sep. 1, 2021.

Credit card reward points

The *Selling Guide* did not previously address the use of credit card reward points as eligible assets to be used for down payment, closing costs, and financial reserves. We are updating our policy to specifically allow for the use of credit card reward points for these purposes provided they are converted to cash prior to the closing of the loan. If the funds are deposited into the borrower's depository account and the deposit is considered a large deposit per our existing policy, the lender must provide documentation to show the source of the large deposit was from the conversion of credit card reward points.

Effective: Lenders may take advantage of these policy changes immediately.

Miscellaneous updates

[A2-3.2-02, Enforcement Relief for Breaches of Certain Representations and Warranties Related to Underwriting and Eligibility](#): We eliminated all references to Version 1 of the framework. Version 1 applied to whole loans purchased on or after Jan. 1, 2013, but before Jul. 1, 2014; or for loans delivered into MBS with pool issue dates on or after Jan. 1, 2013, but before Jul. 1, 2014. It was only applicable for 60 months. This content has been removed since all loans that could have obtained enforcement relief under Version 1 requirements have done so or did not meet the requirements.

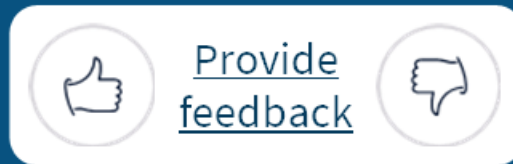


B3-2-03, Risk Factors Evaluated by DU: When DU Version 11.0 was implemented in Mar. 2021, condo and co-op properties were added as a factor in the DU risk assessment. The *Selling Guide* has been updated to reflect this.

B3-4.1-02, Interested Party Contributions: We have clarified that existing policy regarding incentives to the borrower in the form of a payment to pay off a portion of the loan being refinanced are only permissible on high LTV refinance transactions. As a reminder, the temporary pause to acquisitions of high LTV refinance loans announced in Lender Letter 2021-11 remains in effect.

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.](#)

Let your voice be heard! We want your feedback on our policy communications to help us improve the clarity of new and updated policy and understand any implications to borrowers. Click below to take a short survey regarding this Announcement.



Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated Aug. 04, 2021)
Prohibited refinancing practices	<ul style="list-style-type: none"> ▪ B2-1.3-04, Prohibited Refinancing Practices
Credit card reward points	<ul style="list-style-type: none"> ▪ B3-4.3-16, Credit Card Financing and Reward Points