



Selling Guide Announcement (SEL-2021-10)

Nov. 3, 2021

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

- [Military personnel and Leave and Earnings Statement](#): updating the documentation requirement pertaining to military personnel verification of employment
- [Military income](#): clarifying the documentation requirements for military income
- [Principal curtailment](#): permit the delivery of loans previously modified following the application of a principal curtailment and recast of the principal balance
- [Miscellaneous updates](#):
 - Unacceptable appraisal practices
 - Eligibility requirements for Servicing Marketplace lenders

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

Military personnel and Leave and Earnings Statement

To provide lenders with additional efficiency, we updated our policy pertaining to military personnel verification of employment. The *Selling Guide* currently requires a military borrower's Leave and Earnings Statement (LES) to be dated within 30 (or 31) calendar days prior to the note date when used in lieu of a verbal verification of employment. With this update, we expanded the 30 or 31 days to 120 calendar days.

Effective: Lenders may take advantage of this update immediately. The Desktop Underwriter® (DU®) verbal VOE message will be updated to reflect this change in the DU Version 11.0 December Update.

Military income

Our current policy lists the standard documentation requirements for base pay, bonus and overtime income. With this update, we clarified that military base pay and entitlements must be documented with the borrower's recent LES.

Effective: Lenders may take advantage of this update immediately. The DU military income message will be updated to reflect this change in the DU Version 11.0 December Update.

Principal curtailment

A principal curtailment is the application of funds used to reduce the unpaid principal balance of the loan.

We updated our policy to permit the delivery of loans that were previously modified due to the application of a principal curtailment and recast of the principal balance over the remaining loan term prior to delivery. Note that lenders must ensure both the original note amount prior to modification and the reduced loan amount after modification comply with the loan limits in effect at time of delivery. Loans must be delivered with Special Feature Code 076.



Refer to the [Loan Delivery Job Aid](#) for information about delivery of loans with prior loan modifications.

Effective: Lenders may take advantage of this policy change immediately.

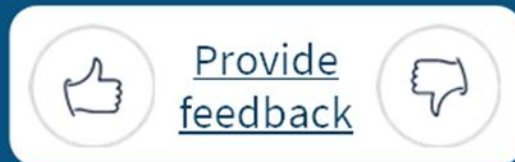
Miscellaneous updates

[B4-1.1-02, Lender Responsibilities](#) and [B4-1.1-04, Unacceptable Appraisal Practices](#): We removed a reference to the effective date of the appraisal in alignment with current requirements of Uniform Standards of Professional Appraisal Practice (USPAP). In addition, we clarified that any valuation referencing or based on a protected class under the Fair Housing Act is expressly prohibited.

[A3-3-02, Concurrent Servicing Transfers](#) and [A4-1-01, Maintaining Seller/Servicer Eligibility](#): We clarified specific financial eligibility requirements that apply to Servicing Marketplace (SMP) lenders only.

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 Nov. 03, 2021)
Military personnel and leave and earnings statement	<ul style="list-style-type: none"> ▪ B3-3.1-03, Base Pay (Salary or Hourly), Bonus, and Overtime Income ▪ B3-3.5-01, Income and Employment Documentation for DU
Military income	<ul style="list-style-type: none"> ▪ B3-3.1-07, Verbal Verification of Employment
Principal curtailment	<ul style="list-style-type: none"> ▪ B2-1.5-02, Loan Eligibility ▪ B2-1.5-05, Principal Curtailments