



Selling Guide Announcement (SEL-2023-05)

June 7, 2023

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

- [Manufactured homes – temporary interest rate buydowns](#): allowing temporary interest rate buydowns for mortgages secured by manufactured homes
- [Qualifying rate for 7- and 10-year ARMs](#): allowing 7- and 10-year ARM borrowers to be qualified using only the note rate
- [Acceptable uses for limited cash-out refinance transactions](#): adding clarifying details for amounts that may be included with the payoff of existing loans
- [Miscellaneous updates](#):
 - Requirements for credit reports
 - Updated Cash Remittance System forms

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

Manufactured home – temporary interest rate buydowns

Our current policy does not permit temporary interest rate buydowns on manufactured home loans.

This policy change will allow temporary interest rate buydowns for mortgages secured by manufactured homes, including both single- and multi-width manufactured homes. Loans are subject to the standard buydown policies in the *Selling Guide*, including [B2-1.4-04, Temporary Interest Rate Buydowns](#).

Effective: This policy change will be implemented in Desktop Underwriter® (DU®) the weekend of Aug. 19, 2023, and loans will be eligible for sale after that date.

Qualifying rate for 7- and 10-year ARMs

The *Selling Guide* currently requires borrowers applying for an ARM with an initial fixed-rate period of greater than five years (7- and 10-year ARMs) to be qualified based on the greater of the note rate or the fully indexed rate. Based on our policy, the ARM plan must be tied to the Secured Overnight Financing Rate (SOFR) Index, using a 30-day average SOFR index as published by the Federal Reserve Bank of New York.

To simplify qualification, we are updating the *Selling Guide* to allow 7- and 10-year ARM borrowers to be qualified using only the note rate.

NOTE: *The greater of the note rate or the fully indexed rate is still required for loans that are higher-priced mortgage loans or higher-priced covered transactions under Regulation Z (and must be manually underwritten).*

Effective: Lenders may take advantage of this policy change immediately for manually underwritten loans. It will be implemented in DU the weekend of Aug. 19, 2023.



Acceptable uses for limited cash-out refinance transactions

We are providing additional details regarding acceptable uses for funds obtained from a limited cash-out refinance. We are

- clarifying that the proceeds may be used to satisfy additional amounts required to pay off the existing first mortgage, including a deferred balance resulting from previous loss mitigation, and late fees; and
- allowing the proceeds to be used to satisfy any share of appreciation due to a provider under the terms of a shared appreciation agreement when the subordinate lien is a Community Seconds® loan.

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

Miscellaneous updates

Requirements for credit reports: [B3-5.2-01, Requirements for Credit Reports](#) and [D1-3-02, Lender Post-Closing Quality Control Review of Approval Conditions, Underwriting Decisions, and Documentation](#) were updated to clarify when a credit report must generate an inquiry that will appear on future reports (in addition to listing all inquiries made in the previous 90 days). Credit reports used for underwriting must generate an inquiry on future reports, but this is not required for reports used in the post-closing reverification process.

Updated Cash Remittance System forms: Lenders are now required to use the Cash Remittance System (CRS) to add or update Automated Clearing House (ACH) banking instructions. To align our policies with the recent enhancements made to CRS, we retired the *Authorization for Automatic Transfer of Funds* (Form 1072). In addition, we updated the *Certificate of Authority, Incumbency, and Specimen Signatures* ([Form 360](#)) to remove references to ACH fund transfers and to clarify that it is now only applicable to single-family sellers. Lenders must continue to submit Form 360 to authorize individuals to add, update, or deactivate instructions maintained in Fannie Mae's records to transfer funds by wire transfers. Minor wording changes have been made to the *Selling Guide* to reflect the revised forms and processes.

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 June 07, 2023)
Manufactured home – temporary interest rate buydowns	<ul style="list-style-type: none">▪ B5-2-02, Manufactured Housing Loan Eligibility
Qualifying rate for 7- and 10-year ARMs	<ul style="list-style-type: none">▪ B3-6-04, Qualifying Payment Requirements
Acceptable uses for limited cash-out refinance transactions	<ul style="list-style-type: none">▪ B2-1.3-02, Limited Cash-Out Refinance Transactions
Updated CRS forms	<ul style="list-style-type: none">▪ C2-1.1-02, General Information about Mandatory Commitment Pricing and Fees▪ C2-2-06, Authorization to Transfer Funds▪ E-1-02, List of Contacts