

Announcement SEL-2010-08**June 23, 2010****Underwriting Borrowers with a Prior Foreclosure**

A variety of foreclosure alternatives are available to borrowers who are having difficulty making their mortgage payments. In Announcement SEL-2010-05, *Underwriting Borrowers with a Prior Preforeclosure Sale or Deed-in-Lieu of Foreclosure*, Fannie Mae announced changes to the policies regarding the amount of time that must elapse after a borrower experiences a preforeclosure event (preforeclosure sale, short sale, and deed-in-lieu of foreclosure). The changes highlighted the importance of borrowers working with their servicers to avoid foreclosure.

As a follow-up to that Announcement, Fannie Mae is now modifying the waiting period that must elapse before a borrower is eligible for a new mortgage loan after a foreclosure. The combination of the waiting period policies for foreclosures and preforeclosure events continue to favor borrowers who work with their servicers to avoid foreclosure by allowing these borrowers to be eligible for a future Fannie Mae loan in a shorter period of time.

This Announcement describes the policy changes in detail. The changes will be reflected in the *Selling Guide*, B3-5.3-07, Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit, when it is updated on June 30, 2010.

Waiting Period After a Foreclosure

Currently, the waiting period that must elapse after a borrower experiences a foreclosure is seven years. However, Fannie Mae allows a shorter time period – five years – if certain additional requirements are met (e.g., minimum down payment and credit score, and occupancy requirements). These requirements are being modified to remove the five year option. Unless the foreclosure was the result of documented extenuating circumstances, which only requires a three-year waiting period (with additional requirements), all borrowers will now be required to meet a seven-year waiting period after a prior foreclosure to be eligible for a new mortgage loan eligible for sale to Fannie Mae.

The additional requirements that apply to borrowers with documented extenuating circumstances are also being updated to reflect a maximum LTV ratio of the lesser of 90% or the LTV ratio per the [Eligibility Matrix](#) for all transactions.

The following table describes the waiting period policy changes for foreclosures:

Derogatory Event	Current Waiting Period Requirements	New Waiting Period Requirements
Foreclosure	5 years Additional requirements apply after 5 years up to 7 years	7 years No additional requirements apply
Exceptions to Waiting Period for Extenuating Circumstances		
Foreclosure	3 years Additional requirements after 3 years up to 7 years: <ul style="list-style-type: none"> • Purchase, principal residence with maximum LTV ratio of lesser of 90% or maximum per the Eligibility Matrix • Limited cash-out refinance, all occupancy types, LTV ratios per the Eligibility Matrix 	3 years Additional requirements after 3 years up to 7 years: <ul style="list-style-type: none"> • Lesser of 90% LTV ratio or maximum per the Eligibility Matrix • Purchase, principal residence • Limited cash-out refinance, all occupancy types

Fannie Mae's policies for extenuating circumstances remain unchanged and are fully described in the *Selling Guide*, B3-5.3-08, Extenuating Circumstances for Derogatory Credit.

Effective Date

This policy is effective for manually underwritten mortgage loans with application dates beginning October 1, 2010. Desktop Underwriter® will be updated in a future release.

Summary – All Waiting Period Requirements

The following table summarizes the waiting period requirements for all significant derogatory credit events. See the *Selling Guide*, B3-5.3-07 for complete details.

Derogatory Event	Waiting Period Requirements	Waiting Period with Extenuating Circumstances
Bankruptcy – Chapter 7 or 11	4 years	2 years
Bankruptcy – Chapter 13	<ul style="list-style-type: none"> • 2 years from discharge date • 4 years from dismissal date 	<ul style="list-style-type: none"> • 2 years from discharge date • 2 years from dismissal date
Multiple Bankruptcy Filings	5 years if more than one filing within the past 7 years	3 years from the most recent discharge or dismissal date
Foreclosure	7 years	3 years Additional requirements after 3 years up to 7 years: <ul style="list-style-type: none"> • 90% maximum LTV ratios⁽¹⁾ • Purchase, principal residence

Derogatory Event	Waiting Period Requirements	Waiting Period with Extenuating Circumstances
		<ul style="list-style-type: none"> Limited cash-out refinance, all occupancy types
Deed-in-Lieu of Foreclosure	<ul style="list-style-type: none"> 2 years – 80% maximum LTV ratios⁽¹⁾ 4 years – 90% maximum LTV ratios⁽¹⁾ 	2 years – 90% maximum LTV ratios ⁽¹⁾
Preforeclosure Sale	<ul style="list-style-type: none"> 7 years – LTV ratios per the Eligibility Matrix 	
Short Sale		

⁽¹⁾ The maximum LTV ratios permitted are the lesser of the LTV ratios in this table or the maximum LTV ratios for the transaction per the Eligibility Matrix.

Lenders who have questions about this Announcement should contact their Customer Account Team.

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