

Announcement SEL-2011-05**June 28, 2011*****Selling Guide* Updates**

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

- Delayed financing exception
- Removal of reverse mortgages
- Miscellaneous condo and co-op updates
- Miscellaneous *Selling Guide* updates
- Updates to the *Requirements for Document Custodians*

Each of the updates is described below. The affected topics (and specific paragraphs) are noted for each policy change. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated June 28, 2011.

Delayed Financing Exception

Currently, Fannie Mae requires a minimum of six months to elapse between the time a borrower purchases a home and subsequently applies for a cash-out refinance. The *Selling Guide* has been updated to allow a cash-out refinance within six months of a purchase transaction when no financing was obtained for the purchase transaction under the following parameters:

- The new loan amount is not more than the actual documented amount of the borrower's initial investment in purchasing the property, plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV, CLTV, and HCLTV ratios for the transaction).
- The purchase transaction was an arms-length transaction.
- The purchase transaction is documented by the HUD-1, which confirms that no mortgage financing was used to obtain the subject property. The preliminary title search or report must also confirm no liens on the subject property.
- The source of funds for the purchase transaction can be documented (bank statements, personal loan documents, HELOC on another property). Any loans used as the source for the purchase transaction will be required to be repaid on the new HUD-1.
- All other cash-out refinance eligibility requirements are met and cash-out pricing is applied.

In addition, the multiple financed property policy is being updated to allow cash-out refinances that meet the delayed financing exception.

Updated *Selling Guide* Topics

[B2-1.2-03](#), Cash-Out Refinance Transactions (Eligibility Requirements, Ineligible Transactions, Delayed Financing Exception)

[B2-2-03](#), Multiple Financed Properties for the Same Borrower (Eligibility Requirements for Investor and Second Home Borrowers With Five to Ten Financed Properties)

The *Eligibility Matrix* posted on eFannieMae.com has also been updated in several footnotes to reflect the delayed financing exception.

Effective Date

For manually underwritten mortgage loans, these updates are effective immediately. For Desktop Underwriter[®] (DU[®]) loan casefiles, the lender may apply these changes immediately. However, the related DU messages will be updated with DU Version 8.3, which will be implemented the weekend of August 20, 2011.

Removal of Reverse Mortgages

Fannie Mae has a long history as the predominant secondary market investor in Home Equity Conversion Mortgages (HECMs). That role was critical in developing mainstream acceptance of the product as a financial resource for seniors.

As the reverse mortgage market has grown, however, new secondary market investors have emerged, replacing Fannie Mae as the predominant outlet for this business. The shift became even more pronounced with the introduction of a securitization option by Ginnie Mae in 2007. Fannie Mae's share of the reverse mortgage market dropped from over 90% in early 2009 to less than 1% in the third quarter of 2010.

Given the current market dynamics and the existence of alternative outlets, Fannie Mae recently ended its purchase of whole loan HECMs. The small number of lenders continuing to deliver HECMs to Fannie Mae were notified of this decision in December, 2010. Fannie Mae will continue to manage the existing HECM book of business and work closely with industry stakeholders (HUD, reverse mortgage servicers, counselors) on servicing issues.

With this update of the *Selling Guide*, all references to reverse mortgage loans and related terms have been removed.

Updated *Selling Guide* Topics

Refer to the Attachment for a detailed list of *Selling Guide* topics that have been updated or retired.

Effective Date

These updates were effective December 30, 2010 (as previously communicated to all affected lenders).

Miscellaneous Condo and Co-op Updates

A number of minor updates were made to topics related to condo and co-op policies.

- References to the term "final project acceptance" have been replaced with the term "final project approval" in the Project Standards topics in the *Selling Guide*.
 - [B4-2.1-01](#), General Information on Project Standards (Project Standards Overview)
 - [B4-2.2-01](#), Condo Project Eligibility (Condo Project Type Codes)

- [E-2-03](#), Suggested Format for Phase I Environmental Hazard Assessments (F. Additional Hazards)
- [E-3-06](#), Glossary of Fannie Mae Terms: F
- The reference contained in [B4-2.2-02](#), Limited Review Process for Attached Units in Condo Projects, for information concerning warranty requirements has been corrected to refer to [B4-2.1-01](#), General Information on Project Standards.
- A definition for “newly converted project” has been added to the Glossary.
- [B4-2.2-03](#), Limited Review Process for Detached Condos, stated that if the lender conducted specific marketing efforts on a condo project or was named as a preferred lender by either the developer or the project’s homeowner’s association, that project was ineligible for Limited Review. The lender, in these circumstances, was required to use one of the other project review processes. This sentence has been removed because the requirement applies to loans secured by units in *attached* condo projects.
- A link in [B5-5.1-07](#), DU Refi Plus and Refi Plus Property Valuation and Project Standards, was removed and the reference to [B4-2.1-02](#), Ineligible Projects, has been clarified.
- Fannie Mae has a long-standing policy that co-op share loans that are subject to subordinate financing are not eligible for purchase, as stated in [B2-3-03](#), Co-op Properties. With this update, the following topics have been updated to either restate the existing policy, or add a link to the applicable co-op topic:
 - [B2-1.1-04](#), Subordinate Financing (Subordinate Financing Requirements)
 - [B4-2.3-02](#), Cooperative Project Eligibility (Co-op Project Eligibility Overview)
 - [B5-5.1-02](#), Community Seconds Loan Eligibility (Community Seconds Mortgage Terms/Proceeds)
 - [B5-6-02](#), MyCommunityMortgage Loan and Borrower Eligibility (Subordinate Financing)
- [B4-2.3-01](#), PUD: Lender Full Review Requirements, has been updated to include definitions for Type E, established PUD projects, and Type F, new PUD projects.

Effective Date

With the exception of the DU MyCommunityMortgage® (MCM) item noted below, these updates are effective immediately.

DU currently allows subordinate financing on co-op loan casefiles in conjunction with the MCM loan product. DU will be updated in a future release to issue an Ineligible recommendation if the loan casefile is an MCM loan on a co-op property that also has subordinate financing.

Miscellaneous <i>Selling Guide</i> Updates

The following additional clarifications have been made in the *Selling Guide*:

- [A3-3-02](#), Concurrent Servicing Transfers, contains some language that is also in the Fannie Mae *Servicing Guide*, and this language was revised to be consistent with the *Servicing Guide*.
- [B2-1.2-04](#), Continuity of Obligation, has been updated to clarify that if the borrower has been on title for at least 6 months, the maximum 50% ratio limit applies to CLTV and HCLTV in addition to the LTV ratio. (As previously noted in the *Selling Guide* and the applicable Announcement, the term “LTV ratios” is intended to cover LTV, CLTV, and HCLTV ratios.)
- To be consistent with current rental income documentation policies, [B2-2-03](#), Multiple Financed Properties for the Same Borrower, was updated to reflect that if rental income has

not yet been reported on tax returns due to the length of ownership, leases are acceptable and an executed 4506 or 4506-T is not required.

Requirements for Document Custodians

The *Requirements for Document Custodians* document on eFannieMae.com has been updated to reflect several processes and requirements that are currently being performed by document custodians (no new policies or requirements were introduced). The updates are identified in the Document Revision History in Section 1.

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

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Vice President
Single-Family Chief Risk Officer

Attachment

Selling Guide Topics Impacted by Removal of Reverse Mortgage References

Topic Number	Topic Title
A1-1-01	Application and Approval of Lender
A2-2.1-03	Document Warranties
A2-4-01	Master Agreement Overview
A3-2-02	Responsible Lending Practices
A3-3-06	Fannie Mae's Designated Document Custodian
B6-1-02	Eligible FHA-Insured Mortgage Loans
B6-2	FHA Home Equity Conversion Mortgages (HECMs) – Entire chapter retired
B6-2-01	HECM Overview and Eligible Borrowers – Topic retired
B6-2-02	HECM Eligible Properties – Topic retired
B6-2-03	HECM Eligible Mortgages – Topic retired
B6-2-04	HECM Mortgage Amount Limits – Topics retired
B6-2-05	HECM Mortgage Terms – Topics retired
B6-2-06	HECM Payment Plan Options – Topics retired
B6-2-07	HECM Closing Considerations – Topics retired
B7-2-04	Special Title Insurance Coverage Considerations
B7-3-02	Hazard Insurance Policy Requirements
B7-3-03	General Hazard Insurance Coverage
B8-1-01	Publication of Legal Documents
C1-2-02	Loan Data and Documentation Delivery Requirements

Topic Number	Topic Title
C2-1.1-05	Servicing Fees
C2-1.1-06	Accrued Interest Payments for Regularly Amortizing Mortgages
C2-1.1-08	Negotiated Commitments – <i>Topic retired</i> . The content pertaining to negotiated commitments and Master Agreements unrelated to HECMs was moved to C2-1.1-03 , Mandatory Commitment Terms, Amounts, Periods and Other Requirements.
C2-2-02	Documentation Requirements for Whole Loan Deliveries
C2-2-03	General Information on Whole Loan Purchasing Policies
C2-2-04	Timing of Distribution of Whole Loan Purchase Proceeds
C2-2-05	Whole Loan Purchasing Process
E-1-01	References to eFannieMae.com
E-1-02	Acronyms and Abbreviations
E-1-03	List of Contacts
E-1-04	List of Lender Contracts
E-2-02	Document Submission Packages for All Mortgages
E-3-05	Glossary of Fannie Mae Terms: E
E-3-08	Glossary of Fannie Mae Terms: H
E-3-12	Glossary of Fannie Mae Terms: L
E-3-13	Glossary of Fannie Mae Terms: M
E-3-18	Glossary of Fannie Mae Terms: R
E-3-20	Glossary of Fannie Mae Terms: T

Note about the “highlighted” version of the *Selling Guide* on eFannieMae.com: This months’ highlighted *Selling Guide* contains numerous instances of highlighting for the topics that were impacted by the removal of reverse mortgages. As a reminder, when content is deleted, only the chapter title, topic title, or block header may be highlighted to alert readers to where the content was removed. Refer to eFannieMae.com for additional information about the highlighted version.