

Selling Guide Announcement SEL-2012-02

February 28, 2012

Selling Guide Updates

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

- Project Eligibility Review Service
- Premium Pricing Recapture
- Maximum Buyup of the MBS Guaranty Fee

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 February 28, 2012.

Project Eligibility Review Service

The Project Eligibility Review Service (PERS) enables lenders to submit condo (and co-op and PUD) projects for review to determine eligibility in accordance with Fannie Mae's project eligibility requirements. Lenders may deliver mortgage loans secured by individual units within approved projects (assuming all other loan eligibility requirements are met). Fannie Mae's Project Review team is responsible for performing a review of all projects submitted to PERS. Over the past three years, submissions to PERS have substantially increased, and the characteristics of projects have become more complex. The current environment has also resulted in an increased level of research and analysis to adequately assess the risk of individual projects, which may include site inspections by Fannie Mae staff for higher risk projects.

In order to better manage the risks associated with mortgages on units in projects, Fannie Mae is announcing changes to the fee structure for PERS reviews, the elimination of the fee waiver for mandatory project reviews, and an extension of the duration of project approvals. These changes are described in the table below.

Current PERS Fees	New PERS Fees
The fee charged for voluntary reviews is a base fee of \$1,200 <u>plus</u> \$30 for each unit in the project or legal phase.	The fee charged for voluntary and mandatory reviews is a base fee of \$2,500 <u>plus</u> \$30 for each unit in the project or legal phase.
The base review fee for projects that require a mandatory review is waived and only the \$30 per unit fee is charged.	The base review fee for projects that require a mandatory review will no longer be waived.
There is a \$15,000 maximum project review fee limit for voluntary and mandatory reviews.	The \$15,000 maximum project review fee limit for voluntary and mandatory reviews has been eliminated.
	Effective date: Projects submitted on or after April 1, 2012.

Fees for Projects with Greater Than 20% Commercial and Non-residential Use and Requests for Marketing Phase Approval	
No additional fee charged above the base fee, if applicable, and the per unit fee.	An additional one-time fee of \$5,000 above the base fee and the per unit fee. Effective date: Projects submitted on or after April 1, 2012.
Fees for Approval of Subsequent Phases	
The fee is the greater of \$600 or \$30 for each new unit coming online in the additional legal phases of a previously approved project.	The fee is the greater of \$1,000 or \$30 for each new unit coming online in the additional legal phases of a previously approved project. Effective date: Submissions of additional legal phases on or after April 1, 2012.
Fees for Extensions of Conditional or Final Project Approvals	
The fee is the greater of \$500 or \$30 for each unit in the legal phase or project.	The fee is the greater of \$1,000 or \$30 for each unit in the legal phase or project.
Duration of Conditional or Final Project Approvals	
The initial term of the Conditional Approval is 6 months; Final Project Approval is 12 months.	The initial term of the Conditional Project Approval is extended to 9 months; Final Project Approval is extended to 18 months. Effective date: The extended approval term will only be granted on projects and legal phases submitted on or after April 1, 2012.

NOTE: *The applicable review fee is assessed regardless of the decision.*

As a reminder, a PERS review is mandatory for the following project types:

- new and newly converted condo projects consisting of attached units located in Florida;
- newly converted, non-gut rehabilitation condo projects;
- new condo projects that contain one or more units with less than 400 square feet; and
- all condo, co-op, and PUD projects consisting of manufactured homes with the exception of PUD projects that contain multi-width manufactured homes.

Premium Pricing Recapture

This *Selling Guide* update defines a specific remedy that is available to Fannie Mae when a lender has been identified as having unusual prepayment behavior. While not intended to be a blanket policy for all loans, Fannie Mae may request reimbursement for any premium paid in connection with the purchase of a mortgage if the mortgage is paid in full within 120 days from the whole loan purchase date or from the MBS issue date. The purpose of this update is to establish standards for remediation should Fannie Mae determine that a lender has unusual prepayment behavior. In addition, the method for calculating the recapture premium is described.

Updated Selling Guide Topics

- [B2-1.2-05](#), Prohibited Refinancing Practices (Overview)
- [C1-1-01](#), Execution Options (Premium Pricing Recapture)
- [C3-3-02](#), Accessing Buyup and Buydown Ratios and Calculating Payments or Charges (Buyup Payment Recapture)



Effective Date

This policy update is effective immediately.

Maximum Buyup of the MBS Guaranty Fee

[C3-3-03](#), Buying Up and Buying Down the Guaranty Fee for MBS: This topic has been updated to allow a maximum buyup of the guaranty fee of 25 basis points for fixed-rate loans and ARMs plans that have initial fixed-rate periods greater than one year. (For all other ARM plans, the buyup maximum remains unchanged at 16.5 basis points).

In addition, the contents of C3-3-04, Buying Up or Buying Down the Guaranty Fee for ARM MBS has been moved into C3-3-03, and as a result, C3-3-04 has been retired.

Effective Date

These changes are effective for mortgage loans delivered on or after May 28, 2012 with MBS issue dates on or after June 1, 2012.

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

John Forlines
Vice President
Chief Credit Officer for Single-Family Product