

## **Selling Guide Announcement SEL-2012-12**

November 1, 2012

### **Disaster Policy and Updates to DU Refi Plus™ and Refi Plus™ Property Policies**

Extensive disasters - caused by earthquakes, floods, hurricanes, or other catastrophes beyond the borrower's control – result in devastation not only in terms of property damage and destruction but also take a human toll. When disasters occur, Fannie Mae typically issues a lender letter with temporary guidance to lenders about how to proceed with mortgage loans secured by properties located in areas impacted by the disaster that the lenders intend to sell to Fannie Mae. With this Announcement, Fannie Mae is establishing permanent selling policy pertaining to mortgages impacted by a disaster, such as Hurricane Sandy. (Note that the *Servicing Guide* already contains disaster relief policies.)

Fannie Mae is also updating certain existing policies that pertain to DU Refi Plus and Refi Plus property fieldwork requirements, including the requirements that pertain to disasters. As a result of these changes, a lender is not required to determine if an additional inspection or updated appraisal is needed for any DU Refi Plus or Refi Plus transaction. In addition, Fannie Mae is removing the option for lenders to use the original appraisal for Refi Plus transactions.

#### **Properties Affected by a Disaster**

The *Mortgage Selling and Servicing Contract* requires a lender to warrant for each mortgage it delivers to Fannie Mae that the property is not damaged by fire, wind, or other cause of loss and that there are no proceedings pending for the partial or total condemnation of the property. The lender also warrants that the mortgage conforms to all applicable requirements in the *Selling Guide*, including the requirement that the mortgage is an acceptable investment. Finally, the lender represents and warrants that it knows of nothing involving the mortgage or the property that can reasonably be expected to cause the mortgage to become delinquent or adversely affect the mortgage's value or marketability.

#### **Mortgage Loans Other Than DU Refi Plus and Refi Plus**

Lenders must be able to make these warranties for all mortgages other than DU Refi Plus and Refi Plus. Before delivery of a loan to Fannie Mae, lenders are expected to take prudent and reasonable actions to determine whether the condition of the property may have materially changed since the effective date of the appraisal report. Therefore, lenders are responsible for determining if an inspection of the property and/or new appraisal is necessary to support this warranty.

Lenders should use the following criteria when determining if the mortgage can be delivered to Fannie Mae:

- If the property has been damaged and the damage does not affect the safety, soundness, or structural integrity of the property and the repair items are covered by insurance, the lender may deliver the mortgage to Fannie Mae. In these circumstances, the lender must ensure that professional estimates of the repair costs are obtained and that sufficient insurance proceeds are held for the borrower's benefit to guarantee the completion of the repairs.
- If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired before the mortgage loan is delivered to Fannie Mae.

## ***DU Refi Plus and Refi Plus Mortgage Loans***

A lender is not required to determine if an additional inspection and/or new appraisal of the property is necessary after a disaster. Fannie Mae will not require a property secured by a DU Refi Plus or Refi Plus mortgage that was damaged as a result of a disaster to be repaired prior to delivery as long as the loan meets the property insurance requirements described in the *Selling Guide*, Chapter B7-3, Hazard and Flood Insurance.

## **Elimination of DU Refi Plus Property Fieldwork Waiver Requirements Related to Additional Inspections and/or Appraisals**

For certain DU Refi Plus loan casefiles, DU will offer a DU Refi Plus property fieldwork waiver. The *Selling Guide* currently requires the lender to obtain an inspection and/or an appraisal if the lender has additional information about the property, including information that the property was damaged due to a hurricane or other event.

Fannie Mae is eliminating this requirement. If DU offers the property fieldwork waiver on the final submission of the loan casefile to DU, the lender may exercise the waiver as long as the waiver offer is not more than four months old on the date of the note and mortgage. Refer to the *Selling Guide*, B5-5.2-03, DU Refi Plus and Refi Plus Property Valuation and Project Standards, for additional information about the DU Refi Plus property fieldwork waiver requirements.

## **Updated Refi Plus Property Valuation Requirements**

To better align with Announcement SEL-2012-09, *Updates to Refi Plus™ and DU Refi Plus™*, which relieved the lender of the responsibility to make any representation or warranty as to the value, marketability, or condition of the subject property when a new appraisal is obtained, Fannie Mae is eliminating the option that allows the lender to use the original appraisal for Refi Plus transactions. A new appraisal based on an interior and exterior inspection is required for all Refi Plus transactions, and the lender is relieved of its representations and warranties with respect to the value, condition, and marketability of the property. Given that lenders were rarely able to represent and warrant to the original value, marketability, and condition of the property, this change should have no impact on a lender's ability to offer Refi Plus to eligible borrowers.

Related to the removal of the option of using the original appraisal for Refi Plus, Fannie Mae is also removing the "Refi Plus Natural Disasters and FEMA Disaster Areas" policy from B5-5.2-03. This policy, which is now contrary to the new disaster policy described above, only applied when the lender was relying on the original appraisal report.

### ***Effective Date***

These updates are effective immediately. The *Selling Guide* will be updated at a later date to incorporate these changes.

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

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