



## ***Selling Guide Announcement SEL-2018-01***

**January 30, 2018**

### ***Selling Guide Updates***

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

- Federal Tax Installment Plans
- Detached Condo Projects
- Minor Litigation in Projects
- Field Reviews for Properties Valued at \$1,000,000+
- Second Appraisals
- Revised Form 360

Each of the updates is described below. The affected topics for each policy change are listed on the Attachment. The *Selling Guide* provides full details of the policy changes. The updated topics are dated January 30, 2018.

#### **Federal Tax Installment Plans**

We are updating the *Selling Guide* to allow the monthly payment due under an IRS income tax installment agreement to be included in the DTI ratio (in lieu of payment in full), provided the following requirements are met:

- There is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county in which the subject property is located.
- The lender must obtain the following documentation:
  - an approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due; and
  - evidence the borrower is current on the payments associated with the tax installment plan. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date. At least one payment must have been made prior to closing.

#### **Effective Date**

Lenders can take advantage of this change immediately.

#### **Detached Condo Projects**

Currently our policy allows for all detached condo units (other than site condos, which do not require project review) to be reviewed under the Limited Review process. Additionally, the Guide does not allow construction-to-permanent financing for detached condos. With this update we are:

- waiving project review requirements for all detached condo units;
- removing references to site condos so that all detached condos will be treated the same;
- specifically reminding lenders that all detached units must meet property standards, appraisal standards, insurance, and priority lien requirements;



- allowing construction-to-permanent financing for detached condos;
- requiring Special Feature Code (SFC) 588 and project code V for all detached condo loans at delivery; and
- retiring SFC 917 that was required for site condos.

**NOTE:** *These changes do not apply to manufactured housing units in condo projects.*

The *Special Feature Codes* list, which is available on our [website](#), has also been updated.

### **Effective Date**

Lenders can take advantage of these changes immediately. The Desktop Underwriter® (DU®) messaging regarding detached condo units will be modified in a future release to reflect these changes. Until that time, lenders may disregard the current project review messages. Additionally, lenders may deliver detached condos underwritten as construction and construction-to-permanent with an Approve/Ineligible recommendation if the ineligible status is only due to the loan purpose and property type.

### **Minor Litigation in Projects**

Currently, we allow lenders to deliver loans secured by units or shares in condo and co-op projects that are the subject of minor litigation. The Guide describes the types of minor litigation that we deem acceptable. With this update, we are expanding the project-related litigation policy to allow for more flexibility. Specifically, eligible minor litigation criteria has been expanded to now include the following:

- the HOA or co-op corporation is the plaintiff in the litigation and upon investigation and analysis the lender has reasonably determined the matter is minor and will result in an insignificant impact to the financial stability of the project;
- the reasonably anticipated or known damages and legal expenses are not expected to exceed 10% of the project's funded reserves;
- the HOA or co-op corporation is seeking recovery of funds for issues that have already been remediated, repaired, or replaced and there is no anticipated material adverse impact if funds are not recovered; and
- litigation concerning localized damage to a unit in the project that does not impact the overall safety, structural soundness, habitability, or functional use of the project.

In addition, we have clarified the policy related to litigation involving death or injury, and litigation for construction defects.

### **Effective Date**

Lenders may take advantage of these changes immediately.

### **Field Reviews for Properties Valued at \$1,000,000+**

Currently, we require a field review (Form 2000 or 2000A) on properties valued at \$1,000,000 or more when the LTV, CLTV, or HCLTV ratio exceeds 75%. The purpose of this requirement was to mitigate the perceived risk of overvaluation on properties with high appraised values. Based on our analysis of field reviews, and advances in property valuation due to the use of Collateral Underwriter® (CU™), we are removing this requirement for field reviews. CU and the independent risk assessment it provides and other tools and advances in managing appraisal quality, enable us to mitigate this risk.



## Effective Date

Lenders can take advantage of this change immediately. The field review messages will be removed with DU Version 10.2 (weekend of March 17, 2018). Until that time, lenders may disregard the messages.

## Second Appraisals

We updated the Guide to clarify our policy on second appraisals. Currently, if a lender obtains a second appraisal, they must use that appraisal for the transaction. Going forward, the lender must document the deficiencies that are the basis for ordering a new appraisal and must select the most reliable appraisal, rather than always using the second appraisal or the one with the highest value.

This clarification more clearly aligns the requirements for second appraisals in the *Selling Guide* with the requirements contained in the *Appraiser Independence Requirements* and in the *Interagency Appraisal Guidelines*. These clarifications are designed to simplify lenders' processes and provide greater consistency with other secondary market investors.

## Effective Date

Lenders may take advantage of this update immediately.

## Revised Form 360

In an effort to simplify the process of validating sellers' and servicers' authorized signers, we have redesigned and enhanced the process of submitting an executed *Certificate of Authority, Incumbency, and Specimen Signatures* ([Form 360](#)). This Form is used to establish individuals who are authorized to act on behalf of sellers and servicers to provide us with instructions for wire transfers and Automated Clearing House (ACH) transactions in connection with the sale or servicing of mortgages. Form 360 will be the sole document used to validate signatures on Forms 482 and 1072.

Changes to the Form include:

- expanded purpose for the authorization of ACH,
- ability to add an unlimited number of authorized signers,
- ability to electronically sign with an image of the signature,
- streamlined path for submission via email (hard copies are no longer required),
- optional ready-to-use functional Resolution, and
- revised instructions.

## Effective Date

The revised form is effective March 1, 2018 and will be required from all sellers and servicers prior to adding, updating, or deleting wire transfer and ACH instructions.

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



Carlos T. Perez  
Senior Vice President and  
Chief Credit Officer for Single-Family



## Attachment

Section of the Announcement	Updated <i>Selling Guide</i> Topics
Federal Tax Installment Plans	<ul style="list-style-type: none"><li>▪ <a href="#">B3-6-05, Monthly Debt Obligations</a></li><li>▪ <a href="#">B3-6-07, Debts Paid Off At or Prior to Closing</a></li></ul>
Detached Condo Projects	<ul style="list-style-type: none"><li>▪ <a href="#">B4-2.1-01, General Information on Project Standards</a></li><li>▪ <a href="#">B4-2.2-01, Limited Review Process</a></li><li>▪ <a href="#">B4-2.2-05, Requirements for Review of Detached Condos</a></li><li>▪ <a href="#">B5-3.1-01, Conversion of Construction-to-Permanent Financing Overview</a></li></ul>
Minor Litigation in Projects	<ul style="list-style-type: none"><li>▪ <a href="#">B4-2.1-02, Ineligible Projects</a></li></ul>
Field Reviews for Properties Valued at \$1,000,000+	<ul style="list-style-type: none"><li>▪ <a href="#">B5-1-01, High-Balance Mortgage Loan Eligibility and Underwriting</a></li></ul>
Second Appraisals	<ul style="list-style-type: none"><li>▪ <a href="#">B4-1.3-12, Quality Assurance</a></li></ul>
Revised Form 360	<ul style="list-style-type: none"><li>▪ <a href="#">C2-1.1-02, Pricing, Fees, and Pricing Adjustments</a></li><li>▪ <a href="#">C2-2-06, Authorization to Transfer Funds</a></li><li>▪ <a href="#">E-1-03, List of Contacts</a></li></ul>