



Selling Guide Announcement SEL-2018-07

September 4, 2018

Selling Guide Updates

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

- Renaming of Property Inspection Waivers
- Rural High-Needs Appraisal Waiver
- Seller/Servicer Eligibility
- Liability and Fidelity/Crime Insurance for Projects
- Single-Entity Ownership of Co-op Projects

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 September 4, 2018.

In addition, updates to the following are described in this Announcement:

- Approved Mortgage Insurers List and Mortgage Insurance Forms

Renaming of Property Inspection Waivers

The property inspection waiver (PIW) and property fieldwork waiver (PFW) names have been updated to “appraisal waiver” throughout the *Selling Guide* to align with industry terminology. Currently, PIWs are offered on certain Desktop Underwriter® (DU®) loan casefiles, and PFWs are offered on DU Refi Plus™ loan casefiles. Adopting the term appraisal waivers will provide greater clarity and transparency about waiver offers. This is a terminology change only, and there are no changes to our appraisal policy as a result of this renaming.

Rural High-Needs Appraisal Waiver

In support of our commitment to homeownership sustainability, we are introducing appraisal waivers for certain home purchase transactions in designated rural high-needs areas. The rural high-needs appraisal waiver is for low- to moderate-income borrowers purchasing homes in targeted rural areas. Appraisal waiver offers for eligible transactions are contingent on obtaining a home inspection. The lender must review the home inspection report and follow our property condition guidelines to confirm safety, soundness, and structural integrity. This waiver will be offered through DU on a limited basis and will be considered for the following transactions only:

- Loan casefiles that receive an Approve/Eligible recommendation,
- Purchase transactions,
- One-unit principal residence properties (excluding manufactured homes) located in a designated rural high-needs area, as defined by our Duty to Serve obligations,
- Borrowers with income at or below 100% of the area median income,
- LTV ratios up to 97% and CLTV ratios up to 105% with a Community Seconds®.

This appraisal waiver may be combined with other transactions types, such as HomeReady®.



Effective Date

The enhancement will be available in DU later this year and will be announced in a future DU Release Notes.

Seller/Service Eligibility

With this month's Part A consolidation, we have focused primarily on maintaining Fannie Mae seller/service status and the submission of financial statements and reports. Although there have been no substantive changes to policy as a result of this continued effort, we are highlighting the following:

- All content previously found in A1-1-01: Application and Approval of Seller/Service, has been eliminated from the *Selling Guide* as it is considered to be pre-contractual in nature. Policy related to *Special Seller/Service Approval and the MSSC Addendum* has been relocated to A2-1-01: Contractual Obligations for Sellers/Services. All other information can be found on Fannie Mae's website in the [Path to Approval Toolkit](#).
- We clarified that a requirement of maintaining seller/service eligibility is that the circumstances and qualifications that were in place for Fannie Mae's consideration at the time of the lender's approval must not adversely change after approval.
- We also have specified sellers/services must send us 60 days' advance written notice of any proposed major change in its organization.
- In addition, we streamlined policy pertaining to minimum financial requirements, and consolidated fees and financial covenants requirements into easy-to-read tables.

Liability and Fidelity/Crime Insurance for Projects

We have updated the *Selling Guide* to reflect the following:

- Two- to four-unit condo projects do not require a project review, so further reference to these projects has been removed from B7-4-01, Liability Insurance.
- We also clarified that fidelity/crime coverage is not required for projects that meet the criteria for a waiver of project review in accordance with B4-2.1-02, Waiver of Project Review.
- Both liability and fidelity/crime insurance have been updated to remove the requirement for the policies to provide a provision for notification to the condo association or co-op corporation when a policy is substantially modified. However, ten days' notification is still required when the policies are being cancelled.
- Miscellaneous other clarifications and updates have been made.

Effective Date

Lenders can take advantage of these changes immediately, but must implement them by January 1, 2019.

Single-Entity Ownership of Co-op Projects

On June 5, 2018, several updates were made to our condo and co-op policies. At that time, we made changes to the single-entity ownership policy for condo and co-op projects. However, this update is to address a change that was inadvertently overlooked during that Guide update. Specifically, the 10% single-entity ownership policy for co-ops has been changed to 20%, as previously announced.



Approved Mortgage Insurers List and Mortgage Insurance Forms

We have updated the [Approved Mortgage Insurers and Related Identifiers](#) to remove United Guaranty Mortgage Indemnity Company. UG Indemnity, an Arch Group company, was placed in run-off effective September 2017 and has not accepted mortgage insurance applications since that time. Arch intends to merge UG Indemnity into United Guaranty Residential Insurance Company (UGRIC) effective September 30, 2018, at which time UG Indemnity will no longer exist; insurance written to date will remain with UGRIC as the surviving entity. There is no impact to the use of MI Code 12 or the ULDD Enumerated Value (UGI) delivered by lenders to identify loans insured by UGRIC. If we change our delivery requirements in the future, we will provide advance notice to lenders.

The [list of Approved Mortgage Insurance Forms](#) has also been updated with the following:

Form/Version No.	Update
EGI-1003.001 (09/17)	New Essent Guaranty, Inc. Declaration Page (with Texas Disclosure of Guaranty Fund Nonparticipation)
MP1480-END-8 (6/18)	New Genworth Mortgage Insurance Corporation Home Suite Home Supplemental Coverage Program Endorsement;
<ul style="list-style-type: none">71-70380 (11/17)71-70381 (7/18)	New Mortgage Guaranty Insurance Corporation documents: <ul style="list-style-type: none">Multiple Loan Coverage Endorsement.Commitment/Certificate (for Multiple Loan Coverage Endorsement)
<ul style="list-style-type: none">RAF509, 4/17RAF510, 8/17	New Radian Guaranty, Inc. endorsements: <ul style="list-style-type: none">Signatory Change Endorsement,Address Change Endorsement
CJA 3117 02/17, DMA 3118 02/17	New United Guaranty Residential Insurance Company Definition of Residential Endorsement. .
	Removed United Guaranty Mortgage Indemnity Company

Lenders who have questions about this Announcement should contact their Fannie Mae Account 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
Renaming of Property Inspection Waivers	<ul style="list-style-type: none"> ▪ B2-3-05, Properties Affected by a Disaster ▪ B4-1.1-02, Lender Responsibilities ▪ B4-1.4-10, Appraisal Waivers ▪ B5-5.2-01, DU Refi Plus and Refi Plus Eligibility ▪ B5-5.2-03, DU Refi Plus and Refi Plus Property Valuation and Project Standards ▪ E-1-02, Acronyms and Abbreviations ▪ E-3-01, Glossary of Fannie Mae Terms: A ▪ E-3-16, Glossary of Fannie Mae Terms: P
Rural High-Needs Appraisal Waiver	<p>A2-2.1-06, Representations and Warranties on Property Value</p> <p>B4-1.4-10, Appraisal Waivers</p>
Seller/Servicer Eligibility	<ul style="list-style-type: none"> • A1-1-01, Application and Approval of Seller/Servicer • A2-1-01, Contractual Obligations for Sellers/Servicers • A4-1-01, Maintaining Seller/Servicer Eligibility • A4-2-01, Financial Statements and Reports • A4-2-02, Lender Record Information (Form 582) (Deleted) • A4-3-01, Report of Changes in the Seller/Servicer's Organization • E-3-12, Glossary of Fannie Mae Terms: L
Fidelity and Liability Insurance	<ul style="list-style-type: none"> • B4-2.1-01, General Information on Project Standards • B4-2.1-02, Waiver of Project Review • B4-2.2-05, FHA-Approved Condo Review Eligibility • B4-2.3-03, Legal Requirements for Co-op Projects • Chapter B7-4, Liability and Fidelity/Crime Insurance Requirements for Project Developments • B7-4-01, Liability Insurance Requirements for Project Developments • B7-4-02, Fidelity/Crime Insurance Requirements for Project Developments • E-3-06, Glossary of Fannie Mae Terms: F



Section of the Announcement	Updated <i>Selling Guide</i> Topics
Single-Entity Ownership of Co-op Projects	<ul style="list-style-type: none"><li data-bbox="623 363 1057 394">• B4-2.3-02, Co-op Project Eligibility<li data-bbox="623 411 1377 443">• B4-2.3-05, Geographic-Specific Co-op Project Considerations