



Selling Guide Announcement SEL-2019-02

March 6, 2019

Selling Guide Updates

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

- Eligibility Requirements for Manually Underwritten Loans
- Leasehold Estates
- Mortgage Electronic Registration System
- Miscellaneous *Selling Guide* Updates

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 March 6, 2019.

Eligibility Requirements for Manually Underwritten Loans

As a result of the adjustment to the credit risk assessment in Desktop Underwriter® (DU®) Version 10.3, we are making corresponding updates to our eligibility requirements for manually underwritten loans. These updates address loans with multiple risk factors, such as lower credit scores and higher debt-to-income ratios. The changes reflect our continued effort to deliver access and affordability while maintaining sustainable homeownership.

These changes did not impact any topics in the *Selling Guide*; however, we have updated the [Eligibility Matrix](#) (which is incorporated by reference into the Guide). For ease of reference, we have shaded the rows where changes were made in the two matrices that apply to manually underwritten loans in Attachment 2 of this Announcement. Refer to the updated *Eligibility Matrix* for complete details.

Effective Date

Lenders may implement these changes immediately but are required to do so for loans with application dates on or after June 1, 2019 and may deliver loans meeting the prior requirements through August 19, 2019.

Leasehold Estates

We have clarified that one of the lender's responsibilities in the proper review of leasehold estates is to ensure Fannie Mae's first-lien enforceability as part of the terms of the lease. Failure to comply with this requirement at any time is a breach of the life of loan representation and warranty.

Mortgage Electronic Registration System

In our continued effort to combine similar content in the *Selling and Servicing Guides*, we have consolidated shared requirements for sellers and servicers related to the use of Mortgage Electronic Registration Systems (MERS), Inc. Going forward, sellers/servicers may locate MERS-related content in one, streamlined topic in Part B of the *Selling Guide*.



Miscellaneous *Selling Guide* Updates

B2-1-01, Occupancy Types: A principal residence is a property that the borrower occupies as his or her primary residence. However, the parents or legal guardians of a physically handicapped or developmentally disabled adult child do not have to occupy the property and it is also considered a principal residence. With this update, we removed the terms “physically” or “developmentally” from this topic to clarify this long-standing policy as inclusive of all disabilities.

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 1

Section of the Announcement	Updated <i>Selling Guide</i> Topics
Leasehold Estates	<ul style="list-style-type: none">▪ B2-3-03, Special Property Eligibility and Underwriting Considerations: Leasehold Estates
Mortgage Electronic Registration Systems	<ul style="list-style-type: none">▪ B8-7-01, Mortgage Electronic Registration Systems (MERS), Inc.▪ E-1-03, List of Contacts▪ E-3-13, Glossary of Fannie Mae Terms: M



Attachment 2

Standard Eligibility Requirements - Manual Underwriting						
Excludes : High LTV Refinance, HomeReady, HomeStyle Renovation, and Refi Plus						
Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV	Maximum DTI ≤ 36%		Maximum DTI ≤ 45%	
			Credit Score/LTV	Minimum Reserves	Credit Score/LTV	Minimum Reserves
Principal Residence						
Purchase Limited Cash-Out Refinance	1 Unit	FRM/ARM: 95%	680 if > 75% 640 if ≤ 75%	0	720 if > 75% 680 if ≤ 75%	0
			FRM: 620 if ≤ 75%	2		
			660 if > 75%	6	700 if > 75% 660 if ≤ 75%	6
	2 Units	FRM/ARM: 85%	680 if > 75% 640 if ≤ 75%	6	700 if > 75% 680 if ≤ 75%	6
	3-4 Units	FRM/ARM: 75%	660	6	680	6
Cash-Out Refinance	1 Unit	FRM/ARM: 80%	680 if > 75% 660 if ≤ 75%	0	700 if > 75% 680 if ≤ 75%	2
			660 if > 75% 640 if ≤ 75%	6		
	2-4 Units	FRM/ARM: 75%	680	6	700	6
			680	6	680	12
Second Home						
Purchase Limited Cash-Out Refinance	1 Unit	FRM/ARM: 90%	680 if > 75% 640 if ≤ 75%	2	720 if > 75% 680 if ≤ 75%	2
					700 if > 75% 660 if ≤ 75%	12
Cash-Out Refinance	1 Unit	FRM/ARM: 75%	680	2	700	2
					680	12
Investment Property						
Purchase	1 Unit	FRM/ARM: 85%	680 if > 75% 640 if ≤ 75%	6	700 if > 75% 680 if ≤ 75%	6
	2-4 Units	FRM/ARM: 75%	660	6	680	6
Limited Cash-Out Refinance	1 Unit	FRM/ARM: 75%	660	6	680	6
	2-4 Units	FRM/ARM: 75%	680	6	700	6
Cash-Out Refinance	1 Unit	FRM/ARM: 75%	700	6	720	6
					700	12
	2-4 Units	FRM/ARM: 70%	700	6	720	6
					700	12



Attachment 2

HomeStyle Renovation and HomeReady - Manual Underwriting ⁽²⁾						
			Maximum DTI ≤ 36%		Maximum DTI ≤ 45%	
Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV	Credit Score/LTV	Minimum Reserves	Credit Score/LTV	Minimum Reserves
HomeStyle Renovation Mortgage						
Principal Residence						
Purchase Limited Cash-Out Refinance	1 Unit	FRM/ARM: 95%	680 if > 75% 640 if ≤ 75%	0	720 if > 75% 680 if ≤ 75%	0
			FRM: 620 if ≤ 75%	2	700 if > 75% 660 if ≤ 75%	6
			660 if > 75%	6		6
	2 Units	FRM/ARM: 85%	680 if > 75% 640 if ≤ 75%	6	700 if > 75% 680 if ≤ 75%	6
	3-4 Units	FRM/ARM: 75%	660	6	680	6
Second Homes						
Purchase Limited Cash-Out Refinance	1 Unit	FRM/ARM: 90%	680 if > 75% 640 if ≤ 75%	2	720 if > 75% 680 if ≤ 75%	2
					700 if > 75% 660 if ≤ 75%	12
Investment Property						
Purchase	1 Unit	FRM/ARM: 85%	680 if > 75% 640 if ≤ 75%	6	700 if > 75% 680 if ≤ 75%	6
Limited Cash-Out Refinance	1 Unit	FRM/ARM: 75%	660	6	680	6
HomeReady Mortgage						
Principal Residence						
Purchase Limited Cash-Out Refinance	1 Unit	FRM/ARM: 95%	680 if > 75% 640 if ≤ 75%	0	720 if > 75% 680 if ≤ 75%	0
			FRM: 620 if ≤ 75%	2	700 if > 75% 660 if ≤ 75%	6
			660 if > 75%	6		
	2 Units	FRM/ARM: 85%	680 if > 75% 640 if ≤ 75%	6	700 if > 75% 680 if ≤ 75%	6
	3-4 Units	FRM/ARM: 75%	660	6	680	6