



## ***Selling Guide* Announcement SEL-2019-09**

**December 4, 2019**

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

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

- Calculating the Monthly Real Estate Tax Payment
- Non-Applicant Debt Clarification
- Bridge Loans in Monthly Debt Obligations
- Titling Manufactured Homes
- Waiver of Assignments for Properties in Puerto Rico
- Simplification of Capital Markets Processes
  - MBS Settlement Flexibility
  - Seller Activation for Servicing Execution Tool™ (SET™) or Servicing Marketplace®
  - MBS Trading Portal Terms and Conditions
- Fidelity Bond and Errors and Omissions Reporting Mailbox
- Miscellaneous *Selling Guide* Update

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 December 4, 2019.

#### **Calculating the Monthly Real Estate Tax Payment**

Our current policy requires lenders to estimate the real estate taxes based on land value and proposed improvements when the subject loan is new construction. With this update, we are clarifying that lenders are required to use a reasonable estimate of the real estate taxes based on the market value of the land and completed improvements for all purchase and new construction transactions. This policy applies to the monthly tax payment used for loan qualification purposes and for establishing the payment for the escrow account.

#### **Effective Date**

Lenders may implement this change immediately but must do so for applications dated on or after March 1, 2020.

#### **Non-Applicant Debt Clarification**

The *Selling Guide* currently permits lenders to omit debts identified as non-applicant accounts from Desktop Underwriter® (DU®) and exclude them from the borrower's DTI ratio when supporting documentation is provided. With the December 2019 updates to DU, a corresponding message identifying potential non-applicant accounts will be retired. We have updated the Guide to consolidate the non-applicant accounts policy in a single topic that applies to both DU and manually underwritten loans, and to clarify that lenders may continue to apply the policy to exclude non-applicant accounts after the retirement of the DU message.

#### **Effective Date**

These changes will apply to loan casefiles submitted or resubmitted to DU on or after the weekend of December 7, 2019. For manually underwritten loan applications, the clarifications apply immediately.



## Bridge Loans in Monthly Debt Obligations

*Selling Guide* B3-4.3-14, Bridge/Swing Loans permits a bridge loan (also referred to as a “swing” loan) to be an acceptable source of funds provided certain requirements are met. This topic also refers the reader to B3-6-05, Monthly Debt Obligations for more information about how to treat the resulting contingent liability; however, that topic is silent about bridge loans.

We have updated B3-6-05 to describe when a bridge loan must be included (and when it can be excluded) from monthly debt obligations and the DTI ratio based on the existing policy in B3-4.3-14. We have not changed any of the existing requirements.

## Titling Manufactured Homes

Manufactured homes are often first titled as personal property, but they must be titled as real property for lenders to deliver the mortgage us. The process for titling as real property varies by state, and the variety of approaches is particularly complex and challenging for lenders originating manufactured home loans in more than one state. To assist lenders in originating manufactured homes in various states, we have published information on titling them as real property: [Titling Requirements for Manufactured Homes](#). This information does not constitute legal advice; lenders must consult their own legal counsel.

### Effective Date

This information is available for immediate use. We will add titling information for additional states throughout 2020.

## Waiver of Assignments for Properties in Puerto Rico

Assignments of mortgages generally are not recordable in Puerto Rico. We have removed the requirement for assignments of mortgages for loans in Puerto Rico from the *Selling Guide*. Endorsements on the note must evidence ownership of the debt and reflect any transfer of interest in the property.

### Effective Date

Lenders may take advantage of this change immediately.

## Simplification of Capital Markets Processes

We are always looking for ways to simplify processes that make it easier to do business with us and easier to sell loans to us. The enhancements described below will provide pooling flexibility with quicker MBS settlement, less complicated system activation, and reduced contracting procedures.

### MBS Settlement Flexibility

We recently communicated to our MBS customers additional flexibility when selecting the MBS settlement date – allowing customers to pool sooner if they choose to do so. The standard book entry form is now three business days for Fannie Majors® and four business days for single-issuer pools.

	Previously	As of October 15
Fannie Majors	6 business days	3 business days*
Single-issuer Pool	6 business days	4 business days*
Flash MBS®	3-4 business days	(eliminated – Flash becomes Standard for all pool deliveries)

*\*Provided we receive an error-free documentation package via Loan Delivery. The last day to submit in Loan Delivery remains the 5th business day prior to the end of the month for both Majors and single-issuer pools.*



These changes do not require any updates to lender systems or processes. We have updated the *Selling Guide* to remove references to Flash MBS and reflect the timeline changes noted above. See the [Delivering MBS Securities FAQs](#) and Settlement Calendar on our [website](#) for additional information.

### **Effective Date**

Lenders may take advantage of this change immediately.

### **Seller Activation for Servicing Execution Tool (SET) or Servicing Marketplace**

Currently, the *Selling Guide* describes the minimum requirements for a seller to be eligible for SET and Servicing Marketplace. The seller must then execute an addendum to the *Mortgage Selling and Servicing Contract (MSSC)* with us. With this update of the Guide, we are simplifying the process for sellers. The Guide is updated to state if a seller meets the eligibility requirements, we may (but are not required to) activate a seller for SET and/or Servicing Marketplace. We will no longer require execution of an addendum. A seller may view whether it has access by logging into Fannie Mae's whole loan committing application. We, in our discretion at any time, may terminate a seller's participation in SET and Servicing Marketplace (which will be effective immediately upon termination).

### **Effective Date**

We will begin activating eligible sellers based on this new policy beginning January 27, 2020.

### **MBS Trading Portal Terms and Conditions**

Currently, for lenders to participate in our MBS Trading Portal (also referred to as the electronic trading platform), they must execute an addendum to the Software Subscription Agreement (SSA) Master Terms and Conditions. In an effort to simplify the process and make it easier for lenders to do business with us, we have updated the *Selling Guide* to add the terms and conditions necessary to use the trading platform.

By accessing the platform, the lender agrees with the following:

- the platform is a Licensed Application as defined in the Master Terms and Conditions,
- the lender is subject to the SSA Master Terms and additional terms we have added to the Guide that are specific to the platform.

**NOTE:** See the *Miscellaneous Updates* section below for a description of changes we made to the SSA Master Terms and Conditions (changes not specifically related to the platform).

### **Effective Date**

These terms and conditions apply to customers that are currently using the trading platform. We will activate additional lenders who are approved to trade TBA with Fannie Mae throughout 2020. Lenders interested in participating in the platform may contact the Capital Markets Sales Desk or their Fannie Mae account team.

### **Fidelity Bond and Errors and Omissions Reporting Mailbox**

Sellers/servicers are reminded they must report fidelity bond and errors and omissions events to us:

- within 30 days after discovery of the occurrence of a single fidelity bond or errors and omissions policy loss that is mortgage related and the amount exceeds the lesser of \$250,000 or the policy's deductible, even when no claim will be filed or when Fannie Mae's interest will not be affected; and
- within ten business days of receipt of a notice from the insurer regarding the intended cancellation, reduction, nonrenewal, or restrictive modification of the seller/servicer's fidelity bond or errors and omissions policy.



We updated the Guide to include this mailbox for reporting these events to us:  
[fidelity\\_bond\\_and\\_errors\\_and\\_omissions\\_claims@fanniemae.com](mailto:fidelity_bond_and_errors_and_omissions_claims@fanniemae.com).

**Effective Date**

Sellers/servicers are encouraged to implement this change immediately but must do so by February 1, 2020.

**Miscellaneous Selling Guide Update**

**Retirement of Additional Data Elements Application.** Until recently, when lenders had changes to housing goals data on loans submitted through Loan Delivery, corrections had to be submitted through the Additional Data Elements (ADE) application. Based on customer feedback, we improved the process for submitting corrections and announced the retirement of the ADE application earlier this year. With this update, we replaced references to ADE with the new process for submitting corrections. (See the Attachment for the list of impact topics.)

**Retirement of Message Manager Application.** As part of Fannie Mae’s ongoing effort to streamline reporting applications, lender reports have gradually transitioned from the Message Manager As-Is application to Fannie Mae Connect™. The transition is complete, and Message Manager As-Is will be retired on December 22, 2019. With this update, we have replaced references to Message Manager with [Fannie Mae Connect](#). (See the Attachment for the list of impact topics.)

**E-2-04, Software Subscription Agreement Master Terms and Conditions.** On October 4, 2019, we issued [Bulletin Master Terms 19-01](#). This Bulletin amended and restated the SSA Master Terms and Conditions that are posted on our website. We have updated the version of the SSA Master Terms and Conditions that is in the Guide to align with the changes in the Bulletin. Following is a description of the changes made to this the SSA.

New Master Terms Section/Title	Description of Change
2 - Definitions	“Licensed Application” was revised to include any API.
3 - Grant of Rights and Imposition of Obligations: Additional Provisions	Provisions applicable to SF Lenders that are related to system and data security are found in Section 6 of the Master Terms.
5.7.2 - Terms Pertaining to Integration Interfaces and APIs	The prohibition on misrepresentation or masking identities now extends to the identity of the API client. Rate or other limits may be exceeded with Fannie Mae’s prior written consent. In addition to uses that are excessive or abusive, Licensees are prohibited from using an Integration Interface or API in a manner that is disruptive. Licensees need only provide reasonable access to Licensee’s Software. Fannie Mae may modify its APIs and use data and information related to use of APIs for its business purposes.
5.10 - Rights in Data	This Section underwent a general revision.
12 – Term and Termination: Termination	This Section was re-formatted. In addition, provisions pertaining to cure in the event of a breach of the Master Terms or a Schedule were added.
12 – Term and Termination: Certain Licensee Termination Obligations	The term “Proprietary Information” was changed to “Confidential Information” to conform to the relevant term defined in Section 2.

\*\*\*\*\*

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

Malloy Evans  
 Senior Vice President and  
 Chief Credit Officer for Single-Family



## Attachment

Section of the Announcement	Updated <i>Selling Guide</i> Topics
Calculating the Monthly Real Estate Tax Payment	<ul style="list-style-type: none"> <li>▪ <a href="#">B2-1.4-04, Escrow Accounts</a></li> <li>▪ <a href="#">B3-6-03, Monthly Housing Expense</a></li> </ul>
Non-Applicant Debt Clarification	<ul style="list-style-type: none"> <li>▪ <a href="#">B3-2-10, Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report</a></li> <li>▪ <a href="#">B3-5.3-09, DU Credit Report Analysis</a></li> <li>▪ <a href="#">B3-6-05, Monthly Debt Obligations</a></li> </ul>
Additional Data Elements Application Retirement	<ul style="list-style-type: none"> <li>▪ <a href="#">C1-2-02, Loan Data and Documentation Delivery Requirements</a></li> <li>▪ <a href="#">E-1-02, Acronyms and Abbreviations</a></li> <li>▪ <a href="#">E-3-01, Glossary of Fannie Mae Terms: A</a></li> </ul>
Bridge Loans in Monthly Debt Obligations	<ul style="list-style-type: none"> <li>▪ <a href="#">B3-6-05, Monthly Debt Obligations</a></li> <li>▪ <a href="#">E-3-02, Glossary of Fannie Mae Terms: B</a></li> </ul>
Titling Manufactured Homes	<ul style="list-style-type: none"> <li>▪ <a href="#">B5-2-05, Manufactured Housing</a></li> </ul>
Waiver of Assignments for Properties in Puerto Rico	<ul style="list-style-type: none"> <li>▪ <a href="#">B8-6-02, Mortgage Assignment to Fannie Mae</a></li> <li>▪ <a href="#">B8-6-03, Authorized Use of Intervening and Blanket Assignments</a></li> </ul>
MBS Settlement Flexibility	<ul style="list-style-type: none"> <li>▪ <a href="#">C3-6-01, Parameters for Pooling Loans into Fannie Majors</a></li> <li>▪ <a href="#">C3-7-06, Settling the Trade</a></li> <li>▪ <a href="#">E-3-06, Glossary of Fannie Mae Terms: F</a></li> </ul>
Seller Activation for Servicing Execution Tool (SET) or Servicing Marketplace	<ul style="list-style-type: none"> <li>▪ <a href="#">A3-3-02, Concurrent Servicing Transfers</a></li> <li>▪ <a href="#">C2-1.3-01, Servicing Execution Tool and Servicing Marketplace</a></li> </ul>
MBS Trading Portal Terms and Conditions	<ul style="list-style-type: none"> <li>▪ <a href="#">C3-7-01, Establishing an MBS Trading Account</a></li> </ul>
Fidelity Bond and Errors and Omissions Reporting Mailbox	<ul style="list-style-type: none"> <li>▪ <a href="#">A3-5-04, Reporting Fidelity Bond and Errors and Omissions Events</a></li> <li>▪ <a href="#">E-1-03, List of Contacts</a></li> </ul>



Section of the Announcement	Updated <i>Selling Guide</i> Topics
Retirement of Message Manager Application	<ul style="list-style-type: none"><li>▪ <a href="#">C2-2-05, Whole Loan Purchasing Process</a></li><li>▪ <a href="#">C3-3-02, Accessing Buyup and Buydown Ratios and Calculating Payments or Charges</a></li><li>▪ <a href="#">C3-7-06, Settling the Trade</a></li><li>▪ <a href="#">E-3-13, Glossary of Fannie Mae Terms: M</a></li></ul>