



## Selling Guide Announcement (SEL-2021-08)

Sept. 1, 2021

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

- [Use of rent payment history in Desktop Underwriter®](#): allow lenders to utilize a positive rent payment history to help increase homeownership opportunities for certain first-time homebuyers
- [Credit score eligibility in DU®](#): update the credit score used by DU in the eligibility assessment when there is more than one borrower
- [Qualified Mortgage policies](#): incorporate policies in Lender Letter LL-2021-11
- [Update to Form 582](#): updates to provide more detailed instructions related to business continuity, cross-default provisions, and clear reporting standards.
- [Miscellaneous updates](#):
  - Lender down payment assistance:
  - DU Version 11.0 Sept. Updates

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

- [Co-op document requirements](#): update to co-op document requirements

View the list of [impacted topics](#).

### Use of rent payment history in DU

We updated the *Selling Guide* to include recently announced changes to DU that will allow lenders to utilize a positive rent payment history to help increase homeownership opportunities for creditworthy first-time homebuyers. The use of this feature in DU offers an opportunity for applicants who have a credit score, but who may have a limited credit history, to get the benefit of their rent payment history used in the DU credit risk assessment. The following requirements apply when lenders opt to use this data:

- At least one borrower must be a first-time homebuyer with a credit score.
- The borrower must have been renting for at least 12 months with a monthly rent payment of at least \$300.
- The loan must be a purchase transaction secured by a principal residence.
- The lender must:
  - obtain an asset verification report with 12 months of bank statement data through an authorized DU validation service asset verification report vendor, and
  - review the most recent 60 days of account activity (per standard large deposit policy).

**Effective:** During the weekend of Sept. 18, 2021, we will implement an update to DU Version 11.0. This new policy will apply to DU Version 11.0 loan casefiles submitted or resubmitted on or after the weekend of Sept. 18, 2021.



## Credit score eligibility in DU

To support homeownership opportunities for more underserved borrowers, we are updating the credit score used by DU in its eligibility assessment. For most loans with multiple borrowers, DU will no longer use the representative credit score to confirm mortgage loans comply with our minimum 620 credit score requirement. For these loan casefiles, DU will use an average median credit score.

The following is an example of how the average median credit score will be calculated for loans with multiple borrowers.

	<b>Step one: DU will determine each borrower's credit score</b>			<b>Step two: DU will average the borrowers' credit scores to ensure a minimum 620 credit score for the DU loan casefile.</b>
	<i>Middle of the three scores received, or lower of two scores received</i>			
	<b>Score 1</b>	<b>Score 2</b>	<b>Score 3</b>	
<b>Borrower 1</b>	590	619	648	<b>Average median credit score: 656 (average of 619 and 693)</b>  <i>In this example, the representative credit score of 619 would continue to be used for pricing, mortgage insurance, and provided at loan delivery.</i>
<b>Borrower 2</b>	661	693	693	

The representative credit score will continue to be used for the following:

- Minimum credit score requirements for
  - DU loans with **one** borrower,
  - other policies in DU that have minimum credit score criteria (such as multiple financed properties),
  - RefiNow™ loans, and
  - manually underwritten loans
- Pricing on all loans
- Loan delivery on all loans

**Effective:** During the weekend of Sept. 18, 2021, we will implement an update to DU Version 11.0. This new policy will apply to DU Version 11.0 loan casefiles submitted or resubmitted on or after the weekend of Sept. 18, 2021.

## Qualified Mortgage policies

In Lender Letter LL-2021-11, *Loan Eligibility Under the Preferred Stock Purchase Agreement and Revised General Qualified Mortgage Rule*, we described the underwriting and loan eligibility policies that are impacted by the Preferred Stock Purchase Agreement and CFPB's rule. We have updated the *Selling Guide* to incorporate the changes in the Lender Letter where appropriate. The changes include (but are not limited to):

- ability to repay policies,
- APR-APOR spread\*, and
- qualifying interest rates for short-term ARMs.



Note that while we “paused” the acquisition of high LTV refinance loans, Chapter B5-7, High Loan-to-Value Refinance Option, remains in the Guide unchanged (with a short reference to the pause). We will communicate any changes to this option in a future Guide update.

\* Correction: In LL-2021-11 we stated that the APR-APOR spread for ATR Exempt Loans should be calculated using HOEPA methods. With this Guide update we have updated the APR-APOR spread policy for ATR Exempt Loans to reflect that it should be calculated in accordance to the Revised General QM rule (the same as it is for ATR Covered loans).

**Effective:** Refer to the effective dates in [LL-2021-11](#).

## Update to Form 582

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We have updated the *Lender Record Information* (Form 582), and related shared *Selling* and *Servicing Guide* policies to make it clear that Fannie Mae must be notified of certain events, including any actions or events that could have a material adverse effect on:

- a seller/servicer’s origination or servicing of Fannie Mae loans,
- the financial condition of the business or operations, or
- the ability to comply with the Lender Contract or requirements of our *Selling Guide*.

As a reminder, each seller/servicer must submit Form 582 electronically when it submits its annual financial statements, no later than 90 days after the end of its fiscal year. We have revised policy to include an additional stipulation that the seller/servicer must submit an updated Form 582 and email Fannie Mae within five business days of any of the occurrence of the specified items above.

In addition, we are requiring sellers/servicers to have written procedures that comply with our current policy for disaster recovery and business continuity when the seller, servicer, or any subservicer contracts with a vendor or third-party service (or technology provider) for any critical business functions or services that could affect their ability to comply with the Lender Contract or the requirements of our *Selling Guide*. The seller/servicer must provide a copy of its business continuity procedures upon receipt of a written request from Fannie Mae.

We made these changes regarding submission of Form 582 so sellers/servicers will better understand our expectations for when updates are necessary.

**Effective:** The updated Form 582 will be published and available for use on Sept. 10, 2021. Sellers/servicers must comply with all associated policy changes by Oct. 1, 2021.

## Co-op share loan documentation requirements

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The [Co-op Share Loan Documentation Requirements](#) have been updated to reflect the following:

- compliance with state laws,
- clarification of acceptable Uniform Commercial Code (UCC) documentation,
- allowing up to 180 days to provide certain UCC documents to the document custodian, and
- other minor edits to bring further clarity and consistency to the document.

These updates did not impact the *Selling Guide*.

**NOTE:** As a reminder, lenders must have special approval to sell co-op share loans to Fannie Mae.



## Miscellaneous updates

**B3-4.3-06, Grants and Lender Contributions:** We have clarified that if a lender is required to provide down payment assistance to satisfy a legal settlement or judgement, enforcement action, or other regulatory action, we will consider purchasing the loan on a negotiated basis.

### DU Version 11.0 Sept. Updates

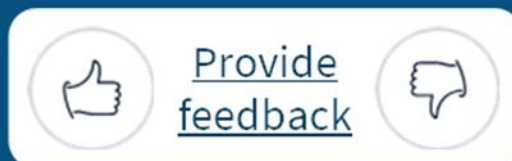
The following topics were updated as a result of the changes in the DU Version 11.0 Sep. Update. See the [Release Notes](#) for additional information.

- **B2-2-03, Multiple Financed Properties for the Same Borrower:** We have updated this topic to reflect how DU will determine the number of financed properties for the loan casefile.
- **B3-2-06, Approve/Ineligible Recommendations:** We have updated the description of this recommendation to reflect that loan casefiles may receive an Ineligible recommendation due to not meeting our stated eligibility requirements or a combination of product features and risk factors that place the loan outside our current acquisition preferences and constraints.
- **B3-3.5-01, Income and Employment Documentation for DU:** Currently when a borrower is self-employed, DU uses the income disclosed in the Monthly Income (or Loss) field on the Form 1003 (1/2021 version) in the total income calculation. With the Sept. 18th release, DU will use the Gross Monthly Income (base, bonus, overtime, etc.) disclosed on the Form 1003 for a self-employed borrower when the ownership share is less than 25%. Monthly Income (or Loss) should only be used for self-employed borrowers with ownership share of 25% or more. The *Selling Guide* has been updated to reflect this change.

**Note:** To facilitate lender and vendor transition to this policy, for a short time DU will continue to use Monthly Income (or Loss) for a self-employed borrower (< 25% share) if there is no Gross Monthly Income provided.

Lenders may contact their Fannie Mae Account Team if they have questions about this Announcement.  
Have guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli.](#)

**Let your voice be heard!** We want your feedback on our policy communications to help us improve the clarity of new and updated policy and understand any implications to borrowers. Click below to take a short survey regarding this Announcement.





## Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated Sept. 1, 2021)
<b>Use of rent payment history in Desktop Underwriter</b>	<ul style="list-style-type: none"><li>▪ <a href="#">B3-2-02, DU Validation Service</a></li><li>▪ <a href="#">B3-2-03, Risk Factors Evaluated by DU</a></li></ul>
<b>Credit score eligibility in DU</b>	<ul style="list-style-type: none"><li>▪ <a href="#">B3-3.1-09, Other Sources of Income</a></li><li>▪ <a href="#">B3-5.1-01, General Requirements for Credit Score</a></li><li>▪ <a href="#">B3-5.1-02, Determining the Representative Credit Score for a Mortgage Loan</a></li><li>▪ <a href="#">B5-3.1-02, Conversion of Construction-to-Permanent Financing : Single-Closing Transactions</a></li></ul>
<b>Qualified Mortgage policies</b>	<ul style="list-style-type: none"><li>▪ <a href="#">A3-2-01, Compliance with Laws</a></li><li>▪ <a href="#">A3-2-02, Responsible Lending Practices</a></li><li>▪ <a href="#">B2-1.4-02, Adjustable-Rate Mortgage</a></li><li>▪ <a href="#">B2-1.5-02, Loan Eligibility</a></li><li>▪ <a href="#">B3-6-04, Qualifying Payment Requirements</a></li><li>▪ <a href="#">B5-7-01, High LTV Refinance Loan and Borrower Eligibility</a></li></ul>
<b>Update to Form 582</b>	<ul style="list-style-type: none"><li>▪ <a href="#">A4-1-01, Maintaining Seller/Servicer Eligibility</a></li><li>▪ <a href="#">A4-1-02, Submission of Financial Statements and Reports</a></li></ul>