



Selling Guide Announcement SEL-2018-03

April 3, 2018

Selling Guide Updates

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

- Full Service Certification Custodians
- Lender Contributions
- Conversion of Construction-to-Permanent Financing: Single-Closing Transactions
- Payee Codes in the Loan Delivery Application
- Retirement of the Out of Compliance Process for Housing Goals Data
- 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 April 3, 2018.

NOTICE

In response to feedback from our lender partners, we are moving the regularly scheduled monthly *Selling Guide* updates to the first Tuesday of the month instead of the end of each month. We hope this schedule better fits in with your monthly demands and makes it easier for you to do business with us.

Full Service Certification Custodians

Fannie Mae's designated document custodian (DDC) has been required for whole loans and other loans held in Fannie Mae's portfolio. Lenders will soon have the option to use full-service certification custodians (FCCs) for whole loans and for loans in MBS. This new option will be available after Fannie Mae has approved the document custodian to be an FCC and the applicable *Master Custodial Agreement* governing FCCs has been fully executed. Accordingly, the *Selling Guide* has been updated with the following changes:

- recognition of a new *Master Custodial Agreement* ([Form 2017](#)), which will govern the custodial relationship among Fannie Mae, the lender, and FCC;
- documentation and delivery requirements for loans delivered to FCCs;
- a certification process for loans delivered to FCCs;
- new process requirements for bailee letters when the document custodian is operating under [Form 2017](#);
- a reference to the lender's view into the Loan Delivery application for loans delivered to the FCC; and
- references to FCCs as an approved document custodian, where applicable.

Lenders should note that Fannie Mae will initiate and control the selection and onboarding of document custodians as FCCs. While we anticipate that a small number of document custodians will be approved as FCCs in the near future, we expect that the number of FCCs will grow over time. We will communicate the availability of FCCs as they become available.



The *Selling Guide* has also been revised to clarify that error-free mortgage documents and data must reach the document custodian no later than the **first morning delivery**, on the day prior to the expiration date of the commitment.

Effective Date

Lenders should take action on these new requirements once they have converted to the new platform and have executed the new [Form 2017](#).

Lender Contributions

With this update we are clarifying that lender-sourced contributions to fund closing costs and prepaid fees that are normally the responsibility of the borrower are permitted provided the following:

A lender-sourced contribution may not be

- used to fund any portion of the down payment;
- subject to repayment requirements, or require financial obligation apart from the subject mortgage; or
- passed to the lender from a third party.

The amount of the lender contribution should not exceed the amount of borrower-paid closing costs and prepaid fees. Otherwise, the amount of the contribution is not limited except when the lender is an interested party to a purchase transaction as defined in B3-4.1-02, Interested Party Contributions, and in that case, the interested party contribution (IPC) policy applies. Any excess lender credit required to be returned to the borrower in accordance with applicable regulatory requirements is considered an overpayment of fees and charges, and may be applied as a principal curtailment or returned in cash to the borrower.

Effective Date

Lenders can take advantage of this change immediately.

Conversion of Construction-to-Permanent Financing: Single-Closing Transactions

We are updating the *Selling Guide* to clarify when a single-closing construction-to-permanent transaction is processed as a purchase or a refinance based on the timing of lot ownership. Currently, a transaction is treated as a refinance if the lot is owned by the borrower at the time of loan application. To provide additional flexibility for a borrower who purchases the lot after application, the transaction type will be based on lot ownership at the time of “the first advance of interim construction financing”. Therefore, a transaction where the borrower owns the lot before the first advance of interim construction financing is treated as a refinance. When lot ownership occurs after or in connection with the first advance, the transaction is treated as a purchase.

Effective Date

Lenders can take advantage of this change immediately, but are required to do so on or before August 1, 2018.

Payee Codes in the Loan Delivery Application

We are improving the process for how payee codes are used in the Loan Delivery (LD) application. We will now make payee codes available in LD after the lender submits a [Form 482](#), *Seller's Designation of Wire Transfer Instructions* and the form is processed. Note that Form 482 has been updated.



Effective Date

This update is effective immediately.

Retirement of the Out of Compliance Process for Housing Goals Data

In Loan Delivery Release Notes dated June 27, 2016, we communicated that housing goals data elements would become required data. Because this data is now required at delivery, lenders no longer receive the monthly Out of Compliance reports. The *Selling Guide* is updated to remove the related references.

Effective Date

Effective immediately lenders will no longer receive the monthly Out of Compliance reports.

Miscellaneous *Selling Guide* Update

B3-4.4-01: Asset Verification: We removed a reference to principal residence conversions as a transaction that will require verification of additional assets above and beyond the amount required by DU. This policy was previously retired.

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
Full Service Certification Custodians	<ul style="list-style-type: none"> ▪ A3-3-04, Document Custodians ▪ A3-3-05, Custody of Mortgage Documents ▪ B8-7-01, Mortgage Electronic Registration Systems (MERS), Inc. ▪ C1-2-01, General Information on Delivering Loan Data and Documents ▪ C1-2-02, Loan Data and Documentation Delivery Requirements ▪ C1-2-03, Ownership of Mortgage Loans Prior to Purchase or Securitization and Third-Party Security Interests ▪ C1-2-04, Bailee Letters ▪ C2-1.2-03, Best Efforts Commitment Terms, Amounts, and Other Requirements ▪ C2-2-01, General Requirements for Good Delivery of Whole Loans ▪ C2-2-02, Document Requirements for Whole Loan Deliveries ▪ C2-2-03, General Information on Whole Loan Purchasing Policies ▪ C2-2-04, Timing of Distribution of Whole Loan Purchase Proceeds ▪ C3-1-02, Preparing to Pool Loans into MBS ▪ C3-7-04, Delivering Data and Documents ▪ C3-7-06, Settling the Trade ▪ E-1-02, Acronyms and Abbreviations ▪ E-2-01, Required Custodial Documents
Lender Contributions	<ul style="list-style-type: none"> ▪ B3-4.1-01, Minimum Reserve Requirements ▪ B3-4.3-06, Donations from Entities ▪ E-3-03, Glossary of Fannie Mae Terms: C
Conversion of Construction-to-Permanent Financing: Single-Closing Transactions	<ul style="list-style-type: none"> ▪ B5-3.1-02, Conversion of Construction-to-Permanent Financing: Single-Closing Transactions
Payee Codes in the Loan Delivery Application	<ul style="list-style-type: none"> ▪ C2-2-03, General Information on Whole Loan Purchasing Policies ▪ C2-2-07, Purchase Payee Codes
Retirement of the Out of Compliance Process for Housing Goals	<ul style="list-style-type: none"> ▪ C1-2-02, Loan Data and Documentation Delivery Requirements