



Selling Guide Announcement SEL-2018-05

June 5, 2018

Selling Guide Updates

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

- MH Advantage™ Properties
- Inspection of Manufactured Homes with Structural Modifications
- Project Standards Updates
- Flash Settlement for MBS
- Desktop Underwriter® (DU®) Bankruptcy and Mortgage Delinquency Assessment
- HomeStyle® Energy in DU
- HomeStyle Renovation Forms
- 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 June 5, 2018.

The highlighted *Selling Guide* PDF is back by popular demand! Beginning with the June 2018 *Selling Guide* update, Fannie Mae is again providing a highlighted version of the *Selling Guide* PDF to enable a simple way to quickly identify the most recent significant updates made to the *Selling Guide*. The topic title and edited paragraphs are highlighted in yellow to help you identify where changes were made. (Note that deleted topics and paragraphs are not identified.) The highlighted *Selling Guide* PDF is intended to be used as a companion tool in conjunction with your review of the corresponding *Selling Guide* Update Announcement.

MH Advantage Properties

We are pleased to introduce the MH Advantage initiative. MH Advantage is manufactured housing that is designed to meet specific construction, architectural design, and energy efficiency standards that are more consistent with site built homes. The goal of this initiative is to help bridge the gap in affordable housing by encouraging more consumers to consider manufactured homes as an alternative to site built homes. Loans secured by MH Advantage properties are afforded a number of flexibilities over standard manufactured housing, including higher LTV ratios, standard mortgage insurance, and reduced loan-level price adjustments.

Examples of the physical characteristics for MH Advantage include

- specific architectural and aesthetic features, such as distinctive roof treatments (eaves and higher pitch roofline), lower profile foundation, garages or carports, porches, and dormers;
- construction elements including durability features, such as durable siding materials; and
- energy efficiency standards (minimum energy ratings apply).

MH Advantage is open to all manufacturers. Participating manufacturers will enter into an agreement with us allowing them to attach an “[MH Advantage Sticker](#)” to the home in proximity to the home’s HUD Data Plate. The Sticker identifies the home as having been designed to accommodate the physical characteristics for an MH Advantage property. The lender will confirm the presence of the Sticker, and additional information about site improvements to the property, but is not responsible for confirming the physical characteristics of the home.



Requirements for Loans Secured by MH Advantage Properties

The following table describes the requirements for delivery of loans secured by MH Advantage properties.

Requirements	
Property Eligibility	The lender must confirm the following by reviewing photographs in the appraisal report: - the property is MH Advantage as evidenced by MH Advantage Sticker; - the HUD Data Plate and HUD certification labels are present; - the presence of a driveway leading to the home (or to the garage or carport, if one is present); and - the presence of a sidewalk connecting either the driveway, or a detached garage or carport
Appraisal	- Manufactured Home Appraisal Report (1004C), and - Completion Report (1004D), if applicable
Eligible Transactions	- MH Advantage loans follow the same DU eligibility requirements as manufactured homes, with the exception that the maximum LTV ratio is increased to 97% for certain purchases and limited cash-out refinances. All requirements that pertain to loans with LTV ratios 95.01 – 97% apply. - The CLTV ratio may be up to 105% with Community Seconds. - Loans may be originated as HomeReady and subject to all HomeReady requirements. - HomeStyle Renovation and HomeStyle Energy may also be combined with MH Advantage.
Underwriting	- Lenders must use DU to underwrite. - The “Manufactured Home: MH Advantage” Subject Property Type must be used (even if the property is in a project).
Mortgage Insurance	MH Advantage loans are subject to standard mortgage insurance coverage requirements; the deeper coverage required for manufactured homes does not apply.
Delivery	A new Special Feature Code (SFC) 859 is required at delivery in addition to SFC 235. There are no other new requirements related to loan delivery. MH Advantage loans are delivered using: - ConstructionMethodType (Sort ID 51): “Manufactured” - ManufacturedHomeWidthType (Sort ID 33): “MultiWide” or “SingleWide” - If the property is located in a condo, co-op, or PUD, the related project data points are also required.
Loan-Level Price Adjustments (LLPA)	The 50 basis point LLPA that is applicable to manufactured housing does not apply to MH Advantage.

All other standard requirements that apply to manufactured housing apply to MH Advantage.

NOTE: The Eligibility Matrix, Loan-Level Price Adjustment Matrix, and Special Feature Codes documents have all been updated to reflect these changes. For more information about MH Advantage, see our [website](#).

Effective Dates

Beginning today, lenders can:

- underwrite MH Advantage loans in DU Version 10.2,
- submit MH Advantage loans to EarlyCheck to validate the data via a new set of MH Advantage edits,
- deliver whole loans to us, and



- deliver loans in an MBS with pool issue dates after May 1, 2018.

Inspection of Manufactured Homes with Structural Modifications

Currently, the *Selling Guide* requires that when a manufactured home has an addition or a structural modification and is not located in a state with an agency responsible for inspecting these modifications, then the property must be inspected by a licensed professional engineer. The engineer must certify that the addition or structural change was completed in accordance with the HUD Manufactured Home Construction Safety Standards. With this update, if the state does not have this requirement, then the structural modification must be inspected and the structural modifications be deemed structurally sound by a third party who is regulated by the state and is qualified to make the determination. Certification of compliance with HUD Manufactured Home Construction and Safety Standards is no longer required.

Effective Date

Lenders can take advantage of this change immediately.

Project Standards Updates

In response to lender feedback, we have made several updates to our condo, co-op, and PUD project policies. These updates will simplify our policies and increase flexibilities when originating loans secured by units in a project.

The following table describes the updates. Refer to the *Selling Guide* for additional details and clarifications.

Summary of Project Standards Updates	
Single-Entity Ownership	▪ Waive the single-entity ownership requirement when the purchase transaction will result in a reduction in the single-entity ownership concentration (maximum single entity ownership 49%, no delinquent dues, no pending or active special assessments) ▪ Exempt units held by non-profits, affordable housing programs (including units subject to non-eviction rent regulation codes), or institutions of higher education from the percentage of single entity ownership calculation ▪ Allow single-entity ownership in projects with 21 or more units to increase to 20%
Commercial Space	▪ Exempt commercially owned or operated parking spaces from the project's commercial space calculations ▪ Increase commercial space to 35%
Established Project Definition	▪ Allow a new condo project to be reviewed as an "established" project if it meets all the requirements for an established project other than the 90% unit conveyance policy. Allow 80% conveyance if the developer is holding back units as rental stock if additional requirements are met.
Investment Property Transactions	▪ Allow investor transactions to be eligible for Limited Review for LTV, CLTV, and HCLTV to 75%
FHA Project Review	▪ Allow delivery of conventional loans secured by units in established condo projects approved by FHA's HUD Review and Approval Process (HRAP)
Two-to Four-Unit Condo Projects	▪ Waive project review requirements, with the exception of some basic requirements that apply
Projects Consisting of Manufactured Homes	▪ Allow Full Review of established condo projects ▪ Condo and PUD projects subject to community land trusts, deed restrictions, leasehold estates, or shared equity arrangements may be eligible under the Fannie Mae Project Eligibility Review Service (PERS)
Legal Non-Conforming Zoning	▪ Align project standards policy to standard appraisal policy that requires the appraiser to comment on the market response to legal non-conforming zoning



Projects Operating as a Hotel or Motel (“Condotel” Policy)	Clarify criteria for identifying projects that operate as hotels or motels. The HOA and/or project cannot: ▪ be licensed or managed/operated as a commercial hotel, motel, resort, or hospitality entity ▪ restrict owners ability to occupy the unit during any part of the year ▪ require owners to make their unit available for rental pooling (daily or otherwise) ▪ require that the unit owners share profits from the rental of units to the HOA, management company, or resort or hotel rental company
Live-Work Condo Projects	▪ Simplify current policy with the requirement that live-work projects be primarily residential in nature and must be in compliance with local zoning or development regulations for live-work projects
Limited Equity Co-ops	▪ Allow limited-equity co-ops to be evaluated through the PERS process for project approval (both streamlined PERS and standard PERS) – limited equity feature must be related to an affordable housing preservation program and is in compliance with our requirements on resale restrictions when applicable

In addition to these changes, we also took the opportunity to streamline and reorganize some of the content. For example, we removed the topic pertaining to detached condos. It was replaced with a new topic that clearly describes the requirements that apply to projects and transactions for which a project review is waived. We also removed duplicate content that appeared in multiple topics, such as Project Type Codes. These are now listed in their entirety in only one topic.

Effective Dates

Lenders may apply these changes when reviewing projects immediately. The weekend of June 23, 2018 the following systems will be updated to support these changes:

- DU Version 10.2,
- Collateral Underwriter® (CU®),
- Uniform Collateral Data Portal® (UCDP®),
- EarlyCheck™, and
- Loan Delivery – Whole loans can be delivered beginning June 23, 2018, and loans in MBS with pool issue dates on or after July 1, 2018

Condo Project Manager (CPM) will be updated to align with these changes in August 2018. In the interim, lenders may continue to use CPM for projects that do not require the additional flexibilities described in this announcement. For projects that are newly eligible under these expanded eligibility requirements, lenders may complete the applicable project review outside of CPM.

Flash Settlement for MBS

Last year we eliminated Flash MBS processing fees and instead offered Flash MBS as an acceptable, standard, and no cost delivery option. This has reduced selling costs and increased flexibility for same month pooling and allowed lenders to receive book-entry delivery on Fannie Mae MBS as soon as 72 hours.

In our continuing effort to increase pooling flexibility, we will now allow lenders to receive book-entry delivery on Fannie Mae’s published Majors as soon as 48 hours after we receive the Loan Delivery submission. This reduced time-line for book-entry turnaround is only applicable for Fannie Mae’s published Majors. Single issuer MBS must still be delivered 72 hours prior to book-entry.



Additionally, we are updating the Pool Settlement Calendars to reflect the 5th business day before the end of the month as the last date to submit Single Family MBS, allowing for an additional day of pooling.

Effective Date

The change to Flash Majors will occur with MBS delivered on or after July 1, 2018. The change to the Pool Settlement Calendars will begin with the July Calendar.

Desktop Underwriter Bankruptcy and Mortgage Delinquency Assessment

The *Selling Guide* has been updated to include the policies related to bankruptcy and mortgage delinquency assessment that were described in the [DU Version 10.2 June Update Release Notes](#). When inaccurate information exists in a credit report, lenders will have the ability to instruct DU to disregard (in the eligibility assessment) inaccurate bankruptcy or mortgage delinquency information, or disregard a bankruptcy that was due to extenuating circumstances.

Effective Date

These changes will apply to new loan casefiles submitted or resubmitted to DU on or after the weekend of June 23, 2018. See the [DU Version 10.2 June Update Release Notes](#) for additional information.

HomeStyle Energy in DU

The *Selling Guide* has been updated to align with updates to DU regarding HomeStyle Energy mortgage loans. Because these updates will allow DU to identify transactions having energy-related improvements, the *Selling Guide* policy requiring lenders to manually confirm HomeStyle Energy requirements outside of DU has been removed.

Effective Date

These changes will apply to new loan casefiles submitted or resubmitted to DU on or after the weekend of June 23, 2018. See the [DU Version 10.2 Release Notes](#) for additional information.

NOTE: As specified in the *DU Version 10.2 Release Notes*, two new fields are being added to DU to identify HomeStyle Energy loan submissions: *Energy Improvement Amount* and *PACE Loan Payoff Amount*. An amount must be entered in one or both of these fields for DU to be able to underwrite the loan casefile as HomeStyle Energy. If a lender's loan origination system cannot be updated with these two new fields by June 23, the lender can access the DU user interface to enter the data. Alternatively, we will allow lenders to continue to manually apply the HomeStyle Energy policies to DU loan casefiles until their systems have been updated.

HomeStyle Renovation Forms

We have posted model Renovation Loan documents and related Summary Pages that may be used in connection with HomeStyle Renovation Loans.

The following special purpose model documents are now available:

- Multistate Renovation Contract – Fannie Mae Model Document ([Form 3730](#)), and
- Multistate Renovation Loan Agreement – Fannie Mae Model Document ([Form 3731](#)).

Also, the following model riders are now available:

- Multistate Renovation Loan Rider to Security Instrument – Fannie Mae Model Document ([Form 3732](#)), and
- Multistate Renovation Loan Investor Rider to Security Instrument – Fannie Mae Model Document ([Form 3733](#)).



The *Selling Guide* has been updated to include references to these new forms.

Effective Date

These documents may be used immediately; however, because they are model documents, usage is strictly optional.

Miscellaneous *Selling Guide* Updates

Multiple Appraisals. Earlier this year, we clarified the policy in [B4-1.3-12, Quality Assurance](#) regarding second appraisals. With this update, we moved a similar policy that existed in B4-1.1-02, Lender Responsibilities, to a more appropriate location in the Guide, [B4-1.2-02, Appraisal Age and Use Requirements](#). The multiple appraisal policy is now clearly described in the two topics where lenders are most likely to look for that information.

Primary Mortgage Insurance Absence Reason Code 97. Currently, if a loan is delivered without mortgage insurance, one of two codes is required:

- MI Code 95 – No MI Based on Original LTV
- MI Code 97 – MI Canceled Based on Current LTV

We have updated the *Approved Mortgage Insurers and Related Identifiers*, published on our website and referenced in the *Selling Guide*, to reflect that Primary MI Absence Reason Code 97 may only be used for non-flow deliveries. This code is only appropriate for non-flow deliveries because it indicates that even though the original LTV ratio was greater than 80%, no mortgage insurance is required because mortgage insurance was canceled based on a new value obtained *after* origination. (Note that this update did not result in a direct change to the *Selling Guide* text.)

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
MH Advantage Properties	▪ B2-1.2-01, Purchase Transactions ▪ B2-1.2-02, Limited Cash-Out Refinance Transactions ▪ B2-2-04, Guarantors, Co-Signers, or Non-Occupant Borrowers on the Subject Transaction ▪ B2-3-02, Special Property Eligibility and Underwriting Considerations: Factory-Built Housing ▪ B4-1.2-01, Appraisal Report Forms and Exhibits ▪ B4-1.4-01, Factory-Built Housing: Manufactured Housing ▪ B4-1.4-10, Property Inspection Waivers ▪ B4-2.2-05, Requirements for Review of Detached Condos (Topic deleted) ▪ B4-2.2-08, Additional Requirements for Review of Condo, Co-ops, and PUD Projects Comprised of Manufactured Homes (Topic deleted) ▪ B5-2-01, Manufactured Housing ▪ B5-2-03, Manufactured Housing Underwriting Requirements ▪ B5-2-04, Manufactured Housing Pricing, Mortgage Insurance, and Special Feature Code Requirements ▪ B5-5.1-02, Community Seconds Loan Eligibility ▪ B5-6-02: HomeReady Mortgage Loan and Borrower Eligibility ▪ B7-1-02, Mortgage Insurance Coverage Requirements
Inspection of Manufactured Homes with Structural Modifications	▪ B2-3-02, Special Property Eligibility and Underwriting Considerations: Factory-Built Housing
Project Standards Updates	▪ B2-3-01, General Property Eligibility ▪ B2-3-02, Special Property Eligibility and Underwriting Considerations: Factory-Built Housing ▪ B2-3-03, Special Property Eligibility and Underwriting Considerations: Leasehold Estates ▪ B4-1.4-01, Factory-Built Housing: Manufactured Housing ▪ B4-2.1-01, General Information on Project Standards ▪ B4-2.1-02, Waiver of Project Review ▪ B4-2.1-03, Ineligible Projects ▪ B4-2.2-01, Limited Review Process ▪ B4-2.2-02, Full Review Process



Section of the Announcement	Updated <i>Selling Guide</i> Topics
	▪ B4-2.2-03, Full Review: Additional Eligibility Requirements for Units in New and Newly Converted Condo Projects ▪ B4-2.2-04, Geographic-Specific Condo Project Considerations ▪ B4-2.2-05, FHA-Approved Condo Review Eligibility ▪ B4-2.2-06, Project Eligibility Review Service (PERS) ▪ B4-2.3-01, Eligibility Requirements for Units in PUD Projects ▪ B5-2-02, Manufactured Housing Loan Eligibility ▪ B5-5.1-04, Community Land Trusts
Flash Settlement for MBS	▪ C3-7-06, Settling the Trade
Desktop Underwriter® Bankruptcy and Mortgage Delinquency Assessment	▪ B3-5.3-09, DU Credit Report Analysis
HomeStyle Energy in DU	▪ B4-1.4-10, Property Inspection Waivers ▪ B5-3.3-01, HomeStyle Energy for Improvements on Existing Properties
HomeStyle Renovation Forms	▪ B5-3.2-06, HomeStyle Renovation: Renovation Contract, Renovation Loan Agreement, and Lien Waiver ▪ B8-4-01, Riders and Addenda ▪ B8-5-03, HomeStyle Renovation Mortgage Documentation Requirements