



Selling Guide Announcement (SEL-2021-11)

Dec. 15, 2021

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

- [Military owner occupancy](#): updating the definition of principal residence to include military service members on active duty
- [Tax return extensions](#): clarifying required documentation when a borrower has filed an extension with the IRS
- [Comparable sales for new \(or recently converted\) projects](#): expanding allowable comparable sales
- [Measuring gross living area](#): establishing standard requirements for measuring and calculating gross living area
- [Property and flood insurance](#): consolidating property insurance requirements for lenders and servicers
- [Miscellaneous updates](#):
 - Income from unemployment benefits
 - Servicing Marketplace Purchase and Sale Agreement
 - Calculation of loan-level price adjustments related to financed borrower-purchased mortgage insurance
 - *Condominium Project Questionnaire* ([Form 1076](#))

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

- [Mortgage insurer name change](#)

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

Military owner occupancy

Military service may require a service member to be absent from their home for an extended period due to a deployment.

We updated the definition of principal residence to include a loan for a borrower who is a military service member currently on active duty and temporarily unable to occupy the home due to military service. Lenders must verify the temporary absence from the subject property by obtaining a copy of the borrower's military orders. The orders must evidence the borrower will be absent from the subject property as of the date the owner occupancy must be established as required by the security instrument. Loans must be delivered with Special Feature Code 754.

Effective: Lenders may take advantage of this policy change immediately.

Tax return extensions

We require lenders to obtain copies of federal income tax returns when using certain sources of income for qualification purposes. The "most recent year's" tax return is defined as the last return scheduled to have been filed with the IRS. With this update, we clarify the requirements for documenting the most recent year's tax returns based on the application date and disbursement date of the mortgage loan. The loan file must always include the last tax return filed by the borrower and the minimum number of years of tax returns required based on the underwriting method (Desktop Underwriter® (DU®) or manual).



Comparable sales for new (or recently converted) projects

We revised our requirements for comparable sales when the subject property is one of the first sales in a new or recently converted condo project, subdivision, or PUD containing 2 to 20 properties. We will now allow the appraiser to use comparable sales from outside the project that meet the following:

- the comparable sales must be from a similar type of project, subdivision, or PUD; and
- the comparable project, subdivision, or PUD must be another development that has similar units, amenities, and is a similar size to the subject.

If the subject is not the first unit under contract in the project, the appraiser must also include one “under contract” sale from the subject’s project for comparison.

This change will provide additional flexibility to lenders and appraisers in demonstrating market value and enable more appraisals to be eligible.

Effective: Appraisers and lenders may take advantage of this policy change immediately.

Guidelines for measuring gross living area

We revised our policy for measuring, calculating, and reporting gross living area and non-gross living areas (basement, additional structures, etc.) by adopting a standard established by the American National Standards Institute® (ANSI® Z765-2021). This change will drive adoption of the standard across the valuation industry and establish a consistent, repeatable process.

Appraisals requiring interior and exterior inspections must follow this standard; appraisals of this type performed without using this standard will not be acceptable.

Effective: Lenders may begin accepting appraisals using this standard immediately, but compliance is required for all applicable appraisals with an effective date on or after Apr. 1, 2022.

Property and flood insurance

In line with our continued efforts to simplify and consolidate policies shared by the *Selling* and *Servicing Guides*, we consolidated property insurance requirements applicable to both lenders and servicers into the *Selling Guide*. In addition, we made updates to align unintended discrepancies existing in both Guides as follows:

- To mitigate potential confusion, we updated references to “lender” or “seller/servicer” and replaced them with “lender or servicer”, where applicable.
- Since we no longer purchase second-lien mortgages, we removed the property insurance requirements for these loans from the *Selling Guide* and added them to the *Servicing Guide*.
- We corrected rating agency names and removed references to obsolete rating agency products.

Effective: The related *Servicing Guide* changes were published Dec. 8, 2021. All clarifications and consolidation of shared policies are effective immediately.

Miscellaneous updates

Income from unemployment benefits: With this update, we moved income from unemployment benefits to be part of the public assistance income policy and clarified additional ways to consider unemployment income. Note that the unemployment benefits messages in DU will be updated in a future release.



E-2-05, Servicing Marketplace – Mortgage Loan Servicing Purchase and Sale Agreement: We removed a separate definition for funding date and aligned the definition for purchase date with terminology used elsewhere in the *Selling Guide*.

B7-1-04, Financed Borrower-Purchased Mortgage Insurance: We clarified both the *Selling Guide* and *Loan-Level Price Adjustment Matrix* to reflect that LLPAs are based on the gross LTV ratio, except for those associated with the minimum mortgage insurance coverage option, which are based on the net LTV ratio.

Condominium Project Questionnaire: We updated the *Condominium Project Questionnaire (Form 1076)* to add an addendum to facilitate collection of information regarding deferred maintenance in support of Lender Letter [LL-2021-14, Temporary Requirements for Condo and Co-op Projects](#). We are also retiring *Condominium Project Questionnaire – Short Form (Form 1077)* as this form is not sufficient for lenders to determine eligibility under our new requirements.

Mortgage insurer name change

Lenders are advised that Genworth Mortgage Insurance Corporation is formally changing its name to Enact Mortgage Insurance Corporation effective Feb. 7, 2022. Enact is an approved mortgage insurer under Fannie Mae’s Private Mortgage Insurer Eligibility Requirements dated Sep. 27, 2018, as amended.

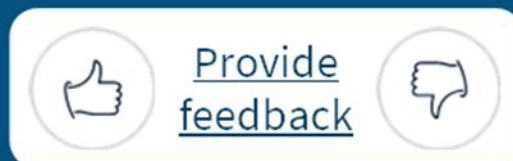
Enact is endorsing Genworth’s master policies effective Feb. 7, 2022 to change the insurer’s name from Genworth to Enact. We updated our published list of [Approved Mortgage Insurance Forms](#) to reflect this change and to add the following new endorsements:

- Enact Mortgage Insurance Corporation
 - Name Change Endorsement, ACT-1 02/22
- National Mortgage Insurance Corporation
 - South Dakota Variation Endorsement, AS08.12.01(SD) 03 20
- Radian Guaranty Inc.
 - Commitment & Certificate of Insurance, RAF701 Ed. 9/21
 - Address Change Endorsement, RAF720 (9/21)
 - Address Change Endorsement, RAF721 (9/21)
 - Address Change Endorsement, RAF722 (9/21)

To support deliveries of Enact-insured loans, a new ULDD enumerated value, “Enact,” is being implemented. Beginning Feb. 7, 2022, lenders must use this new value in Loan Delivery when delivering Enact-insured loans. We updated our published list of [Approved Mortgage Insurers and Related Identifiers](#) to reflect the name change and the new ULDD enumerated value.

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 Dec. 15, 2021)
Military owner occupancy	<ul style="list-style-type: none">▪ B2-1.1-01, Occupancy Types
Tax return extensions	<ul style="list-style-type: none">▪ B1-1-03, Allowable Age of Credit Documents and Federal Tax Returns
Comparable sales for new (or recently converted) projects	<ul style="list-style-type: none">▪ B4-1.3-08, Comparable Sales
Measuring gross living area	<ul style="list-style-type: none">▪ B4-1.2-01, Appraisal Report Forms and Exhibits▪ B4-1.3-05, Improvements Section of the Appraisal Report
Property and flood insurance	<ul style="list-style-type: none">▪ A4-1-01, Maintaining Seller/Service Eligibility▪ B7-3-01, Property Insurance Requirements for Insurers▪ B7-3-02, General Property Insurance Coverage▪ B7-3-03, Determining the Amount of Required Property Insurance Coverage▪ B7-3-04, Property Insurance Coverage for Units in Project Developments▪ B7-3-05, Additional Insurance Coverage▪ B7-3-06, Evidence of Property Insurance▪ B7-3-07, Flood Insurance Coverage Requirements▪ B7-3-08, Mortgagee Clause for Property and Flood Insurance▪ B7-4-02, Fidelity/Crime Insurance Requirements for Project Developments▪ E-3-01, Acronyms and Glossary of Defined Terms: A▪ E-3-02, Acronyms and Glossary of Defined Terms: B▪ E-3-19, Acronyms and Glossary of Defined Terms: S
Income from unemployment benefits	<ul style="list-style-type: none">▪ B3-3.1-05, Secondary Employment Income (Second Job and Multiple Jobs) and Seasonal Income▪ B3-3.1-09, Other Sources of Income▪ B5-7-03, High LTV Refinance Alternative Qualification Path
Condominium Project Questionnaire	<ul style="list-style-type: none">▪ B4-2.1-01, General Information on Project Standards▪ B4-2.2-06, Project Eligibility Review Service (PERS)