



Selling Guide Announcement (SEL-2023-11)

Dec. 13, 2023

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

- [Income Calculator](#): allows optional use of Income Calculator to determine the monthly qualifying income for self-employed borrowers
- [Verification of employment alternatives](#): permit lenders to use alternative options to meet verbal verification of employment requirements
- [Restricted stock units and restricted stock](#): adds requirements to consider this form of compensation as eligible income
- [Using nontaxable income to adjust the borrower's gross income](#): allows the lender to gross-up certain nontaxable income without providing additional documentation
- [Certified Shared Equity Program List](#): incorporates a list of programs into policy to assist lenders with their review of shared equity providers and transactions
- [Financial reporting requirements](#): requires large non-depository sellers/servicers to report the *Mortgage Banker's Financial Report Short Form* (Form 1002A) monthly
- [Sale of eMortgages to Fannie Mae](#): incorporates *The Guide to Delivering eMortgages to Fannie Mae* into the *Selling Guide* and clarifies the use of special purpose legal documents
- [Requirements for use of attorney title opinion letters](#): permit lenders to obtain either a lender's title insurance policy or, in limited circumstances, an attorney title opinion letter
- [Miscellaneous updates](#):
 - Remote online notarization
 - Number of borrowers in Desktop Underwriter® (DU®)

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

Income Calculator

We created a new tool – [Income Calculator](#) – to assist lenders in accurately determining the monthly qualifying income for self-employed borrowers. Income Calculator provides a complete analysis of self-employment income for each borrower on a business-by-business basis and produces a Findings Report. Loans are eligible for relief from enforcement of representations and warranties for the income calculation if all requirements are met as follows:

- All information submitted to Income Calculator must be accurate and complete.
- A copy of the Findings Report must be kept in the loan file.
- The amount of income used for qualifying cannot be more than the amount calculated by the tool.

Effective: Lenders may take advantage of this policy immediately.

Note: For more information on how to access the Income Calculator, see our Income Calculator [website](#).



Verification of employment alternatives

We made the following policy updates to the verbal verification of employment requirements:

- Permit lenders to use a borrower-provided paystub to satisfy the verification of employment requirement when an employer will not complete a verbal verification of employment (verbal VOE). The paystub must
 - meet the requirements in B3-3.1-02, Standards for Employment Documentation; and
 - be the most recent paystub (reflecting the most recent pay period available) no more than 15 business days prior to note date.
- Permit lenders to use updated asset documentation to satisfy the verbal VOE requirement when an employer will not complete a verbal VOE. The asset documentation must
 - meet the requirements in B3-4.2-01, Verification of Deposits and Assets (including a screenshot or printout of the borrower's account information or third-party vendor sourced report);
 - reflect a payroll deposit for the most recent pay period available within 15 business days prior to note date; and
 - not include any information indicating the borrower may not be actively employed.

In both cases, lenders remain responsible for representations and warranties related to the borrower's income, employment, and assets. This includes re-underwriting the loan if the documentation introduces new information (such as impacts to the debt-to-income ratio if the income amount changes or evaluating large deposits, if applicable).

Effective: Lenders may take advantage of these policy changes immediately.

Restricted stock units and restricted stock

We added restricted stock units and restricted stock (collectively referred to as "restricted stock") as an eligible income source under *Other Sources of Income*. To be used as qualifying income, the restricted stock must have vested and been distributed to the borrower without restrictions and the lender must document all the following:

- evidence the stock is publicly traded;
- the current vesting schedule reflecting past and future vesting;
- a brokerage or bank statement showing receipt of the previous year(s) distribution and, at a minimum, the number of vested shares or the cash equivalent;
- a completed *Request for Verification of Employment (Form 1005)* that reflects distributions, or the borrower's recent paystub showing receipt of the income; and
- the borrower's IRS W-2 forms covering the most recent two-year period.

The calculation method for restricted stock income will vary depending on whether the income is received in the form of shares or cash and the length of time the borrower has received compensation.

Effective: Lenders may take advantage of these updates immediately but must do so for all applications on or after Mar. 1, 2024.

Using nontaxable income to adjust the borrower's gross income

We clarified that lenders may treat 15% of Social Security income and the full amount of qualifying child support income as nontaxable income without having to provide documentation evidencing the nontaxable status. This nontaxable income may then be grossed-up and added to qualifying income.



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

Certified Shared Equity Program List

We added a new reference to a Certified Shared Equity Program List to help lenders identify those programs that meet specified Duty to Serve Plan and *Selling Guide* requirements. Inclusion of a program on the list will allow lenders to simplify their review of shared equity transactions. If a shared equity program on this list uses one of the “Model Forms” described in our Guide, this will satisfy compliance with certain shared equity *Selling Guide* requirements.

NOTE: *The lender must review all other applicable Fannie Mae requirements and obtain the pertinent information needed to complete their review. Lenders remain obligated for other representations and warranties including life of loan representations and warranties, clear title, first lien enforceability.*

Effective: Lenders may take advantage of the [list](#) immediately.

Financial reporting requirements

We updated the *Selling Guide* to require large non-depository sellers/servicers (as defined in E-2-06, Future Updates to Maintaining Seller/Servicer Eligibility) to provide monthly reporting in addition to the quarterly submission of the *Mortgage Bankers’ Financial Reporting Form (Form 1002)*. Large non-depository sellers/servicers must electronically submit a *Mortgage Bankers’ Financial Reporting Short Form (Form 1002A)* within 30 days of the end of each month. The form must be certified by the chief executive officer, the chief financial officer, or equivalent. The seller/servicer is not required to provide a monthly report for each third month of any fiscal quarter, as the data will be captured in the quarterly report.

Effective: Applicable sellers/servicers must comply by May 31, 2024, for the April 2024 monthly reporting.

Sale of eMortgages to Fannie Mae

In our continuous efforts to improve operational efficiency, we updated the *Selling Guide* to incorporate *The Guide to Delivering eMortgages to Fannie Mae*. We created a new Chapter B8-8, Sale of eMortgages to Fannie Mae as well as reorganized and added content to existing topics within the *Selling Guide*. (Refer to the table below for details on the list of impacted topics.) Other than the clarification below, no other changes to existing policies, processes and procedures pertaining to delivering eMortgages were made. *The Guide to Delivering eMortgages to Fannie Mae* has been retired with this update.

We clarified the use of special purpose legal documents with eMortgages. As written in *The Guide to Delivering eMortgages to Fannie Mae*, our intent was not to limit any loans with special purpose legal documents as defined in the current *Selling Guide*, but rather to limit loans where supplemental documents are required for certification.

Additionally, we removed the restriction for community land trusts as they do not require supplemental documents for certification.

Requirements for use of attorney title opinion letters

We updated our policy for attorney title opinion letters. Lenders are now permitted to obtain either a lender’s title insurance policy or, in limited circumstances, an attorney title opinion letter for the following transactions:

- loans secured by a unit in a condo project, or
- loans secured by a property subject to restrictive agreements or restrictive covenants.



Miscellaneous updates

A2-4.1-03, Electronic Records, Signatures, and Transactions: We updated the list of states to include California for remote online notarization. Effective Jan. 1, 2024, for a subject property located in California, a remote online notarization may be taken by a notary outside of the State of California in accordance with the laws of the state in which the notarial act was performed. However, a California notary may take a remote online notarization for a subject property located in California only upon and after the trigger provision of the law that permits the use of remote online notarization by California notaries is activated, and only in compliance with that law.

B3-2-03, Risk Factors Evaluated by DU: We removed co-borrowers from the list of risk factors evaluated by DU to align with changes previously communicated in the Desktop Underwriter/Desktop Originator [Release Notes](#) DU Version 11.1 Nov. Update.

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 Polj.](#)



Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated Dec. 13, 2023)
Verification of employment alternatives	<ul style="list-style-type: none"> ▪ B3-3.1-07, Verbal Verification of Employment
Income Calculator	<ul style="list-style-type: none"> ▪ A2-2-04, Limited Waiver and Enforcement Relief of Representations and Warranties ▪ B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower ▪ B3-3.1-10, Income Calculator (NEW topic)
Restricted stock units and restricted stock	<ul style="list-style-type: none"> ▪ B3-3.1-01, General Income Information ▪ B3-3.1-09, Other Sources of Income
Using nontaxable income to adjust the borrower's gross income	<ul style="list-style-type: none"> ▪ B3-3.1-01, General Income Information
Certified Shared Equity Program List	<ul style="list-style-type: none"> ▪ B5-5.3-01, Shared Equity Overview ▪ B5-5.3-02, Shared Equity Transactions: General Requirements ▪ B5-5.3-03, Shared Equity Transactions: Eligibility, Underwriting and Collateral Requirements
Financial reporting requirements	<ul style="list-style-type: none"> ▪ A4-1-02, Submission of Financial Statements and Reports
Sale of eMortgages to Fannie Mae	<ul style="list-style-type: none"> ▪ B8-8-01, General Information on eMortgages (NEW topic) ▪ B8-8-02, Requirements for Creating, Closing, and Correcting eNotes (NEW topic) ▪ C1-2-04, Delivering eMortgages to Fannie Mae (NEW topic) ▪ E-2-07, Correcting Errors in eNotes (NEW exhibit) ▪ E-2-08, Description of eNote Header, Footer, and eNote Clause (NEW exhibit) ▪ A2-4.1-03, Electronic Records, Signatures, and Transactions ▪ B8-7-01, Mortgage Electronic Registration Systems (MERS), Inc. ▪ E-1-01, References to Fannie Mae's Website ▪ E-1-02, List of Contacts ▪ E-3-03, Acronyms and Glossary of Defined Terms: C ▪ E-3-13, Acronyms and Glossary of Defined Terms: M
Requirements for use of attorney title opinion letters	<ul style="list-style-type: none"> ▪ B7-2-06, Attorney Title Opinion Letter Requirements