

Announcement 09-37

December 30, 2009

Amends these Guides: Selling

FHA-Approved Condo Projects, Credit Score Versions, DU Refi Plus and Refi Plus Updates, and Other Updates to the Selling Guide

Introduction

This Announcement contains the following updated policies:

- Discontinuance of accepting FHA-approved condo projects for conventional mortgage loans
- Acceptable credit score versions for manual underwriting
- Acceptable subordinate financing for DU Refi Plus™ and Refi Plus™
- Changes to existing mortgage loan eligibility for Refi Plus mortgage loans

Each of these changes is briefly described below. With this Announcement, Fannie Mae is beginning a regular process of simultaneously updating the affected topics in the *Selling Guide* and publishing an updated version of the Guide. The affected topics are noted for each policy change and are linked to the updated *Selling Guide*. Lenders should review each topic to gain a full understanding of the policy changes. (Note: For lengthy topics the specific paragraph(s) that was updated is also noted.) The updated topics are dated December 30, 2009.

In addition, the *Selling Guide* has been updated to incorporate the following items. Refer to the Attachment to this Announcement for the details:

- Announcement 09-28, *Retirement of HomeStyle® Construction-to-Permanent*
- Announcement 09-29, *Updates to Minimum Credit Scores, Mortgage Insurance, Pricing for Certain Desktop Underwriter® Loans, Biweekly Loans, and Special Feature Codes*
- *Desktop Originator®/Desktop Underwriter® Release Notes – Version 8.0*
- Several other miscellaneous clarifications or error corrections

As of the December 30, 2009 publishing of the *Selling Guide*, all announcements have been incorporated and the Guide is up-to-date. (Prior versions of the *Selling Guide* are available on efanniemae.com.)

FHA-Approved Condo Project Eligibility

Fannie Mae will continue to purchase FHA-insured loans secured by condo units located in FHA-approved projects that are delivered with the project type code U – FHA-Approved Project.

Fannie Mae will require that all conventional mortgages secured by units in condo projects meet Fannie Mae's project eligibility requirements.

The following topics have been updated to reflect the acceptance of FHA-approved projects for FHA-insured loans and the requirement that condos meet Fannie Mae project eligibility requirements for conventional loans.

Updated *Selling Guide* Topics

[B4-2.1-01](#), General Information on Project Standards

[B4-2.2-01](#), Condo Project Eligibility

[B4-2.2-10](#), FHA-Approved Condo Review Eligibility

[B4-2.2-12](#), Geographic-Specific Condo Project Considerations

Effective Dates

- This change is effective for conventional loan applications dated on or after February 1, 2010.
- All conventional mortgage loans for which the lender's project acceptance was based solely on FHA-project approval must be purchased as whole loans or delivered in MBS on or before May 31, 2010.

Credit Score Versions

The *Selling Guide* currently requires lenders to attempt to obtain and use the most current version of the classic FICOTM score for each borrower.

To ensure consistency among the versions used by lenders, and to align with the credit score versions currently required in Desktop Underwriter, Fannie Mae is specifying the acceptable credit score versions that must be used for manually underwritten loans.

Updated *Selling Guide* Topics

[B3-5.1-01](#), General Requirements for Credit Scores

Effective Date

The FICO versions specified in the *Selling Guide* must be used for manually underwritten loans with application dates on or after February 1, 2010.

DU Refi Plus and Refi Plus Subordinate Financing

The requirements for DU Refi Plus and Refi Plus state that all existing subordinate financing be resubordinated to maintain first lien priority of the new first mortgage originated as a DU Refi Plus or Refi Plus. Fannie Mae recognizes that there could be borrowers who obtained subordinate financing after the origination of the existing mortgage loan, and that the new subordinate financing may not adhere to Fannie Mae's current requirements.

Fannie Mae is expanding the acceptable subordinate financing terms for DU Refi Plus and Refi Plus mortgage loans to include:

- mortgages with negative amortization,
- subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years, and
- subordinate financing with prepayment penalties.

All other subordinate financing requirements in the *Selling Guide* continue to apply.

Updated *Selling Guide* Topics

[B2-1.1-04](#), Subordinate Financing (Unacceptable Subordinate Financing Terms)

[B5-5.1-05](#), DU Refi Plus and Refi Plus Eligibility (Eligible Subordinate Financing)

Effective Date

These changes are effective immediately.

Existing Loan Eligibility for Refi Plus

In Announcement 09-20, *Updates to Home Affordable Refinance Policies*, Fannie Mae expanded eligibility for DU Refi Plus and Refi Plus to include existing mortgages that were covered by recourse or indemnification agreements where such agreements were not needed to meet Fannie Mae's minimum credit enhancement requirements applicable to loans with LTV ratios greater than 80%.

Fannie Mae is modifying this policy for Refi Plus mortgage loans by requiring that if the existing loan is covered by full unconditional recourse, including less than life of loan recourse, then the new Refi Plus mortgage loan must be delivered with life of loan recourse. Special Feature Code 001 (recourse) is required at delivery in addition to other special feature codes that may apply. If the loan casefile was originally underwritten as a DU Refi Plus loan, it can be converted to Refi Plus and manually underwritten if the new loan is delivered with life of loan recourse.

Existing loans covered by conditional or partial recourse or indemnification agreements will continue to be eligible for delivery as Refi Plus loans without recourse. Furthermore, this change

does not apply to DU Refi Plus mortgage loans, which are not required to be delivered with recourse even if the existing loan had recourse.

As a reminder, existing mortgage loans remain ineligible for DU Refi Plus and Refi Plus in cases where the recourse or indemnification is necessary to meet Fannie Mae's minimum credit enhancement requirements applicable to loans with LTV ratios in excess of 80%.

Updated *Selling Guide* Topics

[B5-5.1-05](#), DU Refi Plus and Refi Plus Eligibility (Eligible Existing Mortgage Loan Types)

[B5-5.1-06](#), DU Refi Plus and Refi Plus Underwriting Considerations (Converting DU Refi Plus to Refi Plus)

[B5-5.1-08](#), DU Refi Plus and Refi Plus Closing, Pricing, Delivery and Quality Control (Delivery Date Elements)

Effective Date

This change is effective for conventional loan applications dated on or after February 1, 2010.

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Lenders who have questions about this Announcement should contact their Customer Account Team.

Marianne E. Sullivan
Senior Vice President
Single-Family Chief Risk Officer

Attachment

Selling Guide Announcements Desktop Originator/Desktop Underwriter Release Notes, and Miscellaneous Updates Incorporated into the December 2009 *Selling Guide*

Incorporation of Previously Released Announcements and Release Notes	
Document Name	Updated Topic Numbers and Titles
<p>09-28, Retirement of <i>HomeStyle</i>[®] <i>Construction-to-Permanent</i></p>	<p>All references to HomeStyle Construction-to-Permanent have been removed:</p> <p>B5-2.1-01, Mortgages with an Interest-Only Feature B5-3.1-01, Conversion of Construction-to-Permanent Financing Overview B5-3.1-03, Conversion of Construction-to-Permanent Financing Documentation Requirements B-5-3.2-06*, HomeStyle Construction Contract, Construction Loan Agreement, and Lien Waiver B7-3-08, Flood Insurance Coverage Requirements B8-4-01, Riders and Addenda B8-5-05, HomeStyle Mortgage Documentation Requirements C1-3-01, General Information on Remittance Types C2-1.1-08, Negotiated Commitments</p> <p>October 2009 <i>Selling Guide</i> - Section Retired Section B5-3.3, HomeStyle Construction-to-Permanent Loans (except for topic B5-3.3-09, which was moved to B5-3.2-06 and renamed HomeStyle Construction Contract, Construction Loan Agreement, and Lien Waiver)</p>
<p>Announcement 09-29, <i>Updates to Minimum Credit Scores, Mortgage Insurance, Pricing for Certain Desktop Underwriter</i>[®] <i>Loans, Biweekly Loans, and Special Feature Codes</i></p> <p><i>Desktop Originator</i>[®]/ <i>Desktop Underwriter</i>[®] <i>Release Notes – Version 8.0</i></p>	<p>B2-1.3-03, Adjustable-Rate Mortgages (ARMs) B3-2-04, Approve/Eligible, EA-I/Eligible, EA-II/Eligible, and EA-III/Eligible Recommendations B3-2-06, Refer/Eligible and Refer/Ineligible Recommendations B3-4.4-01, Asset Verification B3-6-02, Debt-to-Income Ratios B3-5.1-01, General Requirements for Credit Scores B3-5.3-01, DU Credit Report Analysis B5-1.1-02, High-Balance Pricing, Mortgage Insurance, Special Feature Codes, and Delivery Limitations B5-2.1-01, Mortgages with an Interest-Only Feature B5-2.1-02, Interest-Only Pricing, Mortgage Insurance, and Special Feature Codes</p>

Incorporation of Previously Released Announcements and Release Notes	
Document Name	Updated Topic Numbers and Titles
	<p>B5-2.2-01, Expanded Approval B5-2.2-02, Expanded Approval Pricing, Mortgage Insurance, and Special Feature Codes B5-2.2-03, Expanded Approval Quality Control B5-2.3-01, Flexible Mortgage Eligibility B5-2.3-02, Flexible Mortgage Underwriting Requirements B5-2.3-03, Flexible Mortgage Pricing, Mortgage Insurance, and Special Feature Codes B5-2.4-03, Manufactured Housing Underwriting Method and Requirements B5-2.4-05, Manufactured Housing Pricing, Mortgage Insurance, and Special Feature Code Requirements B5-6-05, MyCommunityMortgage Pricing, Mortgage Insurance, and Special Feature Codes B7-1-02 Mortgage Insurance Coverage Requirements B7-1-04, Financed Borrower-Purchased Mortgage Insurance C1-1-01, Execution Options C2-1.2-03, Best Efforts Commitment Terms, Amounts, Periods, and Other Requirements</p> <p>October 2009 <i>Selling Guide</i> - Retired Topics B5-2.2-02, Expanded Approval Lender Eligibility and Monitoring (content updated and moved into B5-2.2-01) B5-2.2-03, Expanded Approval Loan Eligibility (content updated and moved into B5-2.2-01) B2-1.3-07 Mortgage Loans with Biweekly Payment Schedules B7-1-05, Reduced Mortgage Insurance Coverage</p> <p>Note: Numerous other topics were updated to remove reference to biweekly mortgage loans. They have not been itemized here.</p>

Miscellaneous Updates		
Subjects	Topic Numbers and Titles	Description of Update(s)
Unacceptable subordinate financing terms	B2-1.1-04, Subordinate Financing	Clarified the maturity or balloon payment is less than five years <i>from the note date</i> .
Standard ARM Plan Matrix	B2-1.3-03, Adjustable-Rate Mortgages (ARMs) B2-1.3-04, Convertible ARMs	Updated the references to the newly updated <i>Standard ARM Plan Matrix</i> .
Temporary Interest Rate Buydowns	B2-1.3-07, Temporary Interest Rate Buydowns	Removed incorrect qualifying rate information
Bonus Income	B3-3.2-04, Bonus and Overtime Income	Removed incorrect reference to bonus income.
Interested Party Contributions	B3-4.1-02, Interested Party Contributions (IPCs)	Restored 2007 <i>Selling Guide</i> text regarding when the lender is considered an interested party.
Glossary	Not applicable	Updated, added, and removed several definitions including: broker, correspondent, Lender Adjusted Net Worth, Lower-Cost MI, Reduced MI, retail.