

Attention All Correspondent Lending Sellers:  
CA 18-027 Fannie Mae SEL-2018-01 Selling Guide Updates

March 20, 2018

<b>Subject Summary</b>	Freedom Mortgage Corporation Correspondent Lending and Renovation Lending are issuing this communication to address policy changes included in Fannie Mae <a href="#">SEL-2018-01</a> .
<b>Effective Date</b>	Changes are effective immediately.
<b>Federal Tax Installment Plans</b>	<p>Fannie Mae updated the <i>Selling Guide</i> to allow the monthly payment due under an IRS income tax installment agreement to be included in the DTI ratio (in lieu of payment in full), provided the following requirements are met:</p> <ul style="list-style-type: none"> <li>• There is no indication a Notice of Federal Tax Lien has been filed against the Borrower in the county in which the subject property is located.</li> <li>• The lender must provide the following documentation in the loan file delivered to Freedom Mortgage Corporation: <ul style="list-style-type: none"> <li>○ Approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due; and</li> <li>○ Evidence the Borrower is current on the payments associated with the tax installment plan. <ul style="list-style-type: none"> <li>▪ Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount, date paid and the next payment amount owed and due date; and</li> <li>▪ At least one payment must have been made prior to closing.</li> </ul> </li> </ul> </li> </ul>
<b>Detached Condominium Projects</b>	<p>With SEL-2018-01, Fannie Mae:</p> <ul style="list-style-type: none"> <li>• Waived project review requirements for all detached condominium projects;</li> <li>• Removed references to site condominiums so that all detached condominiums are treated the same; and</li> <li>• Specifically reminded lenders that all detached units must meet property standards, appraisal standards, insurance, and priority lien requirements.</li> </ul>
<b>Minor Litigation in Projects</b>	<p>Fannie Mae expanded their project-related litigation policy to allow for more flexibility. Specifically, eligible minor litigation criteria were expanded to include the following:</p> <ul style="list-style-type: none"> <li>• HOA or co-op corporation is the plaintiff in the litigation and upon investigation and analysis the lender has reasonably determined the matter is minor and will result in an insignificant impact to the financial stability of the project;</li> <li>• The reasonably anticipated or known damages and legal expenses are not expected to exceed 10% of the project's funded reserves; and</li> </ul>

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- Litigation concerning localized damage to a unit in the project that does not impact the overall safety, structural soundness, habitability, or functional use of the project.

In addition, Fannie Mae clarified the policy related to litigation involving death or injury and litigation for construction defects.

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**Field Reviews for Properties Valued at \$1,000,000+**

Fannie Mae removed the requirement for a field review on properties valued at \$1,00,000 or more when the LTV, CLTV, or HCLTV ratio exceeded 75%.

- This requirement was previously imposed to mitigate the perceived risk of overvaluation on properties with high appraised values; and
- The removal of this requirement was based upon the use of Collateral Underwriter (CU) and the independent risk assessment it provides and other tools and advances in managing appraisal quality.

DU Version 10.2, released the weekend of March 17, 2018, included the removal of findings requiring the field review for properties valued at \$1,000,000 or greater.

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**Second Appraisals**

Fannie Mae clarified their policy on second appraisals:

- Going forward, the lender must document the deficiencies that are the basis for ordering a new appraisal; and
- The most reliable appraisal must be selected, rather than always using the second appraisal or the one with the highest value.

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**Online Guide Updates**

- Section [720.16.01\(d\)](#)
- Section [720.16.01\(e\)](#)
- Section [720.16.01\(l\)](#)
- Section [702](#)
- [Conventional High Balance Fixed Rate and Adjustable Rate Mortgage](#)

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**Questions**

If you have questions, please contact your Freedom Mortgage Corporation Correspondent Lending or Renovation Lending Regional Manager.

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