

## Selling Guide Announcement SEL-2014-10

July 29, 2014

### *Selling Guide Updates*

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

- Significant Derogatory Credit Events
- Property Insurance Requirements
- Lender Quality Control Policy Updates and Clarifications
- Notification Requirements for Misrepresentation or Breach of Selling Warranty and Fraud
- MBS Buyup and Buydown Ratio Grids
- Incorporation of Announcement SEL-2014-08, *Fannie Mae Announces Approved Mortgage Insurance Forms*
- Incorporation of Announcement SEL-2014-09, *Anti-Money Laundering Requirements*
- Special Feature Codes
- Miscellaneous *Selling Guide* Update

Each of the updates is described below. The affected topics (and specific paragraphs) are noted for each policy change. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated July 29, 2014.

### **Significant Derogatory Credit Events**

Fannie Mae has made changes to a number of policies pertaining to significant derogatory credit events. Most of these changes were previously announced in the [Desktop Originator/Desktop Underwriter Release Notes, Version 9.1 August Update for DU loan case files](#). They also apply to manually underwritten loans.

#### ***Waiting Period for Mortgage Debt Discharged through Bankruptcy***

The *Selling Guide* has been updated to indicate that if a mortgage debt has been discharged through bankruptcy, even if a foreclosure action is subsequently completed to reclaim the property in satisfaction of the debt, the borrower is held to the bankruptcy waiting periods and not the foreclosure waiting period. Lenders must obtain documentation to verify that the mortgage debt in question was in fact discharged as part of the bankruptcy.

#### ***Waiting Period after a Preforeclosure Sale or Deed-in-Lieu of Foreclosure***

The current requirements that apply to waiting periods following a preforeclosure sale (short sale) or deed-in-lieu of foreclosure provide for different waiting periods of 2 years or 4 years and set out different maximum loan-to-value ratios (LTV) for those timeframes. These requirements are being updated to remove the LTV restrictions tied to different waiting periods, and establish a standard 4 year waiting period, with a 2 year waiting period permitted if a borrower has extenuating circumstances.

Please be advised that Fannie Mae has announced that the waiting period to finance a home after a short sale or pre-foreclosure sale is changing for loan applications taken on or after August 16, 2014. The waiting period requirement for borrower(s) who have had a previous deed-in-lieu of foreclosure or a pre-foreclosure sale/short sale has been reduced from seven years to four years.

Waiting Periods Under the Old Guideline	Waiting Periods Under the New Guideline
7 years from the date the deed to the property was transferred back to the servicer.	4 years from the date the deed to the property transferred back to the servicer. No LTV/CLTV limitations.
4 years from the date the deed to the property was transferred back to the servicer. Maximum 90% LTV/CLTV.	
2 years from the date the deed to the property was transferred back to the servicer. Maximum 80% LTV/CLTV.	
A 2-year waiting period up to 90%	
LTV/CLTV may be permitted if extenuating circumstances can be documented.	A 2-year waiting period will be permitted if extenuating circumstances can be documented. No LTV/CLTV limitation.

**NOTE:** Fannie Mae will also be updating DU Version 9.1 with these changes.

For questions or concerns, contact your Underwriting Manager.