



Announcement 2016-42

Miscellaneous Updates to Fannie Mae Guidelines

Fannie Mae announcement [SEL-2016-02](#) and [SEL-2016-03](#) announces updates to the Fannie Mae Seller Guide on the topics below.

Planet Home Lending will follow Fannie Mae policy on these topics.

Continuity of Obligation

This policy was introduced during the financial crises, to ensure borrowers who recently acquired ownership of a new property were properly qualified. Fannie has since, implemented a number of updates and adequate controls to ensure borrower eligibility requirements and maximum LTV ratio limits are met. As a result, the continuity of obligation policy is no longer required and has been eliminated in its entirety.

Multiple Financed Properties

The Seller Guide redefines a financed property as a 1-4 unit property with a mortgage for which the borrower is personally obligated;

- **Reserve Requirements:** Additional reserve requirements apply based on the number of other financed properties (excluding the subject property and the borrower's principal residence). The other financed properties reserve amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties;

Example:

2% of the aggregate UPB if the borrower has 1-4 financed properties

6% of the aggregate UPB if the borrower has 7-10 financed properties (DU only).

- **Credit Score:** Six or more financed properties require a minimum credit score of 720;
- **Eligibility Restrictions:** The LTV/CLTV/HCLTV and cash-out refinance restrictions have been removed and now align with Fannie's standard guideline requirements.

Project Related Flood Insurance Coverage Requirements

- **Machinery and Equipment:** Machinery and equipment that **are not** a part of the building have been removed from the project related Flood Insurance requirement. However, the master policy must cover all of the common elements and property (including machinery and equipment **that are** part of the building), and must be paid as a common expense by the HOA.
- **Maintaining a Residential Condominium Building Association Policy (RCBAP):** The previous requirement states that the HOA must obtain an RCBAP or equivalent private flood insurance coverage for each building in the project located in a Special Flood Hazard Area (SFHA). The Fannie Mae Seller Guide has been updated to clarify that the Seller need only verify that the HOA maintains an RCBAP or equivalent private flood insurance coverage for the **subject unit's building** if it is located in an SFHA.

Publication of Fillable Rental Income Worksheets

Fannie Mae has recreated its Rental Income Worksheets (forms 1037, 1038 and 1039) as Microsoft Excel fillable spreadsheets to enable Sellers to download and complete them electronically. These forms can be found under "Forms & Resources" on the Correspondent Division's website.

Liability Insurance

The policy provides for at least ten (10) days written notice to the HOA before the insurer cancels or substantially modifies the policy. This notification is no longer required to be given to each holder of a first mortgage or shareholder on an individual unit in the project as previously stated.

Fidelity Insurance

The policy provides for at least ten (10) days written notice to the HOA, insurance trustee and servicer of Fannie Mae owned or securitized mortgages before the policy is canceled or substantially modified. This notification is no longer required to be given to each holder of a first mortgage or shareholder on an individual unit in the project as previously stated. Also, the specific coverage amounts that a management agent should have, has been removed as a requirement.

The Planet Home Lending Seller Guide has been updated as applicable.

If you have any questions, please reach out to your Regional Sales Manager for additional information.