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## Fannie Mae Clarifies and Updates Underwriting Guidelines

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Fannie Mae has just issued an update to the Selling Guide (SEL-2011-04) that affect underwriting of loans as follows:

### Deferred Student Loans

While it has been Fannie Mae's policy to include payments for deferred student loans in the DTI, Fannie Mae has required verification of the payment amount. Effective immediately, if the payment is not documented in the file, Fannie Mae will allow lenders to use 2% of the balance as the qualifying payment.

### Retirement Accounts

Fannie Mae is no longer requiring lenders to verify the terms of withdrawal from a retirement account in order to use the asset as reserves

however it appears lenders are still required to verify the conditions under which withdrawals may be made. If the retirement account does not allow for withdrawal for reasons other than termination, retirement (unless borrower is of retirement age) or death, then lenders may not use the account for reserves. Fannie Mae has not changed their policy regarding using only 60% of the vested balance for qualifying purposes to account for taxes and penalties of early withdrawal. Evidence of liquidation of the retirement account is not required unless the funds are needed for closing. This update is effective immediately and may be manually applied until the DU related message is updated on a future release.

### Resubmission to DU after Closing

Fannie Mae has established new policies regarding how and if a loan can be resubmitted to DU after closing, these changes are effective immediately.

1. A Casefile ID may not be used to underwrite more than one loan with DU
2. The initial submission of a loan to DU may not occur after the loan has closed. *continued on next page*
3. Resubmission is allowed if there are changes

in the attributes of the closed loan that exceed the tolerances permitted by DU and the loan has not yet been delivered to Fannie Mae

4. If a new credit report may be obtained after closing for the purpose of resubmitting the Casefile to DU as long as it complies with the Fair Credit Reporting Act with regard to the purpose and nature of the inquiry. If the new credit report reflects different information than what is reflected on the final signed application, the lender must provide a new updated application (borrower signature is not required) along with the signed final application.
5. If the original Casefile ID cannot be accessed by the lender for resubmission, a new Casefile ID may be obtained provided that:
  - the above lender responsibilities are met, including the updating of the final loan application, if applicable
  - the loan has not been delivered to Fannie Mae
  - the loan has the same information (same borrowers and property) as had previously been underwritten through DU prior to closing using another loan Casefile, and the previous Casefile received an eligible recommendation
  - the lender retains the DU Underwriting Findings Report from the original loan Casefile ID in the loan file
  - the DU submission using the new loan Casefile occurs no more than 60 days after the Note date

### Significant Derogatory Credit Events

The selling guide has been updated to clarify the policy regarding maximum LTV ratios for

borrowers with a prior pre-foreclosures sale or deed-in-lieu of foreclosure. All reference to "maximum LTV" refers to LTV, CLTV and HCLTV ratios.

### Non-applicant Debts

The DU findings will identify potential non-applicant debt. If these debts are included on the loan application, DU will include the debts in the DTI ratios. If the lender provides evidence that the debts do not belong to the borrower(s) they may be removed from the loan application. If the debts are removed from the loan application, DU will not include the debts in the DTI ratios upon resubmission.

This announcement also notifies lenders that the seller guide has been update to incorporate Announcement SVC-2011-04 with regards to prohibition of certain mortgage insurance agreements that may adversely affect Fannie Mae's interest in its mortgage loans.

### MERS

Fannie Mae has also clarified with regards to MERS-registered loans that:

- Document custodians must be able to identify MERS registered mortgages
- Lenders must have controls to readily identify MERS registered mortgages
- MERS cannot be named as the insured or loss payee on title or property insurance policies
- By delivering the MIN, the lender warrants that the mortgage is properly registered in MERS and names the lender as the investor

The following links access the Fannie Mae Announcements in AllRegs:

**SEL-2011-04**

<http://www.allregs.com/ao/main.aspx?did2=1af811fd0a5f48ad8a05593ba3e9ac96>

**SVC-2011-04**

<http://www.allregs.com/ao/main.aspx?did2=db5bee03365d449f981cef9e67fe4cde>

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