



Selling Guide Announcement (SEL-2023-01)

Feb. 1, 2023

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

- [Cash-out refinance eligibility](#): implements new eligibility requirements for cash-out refinance transactions
- [Enhancements to support borrowers with nontraditional credit](#): aligns policy with eligibility expansions to the cash flow assessment and other risk factors evaluated by DU
- [MH Advantage® comparables](#): expands policy to include use of site-built comparables
- [Miscellaneous updates](#):
 - [Loan-level price adjustment updates](#)
 - [DU recommendations](#)

In addition, an update to the following is described in this Announcement:

- [Updated list of Approved Mortgage Insurance Forms](#): incorporates changes to approved mortgage insurance forms

View the list of [impacted topics](#).

Cash-out refinance eligibility

We updated our eligibility policy for cash-out refinance transactions to require that any existing first mortgage being paid off through the transaction be at least 12 months old as measured from the note date of the existing loan to the note date of the new loan.

This change is in addition to the existing requirement that at least one borrower be on title to the subject property for at least six months prior to the disbursement date of the new loan, unless subject to one of the ownership exceptions permitted in the *Selling Guide*.

Effective: Lenders are encouraged to implement these changes immediately but must do so for all cash-out refinances with note dates on and after Apr. 1, 2023. The Desktop Underwriter® (DU®) message issued on cash-out refinance loan casefiles will be updated in a future release to reflect the updated requirement.

Enhancements to support borrowers with nontraditional credit

We updated our policies to reflect the updated risk assessment for DU loan casefiles when no borrower has a credit score. When no borrower on the loan application has a credit score, DU will apply the following requirements:

- The property must be a one- to four-unit principal residence and all borrowers must occupy the property.
- The transaction must be a purchase or limited cash-out refinance.
- The loan must be a fixed-rate loan and meet the baseline loan limits for conforming loans.
- Reserves may be required as determined by DU.



In addition, DU will conduct a cash flow assessment when the lender provides a 12-month, third-party asset verification report for the borrower. DU will assess the borrower's cash flow management history to determine whether it can be used to positively supplement the credit risk assessment.

Effective: These changes were implemented in DU Version 11.0 for new loan casefiles created on or after Dec. 11, 2022. See the [DU Release Notes](#) for additional information on the enhancements made.

MH Advantage comparables

For MH Advantage properties, appraisers must use other MH Advantage homes for the comparable sales when available. If fewer than three MH Advantage sales are available, the appraiser must supplement with the best and most appropriate sales available, which must include site-built homes. Due to the limited amount of MH Advantage properties in the marketplace, we are expanding our policy to encourage appraisers to specifically consider site-built comparables when MH Advantage comparables are not available.

Effective: Lenders may take advantage of this policy change immediately.

Miscellaneous updates

LLPA updates: [B5-1-02, High-balance Pricing, Mortgage Insurance, Special Feature Codes, and Delivery Limitations](#) and [C1-1-01, Execution Options](#) were modified to reflect changes to LLPAs announced in [LL-2023-01](#).

DU recommendations: [B3-2-06, Approve/Ineligible Recommendations](#) and [B3-2-07, Refer with Caution Recommendations](#) were updated to clarify that the lender may attempt to resolve the reason for the ineligibility and resubmit the loan casefile to DU or manually underwrite the loan in accordance with *Selling Guide* requirements.

Updated list of Approved Mortgage Insurance Forms

We updated [Approved Mortgage Insurance Forms](#) to add a footnote under Radian Guaranty Inc. explaining that certain Commitment & Certificates of Insurance issued by Radian with an old version date are acceptable for delivery.

Lenders may contact their Fannie Mae Account Team if they have questions about this Announcement. Have guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).



Impacted Topics

| Section of the Announcement | Updated <i>Selling Guide</i> Topics (Dated Feb. 01, 2023) |
|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash-out refinance eligibility | <ul style="list-style-type: none">▪ B2-1.3-03, Cash-Out Refinance Transactions |
| Enhancements to support borrowers with nontraditional credit | <ul style="list-style-type: none">▪ A2-4.1-01, Establishing Loan Files▪ B3-2-03, Risk Factors Evaluated by DU▪ B3-5.4-01, Eligibility Requirements for Loans with Nontraditional Credit▪ B3-5.4-02, Number and Types of Nontraditional Credit References▪ B3-5.4-03, Documentation and Assessment of a Nontraditional Credit History▪ D1-3-02, Lender Post-Closing Quality Control Review of Approval Conditions, Underwriting Decisions, and Documentation▪ D2-1-02, Fannie Mae QC File Request and Submission Requirements |
| Manufactured Housing Advantage comparables | <ul style="list-style-type: none">▪ B4-1.4-01, Factory-Built Housing: Manufactured Housing |