



WHOLESALE ANNOUNCEMENT 2024-18

February 23, 2024

**Fannie Mae
Updates**

Effective Date

Effective immediately

Update/Summary

Value Acceptance + Property Data for Condo's

- In March 2023 value acceptance + property data was announced, which was limited to certain one-unit properties, excluding condos. On Dec. 1, 2023, the jointly developed GSE Uniform Property Dataset (UPD) went active and included a data standard for condos. This new dataset will replace the proprietary data standard on April 1, 2024. Note, it is still required to confirm the condo project is not ineligible in Condo Project Manager (CPM)
- Additionally, the following updates relevant to value acceptance + property data were made to the Selling Guide:
 - removed references to “C6 condition and Q6 quality” since UPD does not require the collection of condition and quality ratings,
 - added the Individual Condominium Unit Appraisal Report (Hybrid) (Form 1073 Hybrid), for use when the value acceptance + property data offer is lost due to changes in qualifying loan characteristics, and
 - removed “property data collection to be obtained after the initial DU offer” to allow property data collection use in multiple transactions

Qualifying Rate for 7- and 10-year ARMs

- This update is clarifying that borrowers must be qualified using no less than the note rate for 7- and 10-year ARMs that are not high-priced mortgage loans or higher-priced covered transactions. **N O T E:** For ARMs with an initial fixed rate period greater than five years, if the lender wants to use an interest rate higher than the note rate to qualify the borrower, the higher rate must be entered in the ARM Qualifying Rate field in DU and the Lender ARM Plan must be used

Manufactured Housing Cash-Out Refinance Term Extension

- The Eligibility Matrix and Manufactured Housing Product Matrix have been updated to allow the maximum loan term on a cash-out refinance for a multi-width manufactured home to be 30 years (increased from 20 years). Single-width manufactured homes remain ineligible for cash-out refinances

Use of Business Income

- Clarifications have been made for several income calculation and documentation requirements for borrowers using business income to qualify. These updates apply to self-employed borrowers and borrowers with less than a 25% interest in a business
 - A lender may use a method other than the Quick Ratio or Current Ratio described in the Guide to confirm business liquidity, as applicable. When an alternative method is used, documented



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rationale must be provided

- The Schedule K-1 alone cannot be used to support business liquidity in the absence of distributions as it does not provide sufficient information for this purpose
- Clarified additional policies were applicable only to borrowers with less than a 25% interest in a business. If business tax returns are provided, the lender is not required to analyze the viability of the business. The lender may focus solely on the borrower's proportionate share of business income as reflected on the Schedule K-1
 - Income reported on Schedule K-1 can only be considered for qualifying if the lender verifies that the income was actually distributed to the borrower consistent with the level of business income being used to qualify, or the business has adequate liquidity to support the withdrawal of earnings

Property Insurance Requirements

- The following clarifications apply to property insurance policies for one- to four-unit properties and master property insurance policies for project developments:
 - In addition to actual cash value coverage being unacceptable, policies that limit, depreciate, reduce or otherwise settle losses at anything other than a replacement cost basis are also not acceptable.
 - The lender and servicer are responsible for verifying that the coverage amount meets Fannie Mae's requirements as of the current insurance policy effective date
- The following additional clarifications apply only to requirements for master property insurance coverage on project developments:
 - The minimum required perils that a policy must cover are those found in a commercial "Broad" coverage form
 - Outdated references to guaranteed replacement cost, extended replacement cost, and replacement cost coverage have been removed to improve clarity
 - Coinsurance requirements have been removed to streamline the property insurance review process and to ensure that all project developments are reviewed for sufficient coverage
- As a reminder, these updates supersede any prior verbal or written guidance we may have provided

Signature Requirements for Notes

- Added clarification that an individual who is not a loan applicant but whose credit is used in qualifying for the loan pursuant to a requirement of applicable law, is not required to sign the note. If they have an ownership interest in the property, they must be named in and sign the security instrument

Should you have any questions, please reach out to your Account Executive or Client Manager