

MPF Announcement:

2022-26

Date:

June 14, 2022

Alert:

Clarification
New Policy
Policy Update
Reminder
Training Information

Audience:

Compliance/Legal
Program Management
Origination
Quality Control
Servicing
Underwriting

Product:

MPF Government MBS
MPF Traditional
MPF Xtra[®]

Effective Date:

Immediately (unless otherwise noted)

MPF Xtra Selling Guide Updates

Fannie Mae published the below Selling Guide updates which covers the below referenced topics that are applicable to loans originated under the MPF Xtra product:

Reference

[Fannie Mae Selling Guide Announcement SEL 2022-04](#)

[Fannie Mae Selling Guide Announcement SEL-2022-05](#)

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

Visit the MPF Website to review and register for upcoming complimentary [MPF Webinars](#).

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[Fannie Mae Selling Guide Announcement SEL-2022-04](#)

- Updated to establish the following requirements for virtual currency (such as cryptocurrencies):
 - Income paid in the form of virtual currency may not be considered when qualifying a borrower.
 - Assets used to establish continuance for certain income types cannot be in the form of virtual currency.
 - The purchase price of the property and any earnest money deposit may not be designated in virtual currency.
 - The payment used as rental income must be in U.S. dollars.
 - Payment on any installment debt secured by virtual currency must be included in the debt-to-income ratio calculation.
- Updated the requirements on the source of funds from assets located outside of the United States and its territories. *Effective: PFIs may take advantage of these policy updates immediately but must do so for loans with application dates on and after July 1, 2022.*
- Updated to provide additional details on eligibility requirements for Community Second providers. *Effective: PFIs may take advantage of these policy updates immediately but must do so for loans with application dates on and after July 1, 2022.*
- In this update, Fannie Mae eliminated the requirement to provide unrecorded assignments of mortgage for loans not registered with Mortgage Electronic Registration System, Inc. (MERS®). **This update does not apply to MPF Xtra loans, PFIs are required to provide assignments in accordance to MPF Xtra Selling Guide 17.2.2.7 Assignments and 17.2.2.8 Recording Assignments.**

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Fannie Mae Selling Guide Announcement SEL-2022-05

- Updated policy on limited cash-out refinance transactions for two-closing construction-to-permanent loans to allow documented construction cost overruns that occurred outside of the interim construction lien to be included in the new loan amount.
- Clarified the definition of group home and related property eligibility requirements.
- Miscellaneous update:
 - Removed all outdated references to the Form 1003.

Exhibit S-X: MPF Program Detailed Reference List of Required or Conditionally Required ULDD Fields

- Updated the list to align with the ULDD Phase 4a specification release.

Condominium Project Questionnaire

- Removed references to the retired Condominium Project Questionnaire – Short Form (Form 1077).

To gain a full understanding of these topics, PFIs should review the entire Fannie Mae Announcement and any applicable Fannie Mae Selling Guide chapters, forms, or exhibits noted in the announcements.

Selling Guide Announcement (SEL-2022-04)

May 4, 2022

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

- [Virtual currency](#): adding requirements on the use of virtual currency
- [Foreign assets](#): updating requirements on the source of funds from assets located outside of the United States and its territories
- [Community Seconds® providers](#): providing additional details on eligibility requirements
- [Unrecorded assignments of mortgage](#): eliminating the requirement to provide unrecorded assignments of mortgage for loans not registered with Mortgage Electronic Registration System, Inc. (MERS®)
- [Miscellaneous update](#)
 - Purchase Terminology

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

Virtual currency

We updated the *Selling Guide* to establish the following requirements for virtual currency (such as cryptocurrencies):

- Income paid in the form of virtual currency may not be considered when qualifying a borrower.
- Assets used to establish continuance for certain income types cannot be in the form of virtual currency.
- The purchase price of the property and any earnest money deposit may not be designated in virtual currency.
- The payment used as rental income must be in U.S. dollars.
- Payment on any installment debt secured by virtual currency must be included in the debt-to-income ratio calculation.

Virtual currency that has been exchanged into U.S. dollars is acceptable for the down payment, closing costs, and financial reserves provided

- there is documented evidence that the virtual currency was exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution, and
- the funds are verified in U.S. dollars prior to the loan closing.

Effective: These policies are effective immediately.

Foreign assets

We updated our policy on foreign assets used for qualifying a borrower regardless of citizenship status. When the source of funds needed for down payment, closing costs, or financial reserves originates from assets located outside of the United States and its territories, those assets must be exchanged and transferred into a U.S. or state-regulated financial institution and must be verified prior to the closing of the loan. Additionally, we made a corresponding clarification that all income and asset documents of foreign origin must be completed in English, or the originator must provide a translation, attached to each document, and ensure the translation is complete and accurate.

Effective: Lenders may take advantage of these policy updates immediately but must do so for loans with application dates on and after July 1, 2022.



Community Seconds providers

To provide clarity, we updated the Guide to include an exhaustive list of all types of eligible Community Seconds providers and further defined applicable requirements. A Community Seconds loan may only be funded by one of the entities described in our Guide, provided they are not the property seller or other interested party in the transaction. See the *Selling Guide* for a complete list of eligible providers.

Effective: Lenders may take advantage of these clarifications immediately, but must ensure compliance with the updates by July 1, 2022.

Unrecorded assignments of mortgage

We updated the *Selling Guide* to incorporate the policies introduced in Lender Letter LL-2021-15. We are aligning the *Selling* and *Servicing Guides* by eliminating the requirement to provide unrecorded assignments of mortgage to Fannie Mae for loans not registered with MERS. We also added all requirements related to delivery of five original *Irrevocable Limited Power of Attorney (Form 520)*.

Effective: Sellers may immediately cease preparing unrecorded assignments for loans not registered in MERS and delivering the unrecorded assignments to the document custodian.

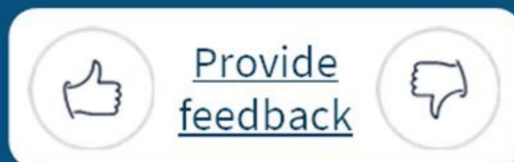
As communicated in LL-2015-15, all sellers/servicers must have completed and delivered five (5) original Form 520 to us by March 1, 2022. Failure to submit the forms may result in the suspension or termination of the rights to sell or service mortgage loans, or other consequences, until the completed forms are submitted.

Miscellaneous Update

Purchase terminology: In an effort to be consistent with our policies and related business applications, we are aligning the definitions of “purchased” and “funded” for whole loans across Pricing & Execution Whole Loan® (PE-Whole Loan®), Loan Delivery, and our *Selling Guide*. This will result in terminology changes to the Loan Delivery and PE-Whole Loan user interfaces beginning May 23, 2022. Minor edits were made to the *Selling Guide* to also reflect these changes.

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](#).

Let your voice be heard! We want your feedback on our policy communications to help us improve the clarity of new and updated policy and understand any implications to borrowers. Click below to take a short survey regarding this Announcement.





Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated May 04, 2022)
Virtual currency	<ul style="list-style-type: none"> ▪ B3-3.1-01, General Income Information ▪ B3-3.1-08, Rental Income ▪ B3-3.1-09, Other Sources of Income ▪ B3-4.1-04, Virtual Currency ▪ B3-4.2-02, Depository Accounts ▪ B3-4.3-09, Earnest Money Deposit ▪ B3-6-01, General Information on Liabilities ▪ B3-6-02, Debt-to-Income Ratios ▪ B3-6-05, Monthly Debt Obligations ▪ E-3-16, Acronyms and Glossary of Defined Terms: P
Foreign assets	<ul style="list-style-type: none"> ▪ B3-2-02, DU Validation Service ▪ B3-3.1-09, Other Sources of Income ▪ B3-4.2-01, Verification of Deposits and Assets ▪ B3-4.2-05, Foreign Assets (formerly Verification of Assets for Non-US Citizen Borrowers)
Community seconds providers	<ul style="list-style-type: none"> ▪ B5-5.1-02, Community Seconds Loan Eligibility
Unrecorded assignments of mortgage	<ul style="list-style-type: none"> ▪ A2-4.1-01, Establishing Loan Files ▪ A2-4.1-03, Electronic Records, Signatures, and Transactions ▪ A3-3-02, Concurrent Servicing Transfers ▪ A3-3-04, Document Custodians ▪ A3-3-05, Custody of Mortgage Documents ▪ A4-1-04, Submission of Irrevocable Limited Power of Attorney – New topic ▪ B8-6-01, General Information – Deleted topic ▪ B8-6-02, Mortgage Assignment to Fannie Mae – Deleted topic ▪ B8-6-03, Authorized Use of Intervening and Blanket Assignments (New number B8-6-01 ▪ B8-7-01, Mortgage Electronic Registration Systems (MERS), Inc. ▪ E-2-01, Required Custodial Documents ▪ E3, Glossary of Fannie Mae Terms: C
Purchase Terminology	<ul style="list-style-type: none"> ▪ C1-1-01, Execution Options ▪ C2-1.1-02, General Information about Mandatory Commitment Pricing and Fees



- [C2-2-03, General Information on Whole Loan Purchasing Policies](#)
- [C2-2-04, Timing of Distribution of Whole Loan Purchase Proceeds](#)
- [C2-2-05, Whole Loan Purchasing Process](#)



Selling Guide Announcement (SEL-2022-05)

June 1, 2022

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

- [Construction cost overruns in refinances](#): allowing a two-closing construction-to-permanent loan to include documented construction cost overruns that occurred outside of the interim construction loan
- [Group homes](#): clarifying the definition of group home and related property eligibility
- [Calculating the fully indexed rate for ARM loans](#): aligning our policy with Regulation Z requirements
- [Miscellaneous update](#):
 - References to outdated Form 1003

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

Construction cost overruns in refinances

We updated our policy on limited cash-out refinance transactions for two-closing construction-to-permanent loans to allow documented construction cost overruns that occurred outside of the interim construction lien to be included in the new loan amount. These construction cost overruns must be paid directly to the builder at the time of closing.

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

Group homes

We updated our policy to clarify the definition of group home and the related property eligibility. Group homes are residential structures utilized for occupancy by persons with disabilities (irrespective of familial relationship) and are not considered to be boarding houses. As such, group homes are (and remain) an eligible property type.

Calculating the fully indexed rate for ARM loans

To better align our requirements with Regulation Z, we made the following clarifications to policy for determining the index value used to calculate the fully indexed rate for ARM loans:

- specified note date as the end of the 90-day period to establish the index value, and
- changed the applicable index value from “lowest value” to “any index value” (in alignment with Regulation Z) to address the operational challenges lenders face when finalizing documentation in advance of the loan closing.

Effective: Lenders may take advantage of this clarification to policy immediately.

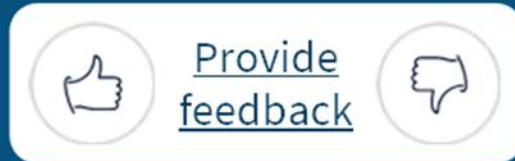
Miscellaneous update

References to outdated Form 1003: We removed all references to the Form 1003 7/05 revision (6/09).



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](#).

Let your voice be heard! We want your feedback on our policy communications to help us improve the clarity of new and updated policy and understand any implications to borrowers. Click below to take a short survey regarding this Announcement.



Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated June 1, 2022)
Limited cash-out refinance	<ul style="list-style-type: none"> ▪ B2-1.3-02, Limited Cash-Out Refinance Transactions
Group homes	<ul style="list-style-type: none"> ▪ B2-1.1-01, Occupancy Types ▪ B2-3-01, General Property Eligibility ▪ E-3-07, Acronyms and Glossary of Defined Terms: G
Calculating the fully indexed rate for ARM loans	<ul style="list-style-type: none"> ▪ B2-1.4-02, Adjustable-Rate Mortgages (ARMs)
References to outdated Form 1003	<ul style="list-style-type: none"> ▪ B1-1-01, Contents of the Application Package ▪ B2-1.2-01, Loan-to-Value (LTV) Ratios ▪ B2-2-03, Multiple Financed Properties for the Same Borrower ▪ B3-3.5-01, Income and Employment Documentation for DU ▪ B3-3.5-02, Income from Rental Property in DU ▪ B3-4.4-02, Requirements for Certain Assets in DU ▪ B5-3.2-01, HomeStyle Renovation Mortgages ▪ B5-3.3-01, HomeStyle Energy for Improvements on Existing Properties ▪ E-1-01, References to Fannie Mae’s Website