

**MPF Announcement:**

2023-61

**Date:**

August 21, 2023

**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 Updates – FNMA SEL-2023-06

Fannie Mae published [SEL-2023-06](#), which covers the below referenced topics that are applicable to mortgage loans sold under the MPF Xtra product:

**Reference**

[Fannie Mae Selling Guide SEL-2023-06](#)

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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- Updated project standards policies for properties in need of critical repairs and special assessments. **Effective:** *These policy changes may be incorporated into the review process immediately, but must be implemented for all new loan applications dated on or after September 18, 2023. Note, if an Originator has an unexpired project review completed prior to September 18, 2023, they must still validate these new requirements have been met for loan applications dated on or after that date. This applies to all review types.*
- Revised the eligibility requirements for limited cash-out refinances to require that at least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application.
- Incorporated a new loan eligibility requirement that requires mortgage loans to be no more than six months old to be eligible for sale to Fannie Mae, measured from the first payment date to the Funding Confirmation date. **Note: To ensure MPF Xtra loans meet this requirement, PFIs are encouraged to submit loan funding requests within five months of the first payment date to account for time for the pre-funding certification process and subsequent funding with Fannie Mae. PFIs submitting loan funding requests more than five months from the first payment date may have the loan determined to be ineligible for funding by the MPF Program due to insufficient time to perform the pre-funding certification process and delivery to Fannie Mae within the 6 month timeframe.**

The MPF Xtra Selling Guide has been updated to incorporate this requirement see 13.3.6 Loan Delivery Requests and 14.1 Conventional Mortgage Loan Seasoning Requirements.

The MPF Xtra Selling Guide has been updated removing any references to post-funding certification, since all MPF Xtra mortgage loans are subject to pre-funding certification.

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.

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## Selling Guide Announcement (SEL-2023-06)

July 05, 2023

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

- [Review requirements for condo and co-op project eligibility](#): updates project standards policies for properties in need of critical repairs and special assessments
- [Eligibility requirements for limited cash-out refinance transactions](#): requires at least one borrower to be a current owner of the subject property
- [Sale of loans aged six months or less](#): incorporates eligibility requirements for the sale of loans aged six months or less

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

### Review requirements for condo and co-op project eligibility

In Lender Letter [LL-2021-14](#) we announced temporary requirements related to significant deferred maintenance and special assessments. Projects in need of critical repairs or that have significant deferred maintenance can result in unsafe living conditions, evacuations, and uninhabitable homes. Special assessments for these types of issues can result in a substantial financial hardship for homeowners, which can put them at risk for loan default and foreclosure.

At the direction of the FHFA, Fannie Mae and Freddie Mac have worked together to update project review requirements to assist lenders in identifying projects that may have issues that result in unsafe conditions, and to promote sustainable homeownership. Fannie Mae is updating its project standards policies to address projects in need of critical repairs, and projects that have material deficiencies (such as significant deferred maintenance) or special assessments. These requirements apply to all loans secured by units in condo projects (condo loans) and all cooperative share loans secured by share ownership in a co-op project (co-op share loans) with five or more attached units, regardless of the project review type. The requirements also apply to loans eligible for delivery under the waiver of project review policy.

These project review requirements:

- define critical repairs, material deficiencies, and significant deferred maintenance, including defining routine repairs that are not considered critical;
- prohibit sale of condo loans and co-op share loans in projects in need of critical repairs;
- prohibit sale of condo loans and co-op share loans in projects with current evacuation orders due to unsafe conditions;
- require a review of all structural or mechanical inspection reports that have been completed within 3 years of the project review date;
- provide new requirements for condo or co-op projects with special assessments;
- prohibit sale of condo loans and co-op share loans in projects with unfunded repairs totaling more than \$10,000 per unit; and
- prohibit sale of condo loans and co-op share loans in projects that have an "Unavailable" status in Condo Project Manager™ (CPM™).

When these policy changes go into effect, the guidance and requirements in Lender Letter LL-2021-14 will be retired. However, we will not resume the practice of evaluating project eligibility waivers (PEWs) for insurance policy deficiencies.



**Effective:** Lenders may incorporate these policy changes into the review process immediately. Lenders must implement these new policies for all new loan applications dated on or after Sept. 18, 2023. Note, if a lender has an unexpired project review completed prior to Sept. 18, 2023, they must still validate these new requirements have been met for loan applications dated on or after that date. This applies to all review types.

CPM will be updated the weekend of Sept. 15, 2023, with new data elements related to critical repairs, material deficiencies, significant deferred maintenance, inspection reports, evacuation orders, and special assessments. For all unexpired CPM project eligibility certifications, the lender must update the certification with the new data requirements for loan applications dated on or after Sept. 18, 2023. The new data requirements apply to all initial project review submissions to CPM on and after Sept. 18, 2023, regardless of the loan application date. Loans with application dates prior to Sept. 18, 2023 for which the lender has an unexpired project review in CPM completed prior to that date, may be underwritten in accordance with the policies outlined in Lender Letter LL-2021-14 and the unexpired CPM certification.

## Sale of loans aged six months or less

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In March 2020, we announced in Lender Letter [LL-2020-03](#) a temporary requirement that loans be no more than six months old to be eligible for sale on a flow basis. In February 2023, we announced in Lender Letter [LL-2021-03](#) that this temporary requirement would be made permanent and be incorporated into the *Selling Guide* at a future date. This update is to incorporate the eligibility requirement for the sale of loans aged six months or less into the Guide as follows:

- a new loan eligibility requirement is being added that requires loans sold on a flow basis to be no more than six months old to be eligible for sale, measured from the first payment date to the Purchase Ready date (whole loans) or MBS pool issue date; and
- an exception is permitted for HomeStyle® Renovation loans when the loan is not delivered until renovation is complete; these loans may be up to 15 months old, measured from the note date to the Purchase Ready date (whole loans) or MBS pool issue date.

We are maintaining the current definition and requirements for seasoned loans (loans more than one year old). Seasoned loans are restricted to negotiated transactions only.

## Eligibility requirements for limited cash-out refinance transactions

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We revised the eligibility requirements for limited cash-out refinances to stipulate that at least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application. Exceptions to this policy are permitted in the following scenarios:

- the borrower acquired the property through an inheritance or was legally awarded the property via a legal settlement or divorce decree, or
- the property was previously owned by an *inter vivos* revocable trust and the borrower is the primary beneficiary of the trust.

**Effective:** Lenders are encouraged to comply with this policy change immediately but must do so for new loan applications beginning Sept. 1, 2023. DU messaging will be updated in a future release to remind lenders of this requirement.

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 July 5, 2023)
Review requirements for condo and co-op project eligibility	<ul style="list-style-type: none"><li>▪ <a href="#">B4-2.1-02, Waiver of Project Review</a></li><li>▪ <a href="#">B4-2.1-03, Ineligible Projects</a></li><li>▪ <a href="#">B4-2.2-01, Limited Review Process</a></li><li>▪ <a href="#">B4-2.2-02, Full Review Process</a></li><li>▪ <a href="#">B4-2.3-02, Condo Project Eligibility</a></li></ul>
Sale of loans aged six months or less	<ul style="list-style-type: none"><li>▪ <a href="#">B2-1.5-02, Loan Eligibility</a></li><li>▪ <a href="#">B6-1-01, General Government Mortgage Loan Requirements</a></li><li>▪ <a href="#">C1-1-01, Execution Options</a></li><li>▪ <a href="#">C2-1.1-03, Mandatory Commitment Terms, Amounts, Periods and Other Requirements</a></li></ul>
Eligibility requirements for limited cash-out refinance transactions	<ul style="list-style-type: none"><li>▪ <a href="#">B2-1.3-02, Limited Cash-Out Refinance Transactions</a></li></ul>