

MPF Announcement:

2023-91

Date:

November 30, 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 within)**

MPF Traditional – Trust Income Eligibility

The following updates have been made to the MPF Traditional Selling Guide:

Reference

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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- Added a requirement that funds used from a trust for down payment, closing costs, or reserves must be subtracted from the total funds available to determine if the income meets the applicable Selling Guide requirements.
- Clarified the different treatments of variable and fixed trust payments and incorporated documentation requirements for each type.
- Incorporated a requirement that when eligible employment-related assets are liquidated and placed in a trust within 12 months of the loan's application date, the PFI must comply with the policies in Employment-Related Assets as Qualifying Income.

For additional information see MPF Traditional Selling Guide Section 5.3.1.3 Continuity of Income, 5.3.9.8 Employment-Related Assets as Qualifying Income, and 5.3.9.25 Trust Income.



Selling Guide Announcement (SEL-2023-08)

Sept. 6, 2023

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

- [Personal gifts and gifts of equity](#): clarifying requirements when the donor is the seller of the property and when the source of the gift is an estate or trust
- [3D printed homes](#): clarifying property eligibility and comparable sales requirements for 3D printed homes
- [Trust income](#): updating the policy for using income earned from a trust towards qualifying
- [Miscellaneous updates](#):
 - Removal of closing protection letter requirement for manufactured homes
 - Shared appreciation provider requirements

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

Personal gifts and gifts of equity

We updated our policies on personal gifts and gifts of equity to allow an acceptable donor who is also the seller of the subject property to be eligible if they are not affiliated with another interested party to the transaction. Additionally, we expanded the policy to allow gift funds to be sourced from an estate of an acceptable donor or a trust established by an acceptable donor.

Effective: Lenders may take advantage of these policy changes immediately.

3D printed homes

3D printed homes are an innovative building technique that brings efficiency and potential cost savings to new home construction. To address questions regarding property eligibility and comparable sales requirements, we are clarifying our policy that a 3D printed home with a traditional design and constructed using conventional building materials is not considered a unique or nontraditional type of housing as described in the *Selling Guide*. Lenders should follow the standard eligibility and comparable sale selection requirements for site-built housing.

Trust income

We updated our requirements related to trust income. First, we added a requirement that funds used from a trust for down payment, closing costs, or reserves must be subtracted from the total funds available to determine if the income meets the requirements in *Continuity of Income* in [B3-3.1-01, General Income Information](#).

Additionally, we are differentiating treatment of variable and fixed trust payments as follows:

- Variable trust payments require a minimum 24-month history of receipt and must be documented with two years of tax returns.
- Fixed trust payments require a minimum 12-month history of receipt (unless certain conditions apply). If the borrower is unable to document a 12-month history, the trust documentation must reflect



- fixed payments,
- the borrower is not the grantor of the trust, and
- at least one payment must be received prior to loan closing.

In either case, proof of current receipt of the income is required and must be documented with a current bank statement or equivalent documentation.

Lastly, we included a requirement that when eligible employment-related assets are liquidated and placed in a trust within 12 months of the loan's application date, the lender must comply with the policies in *Employment-Related Assets as Qualifying Income*.

Effective: Lenders are encouraged to implement these changes immediately but must do so for all loans with application dates on or after Nov. 1, 2023. DU messaging will be updated in a future release to refer lenders to the *Selling Guide* to confirm how the income must be calculated and documented.

Miscellaneous updates

Removal of closing protection letter requirement: We removed from [B5-2-05, Manufactured Housing Legal Considerations](#) the requirement to obtain an insured closing protection letter for each loan secured by a manufactured home. Lenders are no longer required to obtain this document but may continue to do so at their discretion.

Shared appreciation provider requirements: We revised the note in [B5-5.1-03, Community Seconds: Shared Appreciation Transactions](#), to clarify that within six months of closing, the lender of the first mortgage may assign the loan to any housing finance agency as defined in 23 C.F.R. §266.5, rather than a state housing finance agency.

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 Sept. 06, 2023)
Personal gifts and gifts of equity	<ul style="list-style-type: none">▪ B3-4.1-02, Interested Party Contributions (IPCs)▪ B3-4.3-04, Personal Gifts
3D printed homes	<ul style="list-style-type: none">▪ B4-1.3-05, Improvements Section of the Appraisal Report
Trust income	<ul style="list-style-type: none">▪ B3-3.1-01, General Income Information▪ B3-3.1-09, Other Sources of Income