

MPF Announcement:

2024-45

Date:

July 02, 2024

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 Traditional – Income Clarifications

Clarified the following income calculation and documentation requirements:

Trust Income

- Trust verification documentation must clearly identify the date the trust was created so PFIs can appropriately apply the Selling Guide policies.
- Trust verification documentation may include a letter from an accountant or attorney who has reviewed the trust's documentation, when the trustee's statement or other documents are not available or when the Borrower is trustee.
- Trusts created within 12 months of the mortgage loan application date and funded by the borrower's employment-related assets may still be used as income but must meet the income calculation and all other requirements in Employment-Related Assets as Qualifying Income.
- When variable trust income has been received for less than 24 months, but not less than 12 months, the PFI may consider it as stable income when other positive factors are present that reasonably offset the shorter income history in alignment with the standard variable income guidelines.
- For variable trust income, PFIs may rely on copies of the trust's federal income tax returns, as an alternative to the borrower's personal tax returns.

For additional information, see section 5.3.9.26 – Trust Income of the MPF Traditional Selling Guide.

Reference

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

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Nontaxable Section 8 Payments

Clarified that Section 8 payments are nontaxable and the PFI should develop an adjusted gross income for the Borrower using the monthly payment from the public agency. Documentation of the nontaxable nature of this income is not required.

For additional information, see section 5.3.9.17 – Public Assistance Income and 5.3.1.6 Using Nontaxable Income to Adjust the Borrower's Gross Income of the MPF Traditional Selling Guide.

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Selling Guide Announcement (SEL-2024-03)

May 01, 2024

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

- [First-generation homebuyer loan](#): introducing a definition for a first-generation homebuyer loan
- [Reconsideration of value](#): adding requirements for a borrower-initiated appeals process for appraisals
- [Affidavit of Affixture](#): clarifying when an Affidavit of Affixture is required for manufactured housing loans
- [Community land trust eligibility for manufactured housing](#): expanding our shared equity policy as it relates to manufactured housing in community land trust properties
- [Registration of co-op share loans with MERS](#): allowing sellers/servicers to designate MERS as the nominee for the beneficiary in the security instrument
- [Submission of the Audited Financial Statement, Form 1001, and Form 582](#): updating requirements for submission of financial statements and reports
- [Trust income](#): adding additional details to supplement previously issued policy requirements
- [Miscellaneous updates](#):
 - Maintaining seller/servicer eligibility
 - Nontaxable Section 8 payments
 - Validation of Form 482

In addition, we published new state-specific versions of the Multistate 30-day Average SOFR ARM instruments that currently require state-specific authorized changes.

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

First-generation homebuyer loan

Our [Equitable Housing Finance Plan](#) is an actionable, three-year road map designed to overcome inequities in the U.S. housing market. We recently published the third-year plan, which introduces a definition for a first-generation homebuyer loan.

The concept of a “first-generation homebuyer” – the borrower and their parents do not and/or have not owned a property – is not new. There are many programs in the market that offer down payment or other assistance for eligible participants with varying definitions of what constitutes a first-generation homebuyer. First-generation homebuyers are less likely to receive financial assistance from parents to help with the downpayment and other upfront costs. A lack of generational wealth through homeownership contributes to the perpetuation of wealth disparities nationwide.

Definition

Together with Freddie Mac, we have created a first-generation homebuyer loan definition with the intent of helping establish an industry standard to foster growth, adoption, and greater utilization of programs in the conventional mortgage market. A first-generation homebuyer loan is one in which each borrower meets the following requirements:

- Is purchasing the subject property,
- Will reside in the subject property as a principal residence,



- Has had no ownership interest (sole or joint) in another property during the last three years preceding the note date of the loan, and
- One of the following must also apply:
 - No parent of the borrower has had an ownership interest (sole or joint) in a property in the last three years preceding the note date of the loan,
 - The borrower has aged out of foster care, or
 - The borrower has become emancipated.

Implementation

The identification of first-generation homebuyer loans is currently optional for lenders. However, if a lender chooses to do so, the *First-Generation Homebuyer Certification* ([Form 1109](#)) must be completed by each borrower who is applying for the loan. The lender must retain a copy of each completed Form 1109 in the loan file and provide Special Feature Code (SFC) 886 upon delivery of the loan to us.

Over time, we will evaluate usage of the SFC to understand adoption and any implementation challenges for the industry, with an eye toward greater application of the definition in the future.

Effective: Lenders may begin delivering loans with SFC 886 immediately.

Reconsideration of value

We developed a framework for lenders to review and respond to a borrower-initiated reconsideration of value (ROV). The lender's policies and procedures must include steps for the borrower(s) to appeal an appraisal when they believe the opinion of value

- is unsupported,
- is deficient due to unacceptable appraisal practices, or
- reflects prohibited discriminatory practices.

Regardless of the outcome of the ROV, the lender is responsible for ensuring the appraisal report and opinion of value are reliable, adequately supported, and that the borrower's concerns with the valuation are addressed in a timely manner.

Our updated policy includes specific instructions for the borrower disclosure that must be provided at the time of loan application and again upon delivery of the appraisal report as well as lender requirements for reviewing and responding to both the borrower(s) and appraiser. We continue to explore options that would allow us to track ROV activity going forward.

Effective: Lenders are encouraged to implement these policies immediately but must do so for loans with applications dated on or after Aug. 29, 2024.

Affidavit of Affixture

We clarified our policy that an Affidavit of Affixture is only required when a loan on manufactured housing is delivered with a personal property title and the borrower's intent is to convert to real property. If the manufactured home was previously converted to real property in accordance with applicable law, we will not require an Affidavit of Affixture unless applicable state law requires a new Affidavit.

Effective: Lenders may take advantage of this clarification immediately.



Community land trust eligibility for manufactured housing

Current community land trust policy only allows manufactured homes in Fannie Mae-approved condo and planned unit development (PUD) projects with no flexibility outside of those ownership types. This update expands our shared equity policy to allow one-unit single-width, multi-width, and MH Advantage® manufactured homes subject to a community land trust that are not located in a condo or PUD project. As of the loan application date, the manufactured home must be affixed to a permanent foundation and unless it has already been converted, the lessor must have initiated the conversion of the manufactured home to real property. All remaining community land trust and manufactured housing requirements in the Guide apply.

Effective: Lenders may take advantage of this change immediately.

Registration of co-op share loans with MERS

We have removed the exclusion that co-op share loans cannot be registered with Mortgage Electronic Registration Systems, Inc. (MERS). This change eliminates the need for a subsequent assignment of the security instrument should the seller/servicer sell (or transfer servicing of) the loan to another seller/servicer that is a member of MERS and aligns registration of co-op share loans with all other loans.

Effective: Lenders may take advantage of this change immediately.

Submission of the Audited Financial Statement, Form 1001, and Form 582

We revised our requirements for submitting the annual Audited Financial Statement (AFS), the *Authorization for Verification of Credit and Business References* ([Form 1001](#)), and the *Lender Record Information* ([Form 582](#)). As part of these updates, we have

- launched a new, dedicated site for submitting the [AFS](#), and
- updated the email address for submitting Form 1001.

All submissions must now be made electronically. In addition to the annual submission of Form 582, both Form 582 and Form 1001 must be submitted within five business days following any changes to principal officers or partners and/or owners with a direct or indirect interest of 5% or more in the company.

Effective: Sellers/servicers are encouraged to implement these changes immediately but must do so by Aug. 1, 2024.

Trust income

We clarified policy regarding trust income to include the following:

- Trust verification documentation must clearly identify the date the trust was created so lenders can appropriately apply our policy.
- Trust verification documentation may include a letter from an accountant or attorney who has reviewed the trust's documentation, when the trustee's statement or other documents are not available or when the borrower is trustee.
- Trusts created within 12 months of the loan application date and funded by the borrower's employment-related assets may still be used as income but must meet the income calculation and all other requirements in *Employment-Related Assets as Qualifying Income*.
- When variable trust income has been received for less than 24 months, but not less than 12 months, the lender may consider it as stable income when other positive factors are present that reasonably offset the shorter income history in alignment with our standard variable income guidelines.



- For variable trust income, lenders may rely upon copies of the trust's federal income tax returns, as an alternative to the borrower's personal tax returns.

Effective: Lenders may take advantage of these clarifications immediately.

Miscellaneous updates

Maintaining seller/servicer eligibility: In March 2023, we updated the *Selling Guide* with the minimum financial requirements that are currently reflected in E-2-06, Future Updates to Maintaining Seller/Service Eligibility. With this Guide update, we removed the Exhibit and incorporated the content accordingly throughout the Guide. (See Impacted Topics below.)

Nontaxable Section 8 payments: B3-3.1-01, General Income Information and B3-3.1-09, Other Sources of Income: Clarified that Housing Choice Voucher Homeownership Program payments (more commonly known as Section 8 payments) are nontaxable and the lender should develop an adjusted gross income for the borrower using the monthly payment from the public agency. Documentation of the nontaxable nature of this income is not required.

Validation of Form 482: The *Selling Guide* and *Seller's Designation of Wire Transfer Instructions* (Form 482) has been updated to reflect that we will call the authorized representative who signed the Form 482 to confirm validity prior to processing.

State-specific SOFR ARM instruments: In response to industry feedback, Fannie Mae and Freddie Mac (the "GSEs") have published additional state-specific Multistate 30-day Average SOFR ARM instruments that currently require state-specific authorized changes. There will be no content changes to these newly published instruments other than incorporating all required state-specific authorized changes and adding a state-specific tagline.

For example, the GSEs currently publish a Multistate Fixed-Rate Note along with additional state specific notes that incorporate any required state specific changes. To align with this approach, the GSEs have published state-specific versions of the following instruments:

- Multistate Adjustable-Rate Note – 30-day Average SOFR (Form 3441)
- Multistate Fixed/Adjustable-Rate Note – 30-day Average SOFR (Form 3442)
- Multistate Adjustable-Rate Rider – 30-day Average SOFR (Form 3141)
- Multistate Fixed/Adjustable-Rate Rider – 30-day Average SOFR (Form 3142)

These instruments are available for immediate use but must be used for any loans with note dates on or after Nov.1, 2024.

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 May 1, 2024)
First-generation homebuyer loan	<ul style="list-style-type: none">▪ B2-2-07, First-Generation Homebuyer Loans *New*▪ E-3-06, Acronyms and Glossary of Defined Terms: F
Reconsideration of value	<ul style="list-style-type: none">▪ B1-1-01, Contents of the Application Package▪ B4-1.1-02, Lender Responsibilities▪ B4-1.1-04, Unacceptable Appraisal Practices▪ B4-1.3-12, Appraisal Quality Matters
Affidavit of Affixture	<ul style="list-style-type: none">▪ B5-2-05, Manufactured Housing Legal Considerations
Community land trust eligibility for manufactured housing	<ul style="list-style-type: none">▪ B5-5.3-03, Shared Equity Transactions: Eligibility, Underwriting and Collateral Requirements
Registration of co-op share loans with MERS	<ul style="list-style-type: none">▪ B8-7-01, Mortgage Electronic Registration Systems (MERS), Inc.
Submission of the Audit Financial Statement, Form 1001 and Form 582	<ul style="list-style-type: none">▪ A4-1-01, Maintaining Seller/Servicer Eligibility▪ A4-1-02, Submission of Financial Statements and Reports▪ A4-1-03, Report of Changes in the Seller/Servicer's Organization▪ E-1-02, List of Contacts▪ E-3-01, Acronyms and Glossary of Defined Terms: A
Trust income	<ul style="list-style-type: none">▪ B3-3.1-09, Other Sources of Income
Maintaining seller/servicer eligibility	<ul style="list-style-type: none">▪ A3-3-02, Concurrent Servicing Transfers▪ A4-1-01, Maintaining Seller/Servicer Eligibility▪ A4-1-02, Submission of Financial Statements and Reports▪ E-2-06, Future Updates to Maintaining Seller/Servicer Eligibility (Deleted)