

MPF® Announcement

**MPF Announcement:**

2024-60

Date:

August 27, 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 Xtra Selling Updates – FNMA SEL-2024-05

Fannie Mae published [SEL-2024-05](#) which covers the below referenced topics that are applicable to mortgage loans sold under the MPF Xtra product:

Reference

[Fannie Mae Selling Guide SEL-2024-05](#)

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](#).

Follow Us

- **Rent-related credits:** Updated policies and guidelines pertaining to rent credit with an option to purchase and rent-back credit.
- **Miscellaneous updates:**
 - DU Validation Service – Asset Validation Updates
 - Income Calculator and enforcement relief of certain representations and warranties
 - IRS tax transcripts – Updated to allow the use of a 4506-C or an alternative IRS form or process.*
 - Temporary interest rate buydowns clarifications

*The MPF Xtra Selling Guide was updated to permit an alternative IRS form or process for additional information refer to section 5.4 4506-C and Tax Transcripts.

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-2024-05)

Aug. 7, 2024

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

- [Rent-related credits](#): updating policies and guidelines pertaining to rent credit with an option to purchase and rent-back credit
- [Miscellaneous updates](#):
 - DU Validation Service – Asset Validation
 - Income Calculator and enforcement relief of certain representations and warranties
 - IRS tax transcripts
 - Temporary interest rate buydowns

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

Rent-related credits

We updated the *Selling Guide* to address our policies and guidelines pertaining to rent credit with an option to purchase and rent-back credit.

Rent credit with an option to purchase

Current policy states that rent credit, which is determined by calculating the difference between the market rent and the actual rent paid for the last 12 months, can be credited towards the downpayment or minimum borrower contribution under a documented rental/purchase agreement. This policy update permits more than 12 months' rent credit to be used as long as all other requirements are met.

Additionally, we expanded the documentation requirements to include:

- rent verification documentation, including bank statements or other reasonable methods evidencing the rental payments over the term of the agreement; and
- minimum terms outlined in the rental/purchase agreement.

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

Rent-back credit

A rent-back credit is an amount paid by the property seller to the borrower in exchange for allowing the seller to stay in the home for a specified period of time after closing. While rent-back credit to the borrower paid by the seller is permissible as part of the sale, it cannot be used as an eligible source of funds for closing costs, down payment, or reserves. Additionally, lenders must underwrite the loan without any consideration of the rent-back credit and must document that the borrower has sufficient funds for the transaction from eligible sources.



Note: For loans secured by the borrower's principal residence, the borrower must continue to meet any occupancy requirements as outlined in the security instrument.

Effective: Lenders are encouraged to implement this change immediately but must do so for all loans with application dates on and after Oct. 7, 2024.

Miscellaneous updates

DU Validation Service – Asset Validation: Updated [A2-2-04, Limited Waiver and Enforcement Relief of Representations and Warranties](#) and [B3-2-02, DU Validation Service](#) to align with Desktop Underwriter (DU) Validation Service Release Notes issued June 18, 2024.

Income Calculator and enforcement relief of certain representations and warranties: Revised [A2-2-04, Limited Waiver and Enforcement Relief of Representations and Warranties](#), to clarify that in addition to self-employment income, other types of income may also receive enforcement relief of representations and warranties when the income is calculated using Income Calculator.

IRS tax transcripts: Aligned the process for obtaining a tax transcript post-closing in [D1-3-02, Lender Post-Closing Quality Control Review of Approval Conditions, Underwriting Decisions, and Documentation](#), with existing pre-closing policy in [B3-3.1-06, Requirements and Uses of IRS IVES Request for Transcript of Tax Return Form 4506-C](#), to allow the use of a 4506-C or “an alternative IRS form or process”.

Temporary interest rate buydowns: Clarified that a moderate interest rate buydown provides for a temporary reduction in the initial interest rate of 2 percentage points or less between the actual note rate and the “bought-down” interest rate, and a buydown period of two years or less. We also reformatted [B2-1.4-04, Temporary Interest Rate Buydowns](#) to better reflect the definitions and SFC requirements for both moderate and significant interest rate buydowns.

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 Aug. 7, 2024)
Rent-related credits	<ul style="list-style-type: none">▪ B3-4.1-01, Minimum Reserves Requirements▪ B3-4.3-12, Rent Related Credits