

MPF Announcement:

2024-70

Date:

October 25, 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-2024-06

Fannie Mae published [SEL-2024-06](#) which covers the below referenced topics that are applicable to mortgage loans sold under the MPF Xtra product:

Reference

[Fannie Mae Selling Guide SEL-2024-06](#)

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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- **Mitigating subjective statements in appraisal reports:**
 - removing, adding and replacing certain terms in appraisal practices policies to mitigate subjective terminology used in appraisal reports
 - adding requirement for lenders to establish policies and procedures to monitor appraisals for prohibited language to mitigate the risk of discriminatory practices and appraisal bias.
 - NOTE: MPF Guides will be updated shortly to reflect this as obligation of PFIs/Servicers

DU Validation Service: automating review of the supplemental asset report when provided to Desktop Underwriter® (DU®) for revalidation. Also see MPF Xtra Selling Guide 10.1.

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-2024-06)

Sept. 4, 2024

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

- [Green MBS](#): establishing loan delivery requirements for lender-formed Green MBS and a Fannie Mae Green Majors® pool
- [Mitigating subjective statements in appraisal reports](#): removing, adding and replacing certain terms of our appraisal practices policy to mitigate subjective terminology used in appraisal reports
- [DU Validation Service – revalidation of employment](#): automating Desktop Underwriter® (DU®) review of the supplemental asset report to extend employment validation

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

Green MBS

As part of our commitment to innovative green financing, we are broadening our delivery options for loans that meet the eligibility criteria for our Green MBS Program. The Green MBS Program was established in May of 2020 and previously has only included whole loan deliveries. With this update, we are expanding our policy to allow for the delivery of both whole loans and MBS. Additionally, we are creating an option for a Fannie Mae Green Majors pool.

Fannie Mae's Green MBS currently consist of loans secured by newly constructed properties that received an approved green building certification within the last five years. An eligible green building certification requires the home to be at least 10% more efficient than a home built to an individual state's energy code. Loans eligible for a Green MBS are subject to standard *Selling Guide* requirements including:

- All property types are eligible as well as both purchase or refinance transactions.
- Refer to the [Eligibility Matrix](#) for applicable LTV, CLTV and HCLTV ratio requirements.
- The property must have one or more eligible green building certifications obtained within the last five years. See [Green MBS Approved Certifications](#) for a current list of certifications that meet our requirements.
 - For whole loans: The loan must be sold to Fannie Mae within five years of the property's certification year.
 - For loans in MBS: The loans must be in a pool with an issuance year within five years of the property's certification year.

Although multiple certifications are eligible for our Green MBS program, we currently focus on loans backed by properties that have received an ENERGY STAR® or Department of Energy certification. We will continue to revise our list of approved certifications and special feature codes.

The delivery of a Green MBS requires that all loans be delivered with SFC 784 or 881 to indicate the properties backing the loans have received one of the approved certifications. See our complete list of [Special Feature Codes](#) for details. In addition, the MBS must also be delivered with future feature code (FFC) 208 to identify the pool as being a Green MBS.

Effective: Lenders may begin delivery of Green MBS with an issue date on or after Nov. 1, 2024. We have implemented eligibility rules in EarlyCheck™ to return an observational message that informs lenders when the loan and underlying property have met Green Program eligibility requirements.



Mitigating subjective statements in appraisal reports

In our continued efforts to mitigate the risk of prohibited or subjective terminology used in appraisal reports, we updated our appraisal practices policies as follows:

- Refined terminology by:
 - removing the term “employment stability,”
 - adding the term “fact-based and objective,” and
 - replacing the term “judgment” with “analysis.”
- Added a requirement for lenders to establish policies and procedures to monitor appraisals for prohibited language to mitigate the risk of discriminatory practices and appraisal bias.
- Provided a hyperlink to the topic on Unacceptable Appraisal Practices for multiple sections of the *Selling Guide* when that topic is relevant.

Effective: The policy updates are effective for loans with an application date on or after Dec. 3, 2024.

DU Validation Service – revalidation of employment

Currently, when employment is initially validated using an asset verification report and the loan will not close by the original “Close by Date” stated in the DU validation message, the lender may obtain a supplemental asset report and perform a manual review of the report to satisfy the verbal verification of employment requirement. The DU validation service will be updated on Sept. 20th to automate review of the supplemental asset report when provided to DU for revalidation of employment. When employment can be revalidated, DU will issue an updated “Close by Date” and the lender will receive relief from enforcement of employment-related representations and warranties provided all other requirements are met. With this update, the supplemental asset report no longer needs to be obtained from the same vendor that provided the initial 12-month asset verification report.

Effective: Lenders may take advantage of these changes for both new and resubmitted casefiles on and after Sept. 20, 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 Sept. 04, 2024)
Green MBS	<ul style="list-style-type: none">▪ C1-2-05, Delivering Green MBS to Fannie Mae *NEW*▪ C3-6-01, Parameters for Pooling Loans into Fannie Mae Majors
Mitigating subjective statements in appraisal reports	<ul style="list-style-type: none">▪ A2-2-06, Representations and Warranties on Property Value▪ A3-2-01, Compliance With Laws▪ B4-1.1-02, Lender Responsibilities▪ B4-1.1-05, Disclosure of Information to Appraisers▪ B4-1.2-03, Hybrid Appraisals▪ B4-1.3-01, Review of the Appraisal Report▪ B4-1.3-03, Neighborhood Section of the Appraisal Report▪ B4-1.3-08, Comparable Sales▪ B4-1.3-09, Adjustments to Comparable Sales▪ B4-1.3-10, Cost and Income Approach to Value▪ B4-1.3-11, Valuation Analysis and Reconciliation▪ D1-1-01, Lender Quality Control Programs, Plans, and Processes▪ D1-3-04, Lender Post-Closing Quality Control Review of Appraisers, Appraisals, Property Data Collectors, and Property Data Collection
DU Validation Service – revalidation of employment	<ul style="list-style-type: none">▪ A2-4.1-01, Establishing Loan Files▪ B3-2-02, DU Validation Service