



***Selling Guide* Announcement SEL-2017-01**

January 31, 2017

***Selling Guide* Updates**

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

- Confidentiality of Information and Data Breach
- Seller/Servicer Financial Eligibility Requirements
- Comparables in New Projects or Subdivisions
- Property Inspection by Appraiser Trainee
- Adjustments to an Appraisal for Sales Concessions
- Alignment with the *Servicing Guide* – Various Part A Topics
- Miscellaneous *Selling Guide* Updates

Each of the updates is described below. The affected topics for each policy change are listed on the Attachment. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated January 31, 2017.

Confidentiality of Information and Data Breach

Confidentiality of Information

A seller/servicer often obtains confidential information about borrowers, security properties, and Fannie Mae when performing underwriting, origination, selling, servicing, or other activities under the *Selling* and *Servicing Guides*. We have updated the confidentiality of information policies to reflect the following:

- clearer definition of what constitutes “Confidential Information” ;
- more detailed controls and requirements with respect to the handling of Fannie Mae confidential information;
- clearer disclosure and notice requirements if seller/servicers are required by law to disclose Confidential Information;
- new standard terms and conditions governing participation in pilot initiatives that will simplify participation for sellers/servicers and reduce the need for specific non-disclosure agreements;
- notification requirements if sellers/servicers experience a breach with regard to Confidential Information; and
- new requirements for sellers/servicers to implement commercially reasonable measures to ensure the security, integrity, and confidentiality of Fannie Mae Confidential Information, including (but not limited to) industry-standard encryption, disaster recovery, and secure disposition methods.

NOTE: *These measures must meet, at least, the same level of protection that the sellers/servicers seeks for its own information of a similar nature.*

Data Breach

The *Servicing Guide* currently contains requirements that servicers must comply with when the servicer determines there has been a data breach. We have added a reference in the *Selling Guide* to the data breach section in the *Servicing Guide* such that lenders are also now subject to those provisions. For example, lenders that do not service for us may still have Fannie Mae nonpublic information data that must be covered by the data breach provisions. Additional updates to the data breach requirements will be made in the *Servicing Guide* in February.



Effective Date

Sellers/servicers may implement these changes immediately, but must do so on or before April 1, 2017.

Seller/Servicer Financial Eligibility Requirements

Currently, due to explicit criteria in the *Selling Guide*, we are limited in our ability to apply discretion on enforcement of breaches of the financial eligibility requirements that apply to sellers and servicers. We are changing certain policies to allow the use of discretion - when warranted – to determine whether a breach of the Lender Contract should be called. The *Selling Guide* will continue to provide guidance regarding the types of situations that could result in a breach being called, such as declines in net worth.

Other changes to the seller/servicer eligibility requirements include (but are not limited to):

- clarification that part of the minimum net worth calculation is based only on one- to four-unit residential mortgage loans for which the seller/servicer is contractually obligated to service for the owner of the loan,
- clarification for maintaining minimum acceptable levels of capital,
- added flexibility for determining if a seller/servicer will be permitted to take on credit recourse obligations, and
- removal of the explicit breach criteria related to outstanding repurchase requests.

Effective Date

These changes are effective immediately.

Comparables in New Projects or Subdivisions

Currently, we require the appraiser to select at least one closed sale from the subject subdivision or project and one sale from outside the subject subdivision or project when selecting comparables for the appraisal. (The third comparable can be from inside or outside the subdivision or project.) In new subdivisions or projects, compliance with this requirement may be difficult due to a lack of closed sales.

With this update, we will now accept two pending sales in lieu of one closed sale in the subject subdivision or project in the event closed sales are not yet available. When this flexibility is used, the appraiser must also provide at least three closed comparable sales from outside the subject subdivision or project.

Effective Date

This change is effective immediately.

Property Inspection by Appraiser Trainee

We have clarified our existing policy that allows an unlicensed or uncertified appraiser, or an appraiser trainee to complete the property inspection. When the unlicensed or uncertified appraiser or appraiser trainee completes the property inspection, the supervisory appraiser is not required to also inspect the property.

Effective Date

This clarification is effective immediately.

Adjustments to an Appraisal for Sales Concessions

With this update, we have clarified that appraisers may use dollar for dollar adjustments for financing or sales concessions when such an adjustment approximates the local market's response to these types of concessions.



Effective Date

This clarification is effective immediately.

Alignment with the *Servicing Guide* – Various Part A Topics

Currently, Part A, Doing Business with Fannie Mae, is published in the *Selling Guide* and *Servicing Guide*. Many of the topics in this Part have identical or very similar policies. In many instances, the only difference is the reference to “lender” in the *Selling Guide* and “servicer” or “seller/servicer” in the *Servicing Guide*.

In an effort to simplify our Guides and make it easier for lenders and servicers to do business with us, we are updating a number of topics in the *Selling Guide* in Subparts A3 and A4 to align with similar content in the *Servicing Guide* in Subpart A3. In the February 2017 update to the *Servicing Guide*, the like content will be removed, and the applicable references to the *Selling Guide* will be added.

NOTE: *We have not made any policy changes with this update – only moved certain requirements that previously applied to servicers or sellers/servicers in the Servicing Guide into the Selling Guide.*

Miscellaneous *Selling Guide* Updates

B4-2.1-01, General Information on Project Standards. In Announcement SEL-2016-08, we established new requirements for site condos. When delivering a loan secured by a site condo, the lender must use Project Type Code V and the newly created Special Feature Code (SFC) 917. This new SFC distinguishes site condos from detached condos, and must be used for whole loans purchased, or loans in MBS with pool issue dates, on or after April 1, 2017. The Special Feature Code document has been updated and is available on [Fannie Mae's website](#).

E-1-03, List of Contacts. We updated the contact information for Mortgage Fraud Reporting.

Lenders who have questions about this Announcement should contact their Account Team.

Carlos T. Perez
Senior Vice President and
Chief Credit Officer for Single-Family



Attachment

Section of the Announcement	Updated <i>Selling Guide</i> Topics
Confidentiality of Information and Data Breach	<ul style="list-style-type: none"> ▪ A3-2-01, Compliance With Laws ▪ A3-4-01, Confidentiality of Information ▪ E-1-02, Acronyms and Abbreviations ▪ E-1-03, List of Contacts
Lender Financial Eligibility Requirements	<ul style="list-style-type: none"> ▪ A1-1-01, Application and Approval of Seller/Servicer ▪ A4-1-01, Maintaining Seller/Servicer Eligibility ▪ A4-2-01, Net Worth, Liquidity, and Credit Rating Requirements (topic deleted, content moved to A4-1-01, Maintaining Seller/Servicer Eligibility) ▪ A4-2-02, Financial Statements and Reports
Comparables in New Projects or Subdivisions	<ul style="list-style-type: none"> ▪ B4-1.3-08, Comparable Sales
Property Inspection by Appraiser Trainee	<ul style="list-style-type: none"> ▪ B4-1.1-03, Appraiser Selection Criteria
Adjustments to an Appraisal for Sales Concessions	<ul style="list-style-type: none"> ▪ B4-1.3-09, Adjustments to Comparable Sales
Alignment with the Servicing Guide – Various Part A Topics	<ul style="list-style-type: none"> ▪ A3-5-01, Fidelity Bond and Errors and Omissions Coverage Provisions ▪ A3-5-02, Fidelity Bond Policy Requirements ▪ A3-5-03, Errors and Omissions Policy Requirements ▪ A3-5-04, Reporting Fidelity Bond and Errors and Omissions Events ▪ A4-2-03, Lender Record Information (Form 582) ▪ A4-3-01, Report of Changes in the Seller/Servicer’s Organization