



Selling Guide Announcement (SEL-2020-01)

Feb. 5, 2020

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

- **Rental housing payment:** We have clarified the DTI ratio may need to account for a borrower's rental housing payment when the subject transaction is a second home, investment property, or includes a non-occupant co-borrower and the rental payment represents the borrower's principal residence.
- **Rental income correction:** To align with the recent policy changes for determining the amount of rental income from the subject property that can be used for qualifying purposes, we have updated the applicable Guide text to apply to refinance transactions in addition to purchases.
- **Delayed effective date – calculating the monthly real estate tax payment:** We are delaying the original Mar. 1, 2020 effective date for the policy changes we announced in Dec. 2019.
- **Miscellaneous updates:** Contractual Representations and Warranties, Loans with Resale Restrictions: Loan and Borrower Eligibility, and HomeReady Mortgage Loan and Borrower Eligibility.

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

Rental housing payment

The lender is required to include a monthly mortgage payment of PITIA for the borrower's principal residence to be used as the housing expense in the DTI ratio. This policy has been clarified to include the borrower's rental housing payment as an additional liability in the DTI ratio when the subject transaction is a second home, investment property, or includes a non-occupant co-borrower. The Guide also includes the documentation required to verify this payment, when applicable. This clarification aligns with our existing policy that the lender's risk analysis must include all liabilities affecting income or assets that may affect the borrower's ability to fulfill the payment obligation.

Effective: This policy change will be effective for new loan casefiles submitted to Desktop Underwriter® (DU®) on or after June 1, 2020, and for manually underwritten loans with application dates on or after June 1, 2020. DU will include a new message in a future release to remind lenders that the rental housing payment must be verified and documented.

Rental income correction

To align with the policy changes announced in [SEL-2019-08](#) for determining the amount of rental income from the subject property that can be used for qualifying purposes, we have updated the applicable Guide text to apply to refinance transactions in addition to purchases.

Effective: This update will be effective with new loan casefiles submitted on or after Apr. 1, 2020, and for manually underwritten loans with application dates on or after Apr. 1, 2020.

NOTE: *The DU message reminding lenders that rental income may not be used in qualifying if the borrower does not own a principal residence or have a primary housing expense is currently issued on purchase and refinance transactions. Lenders may disregard this requirement on refinance loan casefiles created prior to Apr. 1, 2020.*



Delayed effective date – calculating the monthly real estate tax payment

On December 4, 2019, we updated the *Selling Guide* to clarify that lenders are required to use a reasonable estimate of the real estate taxes based on the market value of the land and completed improvements for all purchase and new construction transactions. The updated policy applied to the monthly tax payment used for loan qualification purposes and for establishing the payment for the escrow account.

We are delaying the original March 1, 2020 effective date of this policy until further notice. Until such time, lenders are advised to follow the prior policy for estimating the monthly real estate tax payment as found in the Oct. 2, 2019 version of the *Selling Guide*, [B3-6-03, Monthly Housing Expense](#).

Miscellaneous updates

Chapter A2-2, Contractual Representations and Warranties: We streamlined this chapter by incorporating the contents of **A2-2.1-01, Selling Representations and Warranties Overview** into [A2-2-01, Contractual Representations and Warranties](#) (newly renumbered). All remaining topics have been renumbered accordingly.

[B5-5.2-02, Loans with Resale Restrictions: Loan and Borrower Eligibility](#), [B5-6-02, HomeReady Mortgage Loan and Borrower Eligibility](#). We are clarifying that HomeReady income limits only apply to a loan with a resale restriction if the loan is delivered under the HomeReady product.

See the *Selling Guide* for details about these updates.
Lenders who have questions about this Announcement should contact their Fannie Mae Account Team.

Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated Feb. 5, 2020)
Rental Housing Payment	▪ B3-6-01, General Information on Liabilities ▪ B3-6-02, Debt-to-Income Ratios ▪ B3-6-03, Monthly Housing Expense for the Subject Property ▪ B3-6-05, Monthly Debt Obligations
Rental Income Correction	▪ B3-3.1-08, Rental Income