



Selling Guide Announcement (SEL-2024-07)

Nov. 6, 2024

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

- [Updates to leasehold provisions](#): modernizing special property eligibility and underwriting considerations for leasehold estates
- [Project review for manufactured homes, including those on leasehold estates](#): revising our project review requirements related to properties secured by manufactured homes
- [Appraisal market areas](#): updating requirements related to the Market Area analysis of the appraisal report and adding standardized definitions relevant to appraisal market areas to the Glossary
- [Preventing, detecting and reporting mortgage fraud](#): clarifying that sellers and servicers are responsible for preventing, detecting, and reporting mortgage fraud
- [Miscellaneous update](#):
 - Post-delivery principal curtailments

In addition, an update to the following is described in this Announcement:

- [Updated list of Approved Mortgage Insurance Forms](#): incorporates changes to approved mortgage insurance forms

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

Updates to leasehold provisions

We revised our eligibility requirements for properties subject to leasehold estates to provide clarifications and update lease requirements, address scenarios related to leasehold estates in projects, and to include co-ops as eligible property types. The content has been reorganized for improved readability. Updates include:

- Addition of a definitive list of eligible property types, definitions, and exceptions to the leasehold topic;
- Clarification of multiple provisions for leaseholds related to first lien enforceability, appraisal, and title insurance;
- Clarification that, for manufactured homes located in a project, the HOA must be the lessee;
- Updates to multiple lease requirements, including provisions for notices of default and options to cure, merger of title, assignments, and protection of the lender's financial interest in the event of condemnation;
- Clarification of when lease requirements differ based on whether the borrower or the HOA or co-op corporation are the lessee; and
- Addition of a new requirement that for loans with new leases entered into on or after Sept. 1, 2025, the fee estate must not be subject to any prior secured loans or other liens, unless the secured party or lienholder has agreed to recognize and not disturb the lease if it becomes the owner of the fee estate.

Effective: Lenders may take advantage of these policy changes immediately but must do so for all loans with applications dated on or after March 1, 2025.



Project review for manufactured homes, including those on leasehold estates

To facilitate lending for manufactured homes in projects, we clarified policy to resolve inconsistencies related to when a manufactured home requires submission to Project Eligibility Review Service (PERS).

- We removed references indicating manufactured homes located in co-op projects require submission to PERS. These remain ineligible project types and cannot be delivered to Fannie Mae.
- We also removed the requirement that single-width units in PUDs and PUD projects consisting of single-width manufactured homes require PERS approval. These unit and project types are permitted under the Waiver of Project Review unless subject to a community land trust, deed restriction, ground lease, or shared equity arrangement.

Effective: Lenders may incorporate these policy changes into their review process immediately.

The Desktop Underwriter® (DU®) messages issued on single-width manufactured homes in a project will be updated in a future release. Until then, lenders may disregard the statement that a single-width manufactured home in a PUD requires PERS review, unless the project includes a community land trust, deed restriction, ground lease, or shared equity arrangement; in which case submission to PERS is always required.

Appraisal market areas

To promote consistency and transparency in appraisal reports, Fannie Mae, in collaboration with Freddie Mac, is updating requirements related to the Market Area analysis of the appraisal report and implementing standardized definitions for the terms “Neighborhood” and “Market Area.” The *Selling Guide* is being updated to include these new definitions in the Glossary.

Additional guidance and requirements are provided for the following:

- Selection of comparable sales;
- Establish a minimum timeframe of 12 months from which the overall market trend must be derived;
- Identify that the overall market trend may be different from the adjustments applied to individual comparable sales;
- Include an illustration of the methodology used to determine specific comparable sale time adjustments for changes in market conditions; and
- The appraiser must report the market analysis that supports both the indicated overall market trend and market derived time adjustments for changes in market conditions.

Effective: Lenders are encouraged to implement these policy changes immediately but must do so for loans that require an appraisal with applications dated on or after Feb. 4, 2025.

Preventing, detecting and reporting mortgage fraud

We updated the Guides to clarify that both sellers and servicers are responsible for preventing, detecting, and reporting mortgage fraud. Sellers and servicers are reminded to have policies and procedures in place to ensure the integrity of information and processes at every stage in the life of a mortgage, from application through servicing.

Effective: Sellers and servicers not already in compliance with this requirement are encouraged to implement this change immediately but must do so by March 1, 2025.



Miscellaneous update

Post-delivery principal curtailments: *Selling Guide* B2-1.5-05, Principal Curtailments, permits certain curtailments prior to loan delivery and refers lenders to the *Servicing Guide* for all curtailments received after the loan has been delivered to Fannie Mae. With this update, we added an exception to allow lenders to apply a principal curtailment post-delivery to refund the overpayment of fees or charges paid by the borrower at loan closing in accordance with applicable regulatory requirements, provided the amount of the curtailment does not exceed \$500. The lender must document the loan file with the amount, reason, and source of the curtailment.

Updated list of Approved Mortgage Insurance Forms

We updated [Approved Mortgage Insurance Forms](#) to revise Radian Guaranty Inc.'s form of Commitment & Certificate of Insurance and to revise MassHousing Mortgage Insurance Fund's Mortgage Payment Protection Endorsement.

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 Nov. 6, 2024)
Updates to leasehold provisions	▪ B2-3-03, Special Property Eligibility and Underwriting Considerations: Leasehold Estates ▪ B4-2.1-03, Ineligible Projects ▪ B4-2.2-02, Full Review Process ▪ B4-2.3-01, Eligibility Requirements for Units in PUD Projects ▪ B4-2.3-02, Co-op Project Eligibility ▪ B4-2.3-03, Legal Requirements for Co-op Projects
Project review for manufactured homes, including those on leasehold estates	▪ B2-3-02, Special Property and Eligibility and Underwriting Considerations: Factory-Built Housing ▪ B4-1.4-05, Leasehold Interests Appraisal Requirements ▪ B4-2.1-01, General Information on Project Standards ▪ B4-2.1-02, Waiver of Project Review ▪ B4-2.1-03, Ineligible Projects ▪ B4-2.2-02, Full Review Process ▪ B4-2.2-06, Project Eligibility Review Service (PERS) ▪ B4-2.3-01, Eligibility Requirements for Units in PUD Projects ▪ B5-2-01, Manufactured Housing ▪ B5-2-02, Manufactured Housing Loan Eligibility ▪ B5-2-05, Manufactured Housing Legal Considerations
Appraisal market areas	▪ B4-1.1-02, Lender Responsibilities ▪ B4-1.3-03, Neighborhood Section of the Appraisal Report ▪ B4-1.3-08, Comparable Sales ▪ B4-1.3-09, Adjustments to Comparable Sales ▪ E-3-13, Acronyms and Glossary of Defined Terms: M ▪ E-3-14, Acronyms and Glossary of Defined Terms: N
Preventing, detecting, and reporting mortgage fraud	▪ A3-4-03, Preventing, Detecting, and Reporting Mortgage Fraud