
Fannie Mae announced SEL-2020-06 addressing a few Selling Guide updates.

- Remote online notarizations
- Project standards updates
- Third-party employment verifications vendors
- HomeReady mortgage loans and negotiated variances
- Clarifications based on Ask Poli insights

Remote online notarizations

FNMA accepts delivery and servicing of loans with electronic documents, including security instruments that have been electronically notarized, either in person or remotely using real-time, two-way audio/video communication. This guide update aligns the remote online notarization policies in the Selling Guide with the changes that were published in LL-2020-03, though added additional clarifications for a few of the policies. Highlights of the updates include:

- Updated terms and conditions required for the use of remote online notarization, including additional details regarding system requirements;
- The list of states where remote online notarization is permitted; and
- For states not on the list, the ability for lenders to utilize remote online notarization as long as certain requirements are met.

NOTE: The updated remote online notarization requirements became effective for all loans beginning March 31, 2020. The update to the record retention requirements applies to all loans delivered with remote online notarization that were performed in accordance with LL-2020-03, including loans delivered prior to this Guide update and loans delivered under negotiated terms.

Project standards updates

FNMA have added additional guidance concerning:

- Condotel ineligibility – added supplemental requirements to their list of Ineligible properties criteria related to identifying condotels, including projects that are transient in nature, offer hotel-type services, voluntary rental pooling, or sharing of revenue from short-term rentals and related activities. They have also added back language previously removed from the Guide describing common condotel “red flags.”
- Pre-litigation activities – it is increasingly common that state statutes require conflicting parties to enter mediation or arbitration prior to litigation to avoid the expenses and time associated with formal legal proceedings. FNMA requires you to apply to their standard Guide policies concerning litigation when the project is engaged in pre-litigation activities. This includes mediation or arbitration when there is a reasonable expectation that the activities will proceed to litigation. Mortgage loans for units in projects that are involved in litigation are generally not eligible.
- Projects subject to recreational leases and mandatory memberships – projects with amenities provided through a recreational lease agreement are ineligible. FNMA have added a list of “red flags” to the Guide to help determine when projects may be subjects to these arrangements.

NOTE: These changes will apply to loans submitted or re-submitted on and after December 7, 2020. These changes apply to current and future project approvals so we must also confirm that current approved projects comply with new requirements for all applications dated on and after December 7, 2020. Condo Project Manager™ (CPM™) will not be updated at this time, so we must manually apply these changes, as applicable.

Third-party employment verification vendors

FNMA have updated the Selling Guide to align with the recent update to the DU validation service to discontinue validation of employment and income using manual verification reports. We may continue to use third-party employment verification vendors to obtain income and employment information in accordance with the requirements outlined in the Selling Guide.

NOTE: These changes will apply to loans submitted or re-submitted to DU on or after October 17, 2020

Clarifications based on Ask Poli insights

FNMA have updated the Guide to address common questions related to:

- Cash-out refinance transaction vesting requirements when there are multiple borrowers on a loan. Currently the Guide states “the property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage”, and it lists some exceptions FNMA clarified that this requirement applies to “at least one borrower” on the loan to address situations where there is more than one borrower.
- Use of gifts of equity. FNMA clarified that gifts of equity may be used to fund all or part of the down payment and closing costs (including prepaid items) but may not be used towards financial reserves.