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Fannie Mae Eliminates Continuity of Obligation Policy

Fannie Mae is updating its *Selling Guide* to include changes several areas. The changes include **elimination of the continuity of obligation policy**, updates to lender self-reporting requirements and obligations required for HomeStyle® Renovation Mortgages, and a redefinition of Relocation Loans.

The continuity of obligation policy, introduced during the financial crisis, is being eliminated in its entirety. The policy was originally intended to ensure that borrowers who recently acquired ownership of a new property in the absence of a recorded sale of the previous property were **properly qualified**. The obligation applied to all limited cash-out and cash- out refinance transactions.

Fannie Mae said that it has now implemented a number of policy updates to improve the **reliability of borrower qualification**, broadened the collection of appraisal data, and developed Collateral Underwriter®, an appraisal assessment tool. These provide adequate controls to collectively ensure that borrower eligibility and maximum loan-to-value requirements are met. This change, which should simplify refinances, is effective immediately. Lenders are advised to disregard messages from the Desktop Underwriter (DU) citing the continuity of obligations until the DU can be updated.

Lenders are currently required to provide notice to Fannie Mae **immediately** if they determine a breach of a selling warranty may have occurred. The *Guide* is being updated to **clarify** this obligation. If a lender identifies a potential selling representation or warranty related to compliance with laws, that lender's reporting obligation will depend on how many loans were impacted, whether the defects were or can be remedied within 60 days of being recognized and whether repurchase is a possibility under *Guide* requirements. Lenders may implement these changes immediately, but must do so on or before June 1, 2016.

The change to the **HomeStyle Renovation** Mortgage will relieve lenders of the obligation to deliver those loans with recourse only if they are delivered prior to the completion of the renovations. There are also changes detailed to the loans' special feature code (SFC) requirements.

National Average Mortgage Rates



| | Rate | Change | Points |
|--|------|--------|--------|
|--|------|--------|--------|

Mortgage News Daily

| | | | |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 6.43% | +0.02 | 0.00 |
| 15 Yr. Fixed | 5.95% | 0.00 | 0.00 |
| 30 Yr. FHA | 5.82% | +0.02 | 0.00 |
| 30 Yr. Jumbo | 6.62% | 0.00 | 0.00 |
| 5/1 ARM | 6.28% | -0.01 | 0.00 |

Freddie Mac

| | | | |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 6.35% | -0.51 | 0.00 |
| 15 Yr. Fixed | 5.51% | -0.65 | 0.00 |

Mortgage Bankers Assoc.

| | | | |
|--------------|-------|--------------|------|
| 30 Yr. Fixed | 6.44% | -0.06 | 0.54 |
| 15 Yr. Fixed | 5.88% | -0.16 | 0.68 |
| 30 Yr. FHA | 6.36% | -0.06 | 0.85 |
| 30 Yr. Jumbo | 6.75% | +0.07 | 0.39 |
| 5/1 ARM | 5.98% | -0.27 | 0.65 |

Rates as of: 8/30

Recent Housing Data

| | | Value | Change |
|---------------------|--------|-------|---------|
| Mortgage Apps | Aug 28 | 226.9 | +0.49% |
| Building Permits | Mar | 1.46M | -3.95% |
| Housing Starts | Mar | 1.32M | -13.15% |
| New Home Sales | Mar | 693K | +4.68% |
| Pending Home Sales | Feb | 75.6 | +1.75% |
| Existing Home Sales | Feb | 3.97M | -0.75% |

| | Value | Change |
|--------------------|-------|--------|
| Builder Confidence | 51 | +6.25% |

Fannie Mae says it has also adopted a straightforward definition of relocation loans. The new definition - "relocation loan" - eliminates the word "restricted" and is less complicated. Going forward a relocation loan is defined as one made under a relocation lending agreement between the lender and the employer (or its agent). A loan that involves an employee relocation that is not subject to a relocation lending agreement between the lender and the employer (or its agent) is not considered a relocation loan for TBA pooling purposes and will not require delivery of SFC 013.

Both the HomeStyle and relocation loans changes can be implemented by lenders immediately, but they must do so for whole loans purchased, and mortgage loans delivered into MBS, with pool issue dates **on or after June 1, 2016**.

A complete explanation of the above changes as well as a dozen additional miscellaneous changes to the *Sellers Guild* can be found in the *Selling Guide Announcement SEL 2016-2* located [here](#).