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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	6.87%	-0.02	0.00
15 Yr. Fixed	6.32%	-0.01	0.00
30 Yr. FHA	6.33%	0.00	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.59%	+0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/23

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
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%

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.

	Value	Change
Builder Confidence	51	+6.25%

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](#).

Choose the Right Independent Home Loan Expert

Your Trusted Nationwide Mortgage Advisor

With over a decade of experience, Jay Rodriguez is your go-to mortgage broker. Originally from Southern California, Jay has 13 state licenses and a deep understanding of the mortgage landscape. Whether you're in Texas or beyond, his commitment to personalized service, competitive rates, and on-time closings sets him apart. First-time buyers, refinancers, and investors alike benefit from his expertise. Contact Jay today to turn your homeownership dreams into reality!

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