



## Lender Letter LL-2017-04

August 31, 2017

### To: All Fannie Mae Single-Family Sellers Selling Policies for Mortgage Loans Impacted by Hurricane Harvey

Hurricane Harvey is an ongoing tragedy, and the devastating effects will linger long after the floodwaters recede. We are committed to supporting our customers and homeowners as they address the impacts of Hurricane Harvey. We are sending this Lender Letter to remind you of Fannie Mae's current selling policies for loans impacted by a disaster, including Hurricane Harvey. In addition, this letter provides additional guidance that is specific to Hurricane Harvey. The Lender Letter also includes information about an update to Desktop Underwriter® (DU®), and information about reimbursement for property inspection costs for sellers and servicers.

#### Disaster Areas

We currently have a number of policies that address properties affected by a disaster. Our policies cover any property that is impacted by the disaster, including those identified by the Federal Emergency Management Agency (FEMA) as designated disaster areas that are eligible for individual assistance. Texas Hurricane Harvey was declared a major disaster by FEMA on August 25, 2017.

#### Property Eligibility

Our goal is to provide as much assistance as possible to lenders and homeowners in the affected areas, while also being prudent and fiscally responsible. Based on the extent of the damage from Hurricane Harvey, there will be instances of property damage that will affect the acceptability of properties as security for loans that are to be delivered to us. Before delivery of a loan secured by a property in a disaster area, the lender is expected to take prudent and reasonable actions to determine whether the condition of the property has materially changed since the effective date of the appraisal report.

For loans in process as of August 25, 2017:

- If the effective date of the appraisal is prior to August 25, 2017, the lender is responsible for determining if an inspection of the property and/or new appraisal is necessary.
- Lenders may not exercise a property inspection waiver (PIW) offer for properties in areas impacted by a disaster. See below for additional information about an upcoming update to DU.

For closed loans with note dates prior to August 25, 2017, but not yet delivered to Fannie Mae:

- Lenders must take prudent and reasonable actions to determine whether the condition of the property has materially changed. This applies to all loans regardless of whether an appraisal or PIW was used.

Lenders should use the following criteria when determining if the loan can be delivered to Fannie Mae:

- If the property has been damaged and the damage does not affect the safety, soundness, or structural integrity of the property and the repair items are covered by insurance, the lender may deliver the loan. In these circumstances, the lender must obtain documentation of the professional estimates of the repair costs and must ensure that sufficient insurance proceeds are available for the borrower's benefit to guarantee the completion of the repairs.



- If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired before the loan is delivered to us.

## Whole Loan Commitments

If lenders have open whole loan commitments that will expire prior to completing the required steps noted above, contact the Capital Markets Pricing and Sales Desk at 800-752-0257 for assistance.

## Updates to DU for Impacted Areas

Later tonight, DU will be updated to incorporate the ZIP codes included in the FEMA-declared disaster areas for Hurricane Harvey. These ZIP codes will be excluded from consideration for a PIW. The update will apply to DU Version 10.0 and DU Version 10.1 loan casefiles *submitted* or *resubmitted* after the ZIP codes are incorporated. Loan casefiles for properties that may have been impacted by Hurricane Harvey must be resubmitted to DU.

**NOTE:** *We will continue to monitor disaster-impacted areas as damage assessments continue. Based on these assessments we may update the list of impacted ZIP codes used by DU to determine PIW eligibility.*

## DU Refi Plus and Refi Plus Loans

As a reminder, we do not require a property secured by a DU Refi Plus or Refi Plus loan that was damaged as a result of a disaster (such as Hurricane Harvey) to be repaired prior to delivery to us as long as the loan meets the property insurance requirements described in the *Selling Guide*, [Chapter B7-3](#), Property and Flood Insurance. An additional inspection or new appraisal of the property is not required.

## Reimbursement for Property Inspection Costs

To reduce the burden on customers, Fannie Mae will reimburse both lenders and servicers for the costs associated with inspecting impacted properties. This is true for properties associated with loans currently being serviced and those not yet delivered but that are ultimately delivered to us. We are working on the best process to do this and will share more information with you as it is available.

## Age of Credit and Appraisal Documentation

We are providing additional flexibilities for loans impacted by Hurricane Harvey. The following requirements apply:

- The underwriting documentation, including but not limited to credit reports, and verifications of income and assets, must be dated no more than 180 days before the note date.
  - Lenders may disregard the message in the DU Underwriting Findings report that indicates if the loan casefile has not already closed, the credit report has expired.
- The appraisal must be dated no more than 180 days before the note date. (The lender must comply with the Property Eligibility requirements outlined above.)
- Loans that have income, employment, or assets that have been validated through the DU validation service, will continue to retain the representation and warranty relief related to the specific component per the DU Underwriting Findings report.
- The loan must be secured by a property located in the disaster area.



- The loan must have an application date on or before August 25, 2017, and the note date must be after August 25, 2017.

## Additional Underwriting Flexibilities

Though lenders may not be thinking about these policies yet, we want to remind you that we provide relief for borrowers seeking a mortgage loan following a disaster. Refer to these topics in the *Selling Guide* for additional information:

- [B3-4.3-07](#), Disaster Relief Grants or Loans: borrowers may use lump-sum disaster relief grants or loans to satisfy our minimum borrow contribution requirements; and
- [B5-4-02](#), Disaster-Related Limited Cash-out Refinance Flexibilities: borrowers can include the refinance of subordinate financing obtained to finance disaster-related repairs and obtain reimbursement for documented out-of-pocket expenses for completed repairs (up to certain limits.)

## Servicing Policies

Refer to Lender Letter [LL-2017-03](#), *Servicing Policies for Mortgage Loans Impacted by Hurricane Harvey*, which describes the foreclosure sale and eviction moratorium that applies to properties located within the FEMA-declared disaster area. Also see the *Servicing Guide*, [Chapter D1-3](#), Providing Assistance to a Borrower Impacted by a Disaster, for additional information.

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We will continue to monitor the situation on the ground in the impacted areas and alert you to any additional policy updates. If you have questions about this Lender Letter, please reach out to your Fannie Mae customer delivery team.

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