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February 29, 2016

To: Clients and Friends

From: Regina M. Uhl

Subject: Fannie Mae *Selling Guide* Announcement SEL-2016-02 **Eliminates Continuity of Obligation**

On February 23, 2016, Fannie Mae issued [Selling Guide Announcement SEL-2016-02](#) which eliminated its continuity of obligation policy in its entirety.

The entire announcement may be found via the above link, as well as the other *Updated Selling Guide Topics* as a result of this announcement.

The policy change is **effective immediately**.

Below is an excerpt from Fannie Mae *Selling Guide* Announcement SEL-2016-02:

The continuity of obligation policy is being eliminated in its entirety. This policy was introduced during the financial crisis, to ensure borrowers who recently acquired ownership of a new property in the absence of a recorded sale of the previous property were properly qualified and it applied to all limited cash-out and cashout refinance transactions. Since this policy was introduced, Fannie Mae has 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 actions collectively provide adequate controls to ensure borrower eligibility requirements and maximum LTV ratio limits are met. As a result, the continuity of obligation policy is no longer required. The elimination of this policy will simplify refinance transactions. The Desktop Underwriter® (DU®) messaging referencing continuity of obligation will be updated in a future release and may be disregarded until that time. Also, the reference to continuity of obligation on the Eligibility Matrix has been removed. The updated Matrix is available on Fannie Mae’s website.

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