Fannie Mae Single Family / 2015 Selling Guide / Part B, Origination Through Closing / Subpart B2, Eligibility / Chapter B2-3, Property Eligibility / B2-3-04, Special Property Eligibility Considerations (07/28 /2015)

REVISION HISTORY 12/16/2014 [HIDE]

REVISION NUMBER: 12162014 **DATE:** 12/16/2014
REVISION REMARKS: THE FOLLOWING TOPIC WAS CHANGED. THE ENTIRE CONTENT IS ARCHIVED HERE PRIOR TO THE CHANGE DATE.

B2-3-04, Special Property Eligibility Considerations (12/16/2014)

Introduction

This topic contains information on Fannie Mae's unique property eligibility requirements, including:

- Multiple Parcels
- Mixed-Use Properties
- Hawaiian Lava Zones
- Properties with Solar Panels

Multiple Parcels

The table below provides the requirements when the security property consists of more than one parcel of real estate.

✓	Multiple Parcels Requirements
	Each parcel must be conveyed in its entirety.
	Parcels must be adjoined to the other, unless they comply with the following exception. Parcels that otherwise would be adjoined, but are divided by a road, are acceptable if the parcel without a residence is a non-buildable lot (for example, waterfront properties where the parcel without the residence provides access to the water). Evidence that the lot is non-buildable must be included in the loan file.
	Each parcel must have the same basic zoning (for example, residential, agricultural).
	The entire property may contain only one dwelling unit. Limited additional non-residential improvements, such as a garage, are acceptable. For example, the adjoining parcel may not have an additional dwelling unit. An improvement that has been built across lot lines is acceptable. For example, a home built across both parcels where the lot line runs under the home is acceptable.
	The mortgage must be a valid first lien that covers each parcel.

Mixed-Use Properties

Fannie Mae purchases or securitizes mortgages that are secured by properties that have a business use in addition to their residential use, such as a property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office.

The following special eligibility criteria must be met:

- The property must be a one-unit dwelling that the borrower occupies as a principal residence.
- The borrower must be both the owner and the operator of the business.
- The property must be primarily residential in nature.
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property.

See B4-1.4-07, Mixed-Use Property Appraisal Requirements (04/15/2014), for appraisal considerations for mixed-use properties.

Hawaiian Lava Zones

Fannie Mae will only purchase or securitize mortgage loans secured by properties that are located within lava zones 3 through 9 on the island of Hawaii. Properties in lava zones 1 and 2 are not eligible due to the increased risk of property destruction from lava flows within these areas.

Hawaiian lava flow maps and other information are available online at the U.S. Geological Survey Hawaiian Volcano Observatory website.

Properties with Solar Panels

Fannie Mae will purchase or securitize a mortgage loan on a property with solar panels. If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance, and title).

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, the following requirements apply.

✓	Requirements for Properties with Solar Panels that are not Owned by the Borrower
	The solar panels may not be included in the appraised value of the property.
	The property must maintain access to traditional electric utilities. For example, properties with leased solar panels must have traditional electrical utilities in addition to the electricity provided by the solar energy, to ensure consistent access to electricity in the event the solar panels become non-functioning or are removed.
	The lease payment must be included in the debt-to-income (DTI) ratio calculation. This requirement does not apply in the case of a power purchase agreement if the payment goes entirely to pay for the energy. Any portion of the payment that does not go toward the purchase of the energy must be included in the DTI ratio.
	The owner of the solar panels must have a general liability insurance policy that covers damage to the mortgaged property caused by faulty installation, malfunction, or other manufacturing defects, whether or not covered by the warranty.
	The owner of the solar panels must not be named loss payee (or named insured) on the property owner's property insurance policy.

	The borrower's homeowner insurance policy must not exclude coverage for any tort liability the borrower may have under the terms of the contract with the owner of the solar panels (for example, direct damage) and may not exclude coverage for losses to the insured premises by reason of the presence of the solar equipment.
	If applicable, the lease or a power purchase agreement must indicate that • the solar panels are removable without causing damage to the mortgaged property; • damage that does occur as a result of the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original condition (for example, sound and watertight conditions that are architecturally consistent with the home); and • in the event of foreclosure, either: – the lender may terminate the lease/agreement and require the third-party owner to remove the equipment; – the lender has the right to become the beneficiary of the borrower's lease/agreement with the third party without charge; or – the lender has the right, but not the obligation, to enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner. **Note**: Any lease/agreement in which the lender is a party in connection with a foreclosure (whether as beneficiary or direct party), must also be assignable to a subsequent purchaser of the realty from the lender. In addition, the lender must also have the right to terminate the lease/agreement and require removal of the equipment (for example, if the third party places restrictions on the assignment to a purchaser).
	Title exceptions with respect to the solar panels (for example, easements, notice of contract) may be present on the title provided the interest is not superior to Fannie Mae's first lien position.
	The title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to Fannie Mae's first lien position.

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement SEL-2014–16	December 16, 2014
Announcement SEL-2014–03	April 15, 2014
Announcement 09–32	October 30, 2009

Announcement 09–19	June 8, 2009

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	The entire property may contain only one dwelling unit. Limited additional non-residential improvements, such as a garage, are acceptable. For example, the adjoining parcel may not have an additional dwelling unit. An improvement that has been built across lot lines is acceptable. For example, a home built across both parcels where the lot line runs under the home is acceptable.
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- The property must be a one-unit dwelling that the borrower occupies as a principal residence.
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- The property must be primarily residential in nature.
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marketability as a residential property.

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If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, the following requirements apply (whether to the original agreement or as subsequently amended).

✓	**Requirements for Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement**
	The solar panels may not be included in the appraised value of the property.
	The property must maintain access to an alternate source of electric power that meets community standards.
	The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation unless the lease is structured to • provide delivery of a specific amount of energy at a fixed payment during a given period, and • have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period. Payments under power purchase agreements where the payment is calculated solely based on the energy produced and used may be excluded from the DTI ratio.
	The lease or a power purchase agreement must indicate that • any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home); and • the owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure the panels are attached to; and • in the event of foreclosure, the lender or assignee has the discretion to – terminate the lease/agreement and require the third-party owner to

	remove the equipment; – become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or – enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.
	Any exceptions to coverage on the title insurance policy for recorded instruments relating to the solar panels must comply with B7-2-05, Title Exceptions and Impediments (04/09/2013).

Related Announcements

The table below provides references to the Announcements that have been issued that are related to this topic.

Announcements	Issue Date
Announcement SEL-2015–08	July 28, 2015
Announcement SEL-2014–16	December 16, 2014
Announcement SEL-2014–03	April 15, 2014
Announcement 09–32	October 30, 2009
Announcement 09–19	June 8, 2009