

Resale Restrictions

June 2015

To help address the high cost of homeownership in some markets, many governmental and nonprofit entities support the development of properties subject to resale restrictions. Those strategies help to create and preserve affordable housing stock in communities over the long term. Resale Restrictions are a right in perpetuity or for a certain number of years, stated in the form of a restriction, easement, covenant, or condition in any deed, mortgage, ground lease, agreement, or other instrument executed by or on behalf of the owner of the land.

Resale Restrictions may limit the use of all or part of the land to occupancy by persons or families of low- or moderate-income or on the basis of age. (Senior communities must comply with applicable laws.)

Resale Restrictions may also restrict the resale price of the property to ensure it is available to future low- and moderate-income borrowers. The restricted resale price provides a subsidy to the homeowner, in an amount equal to the difference between the sales price and the market value of the property without resale restrictions.

Resale Restrictions are binding on current and subsequent property owners, and remain in effect until they are formally removed or modified, or terminate in accordance with their terms, such as at a foreclosure sale or upon acceptance of a deed-in-lieu of foreclosure.

Lender Responsibilities

The lender must review the terms and conditions of the affordable housing program, including any documents that describe the resale restrictions.

When Resale Restrictions are documented by a second mortgage or deed of trust, the lender must ensure that the second mortgage or deed of trust complies with Fannie Mae's [Community Seconds® guidelines](#). If the Resale Restrictions are included in a separate covenant or agreement instead of a second mortgage or deed of trust, they must comply, if applicable, with Fannie Mae's requirements related to shared appreciation in property value.

Underwriting Loans for Properties with Resale Restrictions

Loans with resale restrictions may be delivered to Fannie Mae as provided by the *Selling Guide*. Fannie Mae allows the LTV ratio determination to be based solely on the appraised value for a purchase transaction.

An update to Desktop Underwriter® (DU®) Version 9.2 to be implemented the weekend of August 15, 2015, will add an "affordable LTV ratio determination" to make it easier for lenders to underwrite transactions for resale-restricted properties.

Following the update, lenders will be able to inform DU that the loan casefile will be underwritten using the resale-restricted feature by entering "Affordable LTV" in the Product Description field in the Additional Data section of the online loan application. When this indication is made, DU will determine the LTV, CLTV, and HCLTV ratios solely on the appraised value for purchase transactions, and not the lesser of the sales price or the appraised value. DU will then issue a message that specifies what lenders need to confirm when indicating the use of the resale-restricted feature.

Resale Restrictions Resources

For more information:

- See the Fannie Mae [Selling Guide](#) Section B5-5.3: Loans with Resale Restrictions
- Contact your Fannie Mae Customer Account Team