



## IMPORTANT UNDERWRITING UPDATE BULLETIN 21 05192021

**Issued to:** All Channels

**Date:** 05-19-2021

<b>SUBJECT</b>	<b>Lending Updates- March and April 2021 (No. 21-05-14)</b>
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This announcement covers recent updates made by Fannie Mae, Freddie Mac, FHA, VA, and USDA. The summary below covers the updated topics and their respective effective dates, and the agency communication number for reference.

Fannie Mae

[SEL-2021-02](#)

Published March 3, 2021

*Effective immediately*

**Updated the Selling Guide to include additional requirements when a Power of Attorney (POA) will be used, specifically,**

- Allowing all borrowers to sign the loan documents pursuant to a POA,
- Allowing certain interested parties to serve as attorney-in-fact for purchase transactions, and
- Requiring a closing protection letter when the attorney-in-fact or agent
  - Is an employee of the title insurer, or
  - Is an employee of the policy-issuing agent of the title insurer.

**Risk factors evaluated by Desktop Underwriter**

In alignment with the Desktop Underwriter (DU) Version 11.0 Release Notes, the Selling Guide was updated to reflect changes to the following risk factors evaluated by DU:

**Debt-to-income ratio:** The composition of the borrower's debt will be taken into consideration in addition to the actual ratio itself. Borrowers whose revolving debt makes up a smaller percentage of their monthly expense, as well as borrowers with only student loan debt, have been shown to represent less risk.

**Self-employment/variable income:** Removed self-employment as a risk factor and replaced it with variable income. DU will view a borrower whose total annual income is made up of a higher percentage of bonus, OT, Commission, and other income as representing increased risk.

**Miscellaneous Update**

Updated the definition of planned unit development (PUD) to achieve alignment throughout the guide.

[Lender Letter LL-2021-08](#)

Published March 10, 2021

Eligibility of Loans Secured by Second Home and Investment Properties

All second home and investment property loans must be underwritten and delivered with Desktop Underwriter Approve/Eligible.

[Lender Letter LL-2021-03](#)

Published March 11, 2021

Extended the application dates for verbal verifications of employment and power of attorney flexibilities to April 30, 2021. This will be the final extension for these policies. **Applications dated May 1, 2021 and later will be subject to standard Selling Guide policies.**

[SEL-2021-03](#)

Published April 7, 2021

[Lender Letter LL-2021-09](#)

Published April 8, 2021

[Lender Letter LL-2021-04](#)

Updated April 21, 2021

**Impact of COVID-19 on Appraisals**

Extending the effective date of the Lender Letter to May 31, 2021. After May 31<sup>st</sup>, the Lender Letter will no longer apply, and lenders should follow all standard Selling Guide policies.

**The temporary appraisal and inspection flexibilities are effective for all loans in process and remain in place for loans with application dates on or before May 31, 2021.**

As a reminder- the **temporary flexibilities for Condo Project Review will not be extended beyond April 30, 2021.**

Freddie Mac

[Bulletin 2021-9](#)

Published March 3, 2021

*Effective for Application Received Dates on or after June 30, 2021*

**Updated Power of Attorney (POA) requirements** found in Section 6301.4 to provide more flexibility when using POA's.

*Effective immediately*

**Third-Party Income and Employment Verification**

Updating the requirements for third-party income and employment verifications as follows:

For third-party 10-day pre-closing verifications, only the name and contact information for the service provider are required (the phone number is no longer required).

*Effective immediately*

**Evaluation of 30-Day (formerly referred to as Open-End) Accounts**

Updating requirements for the treatment of 30-day accounts (i.e., accounts that require the balance to be paid in full monthly and previously referred to as "open-end" accounts). Due to the terms of these accounts, we are removing the option of including 5% of the balance as the qualifying monthly payment in the debt-to-income (DTI) ratio. The full amount of the outstanding balance must be included in the DTI or the borrower must have sufficient funds to pay off the outstanding account balance. The funds must be in addition to any funds used to qualify the Borrower for the mortgage transaction, and the source of funds must be an eligible source as described in Section 5501.3.

[Bulletin 2021-10](#) **Selling Updates Related to COVID-19- Temporary Extension with Notice of Discontinuance**

Issued March 11, 2021

The temporary flexibilities related to the **10-day pre-closing VVOE, Condominium Projects, POA's will expire with Application Received Dates through April 30, 2021.** Application Received Dates on or after May 1, 2021 must comply with the applicable Guide requirements.

The temporary flexibilities related to appraisals with Application Received Dates through April 30, 2021

[Bulletin 2021-11](#) **Amended Senior Preferred Stock Purchase Agreement**

Issued March 31, 2021

Freddie Mac is required to limit its purchases of single-family Mortgages secured by investment properties and second homes to 7% in aggregate, of total single-family Mortgage acquisitions- effective with mortgages with

settlement dates on and after May 1, 2021 must be underwritten and sold with Loan Prospect Advisor with risk class of Accept.

**[Bulletin 2021-12](#) Selling Updates**

Issued April 7, 2021

*Effective Immediately*

**Income and Assets**

In light of the prevalent use of e-mail communication, we have updated our requirements for obtaining a 10-day pre-closing verification to permit an e-mail exchange from the independently obtained employer's work e-mail address that includes at a minimum, all of the following:

- Borrower's name and current employment status
- Employer's name
- Name and title of the individual contacted at the employer, date of contact and the individual's work e-mail address
- Additionally, the Mortgage file must include: Information about the third-party source used to obtain the employer's e-mail address, and
- Name, title, and employer of the representative who contacted the Borrower's employer and obtained the e-mail verification.

**Retirement Account Distributions as Income**

Updated to provide greater flexibility when retirement account distributions are used as income to qualify the Borrower. If the retirement account from which the Borrower is currently taking distributions is projected to be depleted within three (3) years, the Borrower's additional eligible retirement accounts can be utilized to establish continuance, so long as the aggregate supports the amount of qualifying income for at least three (3) years after the Note date.

**Documentation of Funds to Close on a Refinance**

Documentation of funds to close on a refinance transaction under the following circumstance will no longer be required:

- Required borrower funds are \$500 or less, and
- No reserves are required in accordance with the Loan Product Advisor Feedback Certificate, and
- The Mortgage is a Loan Product Advisor Mortgage with a Risk Class of Accept.

**[Bulletin 2021-15](#) Selling Updates Related to COVID-19- Extension with Notice of Expiration**

Issued April 21, 2021

***Extending the effective date for the flexibilities for Appraisals shown below for Mortgages with Application Received dates through May 31, 2021. This is the final extension of these temporary flexibilities.*** Mortgages with Application Received Dates on or after June 1, 2021 must comply with the applicable Guide requirements.

The temporary **Credit Underwriting requirements** noted below **remain in effect until further notice** without a defined expiration date:

- **Income Continuance**- additional due diligence related to accurate information and Borrower ability to repay announced in Bulletin 2020-05
- **Age of income and asset documentation** (i.e., 60 days maximum age of documentation) announced in Bulletin 2020-8
- **Self-employed Borrowers**: verification that the business is open and operating announced in Bulletin 2020-8 and updated in Bulletin 2020-27
- **Requirements for stocks, stock options and mutual funds** when used as funds for closing and/or reserves announced in Bulletin 2020-08
- **Purchase and refinance eligibility requirements for Borrowers with existing Mortgages** announced in Bulletin 2020-17
- **Requirements and guidance for Borrowers with qualifying income derived from self-employment**, announced in Bulletin 2020-19, and updated in Bulletin 2020-44.

FHA	n/a
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VA	<p><b><a href="#">VA Circular 26-21-08</a> Expanded Home Loan Eligibility Based on Certain National Guard Service</b>  Issued April 15, 2021</p> <p>The purpose of the Circular is to announce expanded eligibility for the Department of Veterans Affairs (VA) home loan benefits for certain members of the National Guard and to provide guidance on the process for obtaining a Certificate of Eligibility (COE).  Certain members of the US Army National Guard or the US Air National Guard are now eligible for VA home loan benefits- the member must have performed not less than 90 cumulative days of full time National Guard duty, of which, at least 30 of those days must have been consecutive- the eligibility expansion is retroactive and applies to current and former National Guard members, regardless of service dates, who meet the requirements.</p>
USDA-RD	<p><b><a href="#">SFH Guaranteed Loan Program: Frequently Asked Questions</a></b>  Issued April 8, 2021</p> <p>The Single-Family Housing Guaranteed Loan Program has created a Frequently Asked Questions resource document for lenders, applicants, and stakeholders to provide immediate answers to common origination questions received by the agency. <a href="#">FAQ Single-Family Housing Guaranteed Loan Program Origination-3.30.2021</a></p> <p><b><a href="#">SFH Guaranteed Origination Introducing a Simpler Form RD 3555-21</a></b>  Issued April 23, 2021</p> <p>On January 21, 2021, USDA announced several proposed changes to HB-1-3555, Form RD 3555-21, and Appendix 7. Effective April 28, 2021, the updated Form RD 3555-2 (with revision date of March 2021) will be available in Guaranteed Underwriting System (GUS).</p>

This bulletin, and all other GHMC issued bulletins, are posted in the Resource Center in the Bulletins folder.

Please contact your Account Executive for assistance.

We appreciate your business!