



IMPORTANT UNDERWRITING UPDATE

BULLETIN 58-11162022

Issued to: All Channels
Date: 11-16-2022
Subject: Lending Updates – October 2022

This announcement covers recent updates made by Fannie Mae, Freddie Mac, USDA-RD and updates to the Prime Jumbo Product. The summary below covers the updated topics and their respective effective dates, and the agency communication number for reference.

Fannie Mae	<p>Selling Guides Announcement 2022-09 Published October 5, 2022</p> <p>Effective immediately Fannie Mae has expanded the documentation options for borrowers drawing Social Security Income from their own account. In addition to the SSA Award Letter or proof of current receipt, Fannie Mae will allow the SSA-1099 or the most recent signed federal income tax returns to serve as adequate documentation.</p>
Freddie Mac	<p>Bulletin 2022-20 Published October 5, 2022</p> <p>Borrowers with business ownership interest less than 25% Effective immediately</p> <p>Freddie Mac has updated their guides to provide further clarification on income calculations when a borrower owns less than 25% of a business. The new guides indicate that the underwriter must calculate income using either:</p> <ol style="list-style-type: none">1. The requirements and guidance for self-employed income. Or2. The new requirements and guidance in Section 5303.2(d), summarized below: <p>New requirements:</p> <ul style="list-style-type: none">• File must include:<ul style="list-style-type: none">○ Schedule K-1(s) for most recent two calendar years○ Year-to-date income documentation, except when this information is not attainable, and underwriter is able to document and justify the income stability without this information.• The borrower should not have an ownership interest of 25% or more in any business.• A two-year history of receipt is required. However, in certain instances, a shorter history of no less than 12 months may be considered stable if the underwriter provides written analysis and sufficient supporting documentation.• Historical Cash distributions must be reasonably consistent with the ordinary business income• Verification of current existence of business.

**Desktop Appraisals
Effective Immediately**

Additional property types are now eligible for desktop appraisals:

1. Properties subject to age-based resale-restrictions
2. Leasehold estates

[Chapter 11, Ratio Analysis updates](#)

Published October 6, 2022

Sections of the guide have been updated to clarify the following:

- Clarified that payment amounts listed on the credit report will be used in the total debt ratio, unless verification is obtained which supports an alternate payment.
- Student loan section has been revised to indicate that for all outstanding student loans, regardless of the payment status, repayment must be:
 - The payment amount reported on the credit report or the actual documented payment, when the payment is above zero; or
 - One half (.50) percent of the outstanding loan balance documented on the credit report or credit verification when the payment amount is zero.

Debt ratio waivers and compensating factors:

- Purchase transactions:
 - Clarified that GUS refer, Refer with Caution, and manually underwritten loans without GUS assistance, supporting documentation for compensating factors is provided to USDA and maintained in file.
 - The sub-bullet referencing payment shock as a compensating factor was removed.
- Refinance transactions:
 - Sub-bullet referencing payment shock as a compensating factor for GUS Refer, Refer with Caution, and manually underwritten loans was removed.

Medical Payments:

- Added "medical payments" to the list of obligations not included in total debt-to-income ratio calculations.

[Fiscal Year 2023 SFH Guaranteed Funds Now Available](#)

Published October 18, 2022

Fiscal Year 2023 funding for USDA RD loan program is now available.

The following changes have been made to the Prime Jumbo Product:

Updates		
Section	Date	Update
Alimony & Maintenance	10.04.2022	<p>Updated: Alimony obligation should be documented as follows:</p> <ul style="list-style-type: none"> • All page(s) of the final divorce decree, or • Signed court order, or • Property settlement, or • Separation agreement. <p>If payments are being paid through the court, a letter from the court verifying the dollar amount is sufficient.</p>

			Obligations that will end within the next 10 months do not need to be considered and may be omitted from the DTI ratio only if the remaining term of payments is verified by the above documentation.
	Verification of Debts	10.04.2022	Added: Note: Timeshare loans are treated as installment debt. Monthly maintenance fees/HOA fees must be included as a liability.
	Disability – Worker’s Compensation	10.04.2022	Added: If the payments will not continue for at least 3 years, refer to the Temporary Leave Income topic in this section for additional guidance.
	Public Assistance	10.31.2022	<p>Added:</p> <p>Types of Public Assistance income include but are not limited to Social Security, Section 8 Housing Voucher, Food Stamps and SNAP. Public Assistance income may not be discounted or treated differently than wage income.</p> <p>It may be considered if the income is properly documented by letters or exhibits from the paying agency. The amount and frequency must be stated in the letters/exhibits and there is no statement that the income will not continue.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • 2 months deposit slips and/or bank statements/cancelled checks evidencing regular deposit of the fund if the assistance is already being received; and • Receipt of Letters or Exhibits from paying agency showing amount, frequency, and 3 years continuance. <p>Note: A history of receipt is not required for newly obtained assistance.</p> <p>The Section 8 HCVP is available only to families that have been admitted to the HCVP and it is not offered by every Public Housing Agency (PHA). PHA’s have discretion to determine whether to implement the HCVP in their jurisdiction. There must be a sponsoring PHA because they are the source of funds for this program. The program utilizes two different methods. The method used varies depending on how the PHA in each geographical area decides they want it to function. Loans must be coded using the Income Type of Housing Choice Voucher Program (Section 8) to identify.</p> <ul style="list-style-type: none"> • Housing Assistance Payment (HAP) Option: The first method is one in which the public assistance funds are sent directly to the borrower, and the borrower uses this money to help pay their monthly mortgage payments. A mortgage with a term of 30 years will receive income assistance for 15 years, and with a term of 15 years will receive income assistance for 10 years. For the elderly (62 or older) and disabled* borrowers, there is no expiration of the benefits. • Second Mortgage Option: The second method is one in which public assistance funds are used to pay a community second subsidy mortgage that is put in place by the PHA. The subsidy provided by the PHA provides significant down payment assistance for the borrower, which ultimately lowers the borrower’s monthly mortgage payments. Unlike the first method, the money never passes through the borrower’s hands, but the result is almost the same – the portion of the borrower’s monthly mortgage payment is reduced.

			<p>If the borrower is utilizing the Community Second Mortgage Option, there will be a subordinate lien with the PHA and the Community Second is paid directly by the PHA.</p> <ul style="list-style-type: none"> • The term of the Community second is not to exceed 15-years and any interest, if applicable may not exceed the interest rate on the first mortgage. • Only subordinate financing provided by a approved Community Second is permitted. Non-Community Seconds are not permitted. • Correspondents represent and warrant that the Community Second program complies with Fannie Mae guidelines and does not have a Negative Amortization financing structure. <p>Income cannot be grossed up when using a Freddie Mac 1st Mortgage Program or when using a Federal Home Loan Bank Funded Community Second.</p>
	Verbal VOE	10.31.2022	<p>Added:</p> <p>An email exchange with the borrower's employer from the employer's work email address within he same time frame as the verbal VOE requirements is acceptable.</p> <p>The following guidelines must be followed:</p> <ul style="list-style-type: none"> • The lender must conduct additional due diligence to confirm that the email address for the employer is accurate. Examples of due diligence include, but are not limited to, searches of domain name on employer website (review for match to employer email address), employer directory on the internet, or other professional networking or business profile websites. • The email must include borrower's name, and employer's name; the name, title, and work email address of the individual contacted at the employer, the date of contact, and the borrower's current employment status. • Name and title of the employee who contacted the borrower's employer and obtained the e-mail verification.
	Special Assessment	10.31.2022	<p>Removed:</p> <p>GHMC requires an escrow account be established for the payment of special assessments.</p>
	Gift Funds	10.31.2022	<p>Added:</p> <p>Funds pooled From a Relative or Domestic Partner residing with the Borrower:</p> <p>These funds can be pooled with the borrower's funds to make up the required down payment. In addition to the above documentation, the following is required:</p> <ul style="list-style-type: none"> • Evidence that the Borrower and the related person have resided together for at least one year. Examples of documentation include, but are not limited to, a copy of a driver's license, a bill or bank statement. • A signed letter or an email directly from the borrower attesting to: A)The source of the pooled funds, B) the fact that the pooled funds were not borrowed by the contributing related person, C) The relationship between the contributor and the borrower, and D) that the related person has resided with the borrower for the past year and intends to continue residing with the borrower in the new residence.

	Bankruptcy	10.31.2022	<p>Updated: <u>Chapter 12 or 13 Bankruptcy</u></p> <ul style="list-style-type: none"> • 4 years from the date a repayment plan was dismissed or 2 years from discharge date. <ul style="list-style-type: none"> ○ The shorter waiting period based on the discharge date recognizes that borrowers have already met a portion of the waiting period within the time needed for the successful completion of a Chapter 12 or 13 plan and subsequent discharge. A borrower who was unable to complete the Chapter 12 or 13 plan and received a dismissal is held to a 4-year waiting period.
	Products Offered	10.31.2022	<p>Added: SOFR ARM: Initial note rates may not be lower than 3% below the Fully Indexed Rate (FIR).</p>

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

We appreciate your business!