



# IMPORTANT UNDERWRITING UPDATE

## BULLETIN 64-12152022

**Issued to:** All Channels

**Date:** 12-15-2022

**Subject:** Lending Updates – November 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.

<b>Fannie Mae</b>	<a href="#">Lender Letter 2022-06</a> Published November 29, 2022		
	Fannie Mae loan limits have been set for 2023.		
	<ul style="list-style-type: none"> <li>Conforming Loan Limit for one-unit properties will be \$726,200</li> <li>2023 loan limits will be applied to DU casefiles submitted on or after December 3, 2022</li> </ul>		
	Baseline Loan Limits		
	Units	Contiguous states, DC, and Puerto Rico	Alaska, Guam, Hawaii, and U.S. Virgin Islands
	One	\$726,200	\$1,089,300
	Two	\$929,850	\$1,394,775
	Three	\$1,123,900	\$1,685,850
	Four	\$1,396,800	\$2,095,200
	High-Cost Area Loan Limits		
Units	Contiguous states, DC, and Puerto Rico	Alaska, Guam, Hawaii, and U.S. Virgin Islands	
One	\$1,089,300	Not Applicable	
Two	\$1,394,775		
Three	\$1,685,850		
Four	\$2,095,200		
<b>Freddie Mac</b>	<a href="#">Bulletin 2022-23</a> Published November 2, 2022		
	<b>Loan Product Advisor (LPA) Enhancement</b>		
	<b>Credit Card Reward points as a source of funds.</b>  Credit card rewards points are an eligible source of funds with the following documentation:		
<ul style="list-style-type: none"> <li>Evidence of the borrower’s ownership of the reward points and their cash value, and</li> <li>Evidence the reward points are redeemed for cash prior to closing, which may include a direct transfer of the cash to the settlement or closing agent.</li> </ul>			

<p><b>FHA</b></p>	<p><a href="#">Mortgagee Letter 2022-18</a> Published November 21, 2022</p> <p><b>Effective 12.21.2022</b> FHA has updated their Flood Insurance purchase requirements to allow for acceptance of Private Flood Insurance policies that meet FHA's requirements in lieu of a National Flood Insurance Program (NFIP) Policy.</p> <p><a href="#">Mortgagee Letter 2022-19</a> Published November 22, 2022</p> <p><b>Effective Immediately</b> FHA have rescinded the mandatory use date for the FHA Catalyst: Electronic Appraisal Delivery (EAD) Module</p> <p>The FHA Catalyst: EAD Module will remain available for:</p> <ul style="list-style-type: none"> <li>• Initial appraisal submissions for all cases through March 17, 2023; and</li> <li>• Resubmissions of appraisals for cases previously submitted to FHA Catalyst: EAD Module, through October 14, 2023.</li> </ul>												
<p><b>VA</b></p>	<p><a href="#">Circular 26-22-17</a> Published November 25, 2022</p> <p><b>Effective Immediately</b> VA has updated their requirements related to the acceptability of private roads and shared driveways.</p> <ul style="list-style-type: none"> <li>• An ongoing maintenance agreement from a homeowner's association or joint maintenance agreement is no longer required.</li> <li>• A recorded permanent easement or recorded right of way from the property to a public road <b>IS STILL REQUIRED.</b></li> </ul>												
<p><b>Prime Jumbo</b></p>	<p>The following changes have been made to the Prime Jumbo Product:</p> <table border="1" data-bbox="279 1060 1479 1890"> <thead> <tr> <th colspan="3" data-bbox="279 1060 1479 1108">Updates</th> </tr> <tr> <th data-bbox="279 1108 521 1140">Section</th> <th data-bbox="521 1108 667 1140">Date</th> <th data-bbox="667 1108 1479 1140">Update</th> </tr> </thead> <tbody> <tr> <td data-bbox="279 1140 521 1417"> <p><b>Ineligible Product Types, Transactions &amp; Scenarios</b></p> </td> <td data-bbox="521 1140 667 1417"> <p><b>11.09.2022</b></p> </td> <td data-bbox="667 1140 1479 1417"> <p><b>Added:</b></p> <ul style="list-style-type: none"> <li>• Co-ops</li> <li>• Geodesic Domes, Earth Berms</li> <li>• New or newly converted Florida Condos</li> <li>• Community Land Trusts</li> <li>• Properties with Private transfer fees</li> <li>• Properties with condition ratings of C-5 or C-6 or quality ratings of Q-6</li> </ul> </td> </tr> <tr> <td data-bbox="279 1417 521 1890"> <p><b>Gift Funds</b></p> </td> <td data-bbox="521 1417 667 1890"> <p><b>11.17.2022</b></p> </td> <td data-bbox="667 1417 1479 1890"> <p><b>Added:</b> Gift funds cannot satisfy the minimum down payment from the borrower's own funds.</p> <p><b>Acceptable Sources of Gift Funds:</b> Large financial gifts from close family members can be considered if properly documented. Substantial cash gifts (\$1000 or more) from one individual must comply with standard gift documentation.</p> <p>Gift funds may come from the following sources.</p> <p><b>Wedding Gifts:</b> The following documentation must be obtained to verify funds:</p> <ul style="list-style-type: none"> <li>• A copy of a marriage license or certificate, and</li> <li>• Verification that gift funds were deposited within 90 days of the date of the marriage license or certificate</li> </ul> </td> </tr> </tbody> </table>	Updates			Section	Date	Update	<p><b>Ineligible Product Types, Transactions &amp; Scenarios</b></p>	<p><b>11.09.2022</b></p>	<p><b>Added:</b></p> <ul style="list-style-type: none"> <li>• Co-ops</li> <li>• Geodesic Domes, Earth Berms</li> <li>• New or newly converted Florida Condos</li> <li>• Community Land Trusts</li> <li>• Properties with Private transfer fees</li> <li>• Properties with condition ratings of C-5 or C-6 or quality ratings of Q-6</li> </ul>	<p><b>Gift Funds</b></p>	<p><b>11.17.2022</b></p>	<p><b>Added:</b> Gift funds cannot satisfy the minimum down payment from the borrower's own funds.</p> <p><b>Acceptable Sources of Gift Funds:</b> Large financial gifts from close family members can be considered if properly documented. Substantial cash gifts (\$1000 or more) from one individual must comply with standard gift documentation.</p> <p>Gift funds may come from the following sources.</p> <p><b>Wedding Gifts:</b> The following documentation must be obtained to verify funds:</p> <ul style="list-style-type: none"> <li>• A copy of a marriage license or certificate, and</li> <li>• Verification that gift funds were deposited within 90 days of the date of the marriage license or certificate</li> </ul>
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			<p><b>Graduation Gifts:</b> The following documentation must be obtained to verify funds:</p> <ul style="list-style-type: none"> <li>• Evidence of graduation from an educational institution, such as diploma or transcripts that supports the date of graduation, and</li> <li>• Verification that gift funds were deposited within 90 days of the date of the graduation.</li> </ul> <p><b>Funds Pooled from a Relative or Domestic Partner residing with the Borrower:</b> Can not be used to meet the borrower's minimum required down payment. However, funds from a relative or domestic partner may be used as outlined in the above gift policy</p> <p><b>Gift of Equity:</b> Not Permitted.</p> <p><b>Gift or Grant from a Non-Profit Organization:</b> Not Permitted.</p> <p><b>Verification of Funds</b> The transfer of the gift funds to the borrower must be documented in one of the following ways:</p> <ul style="list-style-type: none"> <li>• Funds Received prior to closing: Transfer of funds from the donor's account in a financial institution to the borrower's account via either: <ul style="list-style-type: none"> <li>○ copies of bank statements from both the donor and the borrower's accounts OR</li> <li>○ copy of a canceled gift check OR</li> <li>○ copy of the donor's withdrawal slip and the borrower's deposit slip, Or</li> <li>○ Evidence of electronic transfer.</li> </ul> </li> </ul>
	<b>Gifts Funds: Wedding</b>	<b>11.22.2022</b>	<b>Section Removed</b>
	<b>Restricted Stock</b>	<b>11.22.2022</b>	<p><b>Section Renamed from "Vested Restricted Stock"</b></p> <p><b>Added:</b> Restricted stock plans award an employee share of stock as a form of additional compensation. However, the employee cannot take possession of the shares until vesting restrictions are met. Most commonly, the vesting restriction is met if the employee continues to work for the company for a certain number of years. Time-based restrictions may lapse all at once or gradually. If the recipient does not meet the conditions the company set forth prior to the end of the vesting period, the shares are typically forfeited.</p> <p><b>Note:</b> To avoid counting the income/asset twice, if restricted stock is used as income, any unvested shares of restricted stock cannot be used as an asset, nor can dividend interest or capital gains income from the same restricted stock be used.</p> <p>Restricted stock may be considered as qualifying income if the loan documentation supports. The borrower must have a verified history of receiving income from restricted stock for at least 24 months and the likelihood of its continuance must be verified.</p>

			<p><b>Documentation Requirements:</b></p> <ul style="list-style-type: none"> <li>• Documentation of receipt of restricted stock income for the most recent 2 years E.G. 2 most recent year-end paystubs, w-2s that provide a breakdown of base pay and restricted stock, etc, and</li> <li>• Documentation of the most recent 2 years of restricted stock awards. E.G., compensation awards letters, vesting schedule etc.</li> <li>• Printout/screenshots verifying company is publicly traded and verifying the stock price on the date of application.</li> </ul> <p><b>Note:</b> Restricted stock received from a sign-on type award can be used towards establishing the history of receipt of RSU income, but those shares cannot be considered in the income calculation.</p> <ul style="list-style-type: none"> <li>• Determine that the income is likely to continue based on an established earnings trend. <ul style="list-style-type: none"> <li>○ If the trend is stable or increasing, follow income calculation below.</li> <li>○ If the trend is declining, the income may not be stable and additional analysis must be performed to determine if the income should be used.</li> </ul> </li> </ul> <p><b>Income Calculation</b> Typically, restricted stock income is calculated using the lower of:</p> <ul style="list-style-type: none"> <li>• An average of the prior 2 years RSU earnings, OR</li> <li>• The number of performance-based shares/units awarded over the last 2 years at the current employer multiplied by the current stock price on the application ate at 70% and averaged over 24 months. See below for example:</li> </ul> <p>Example:</p> <ul style="list-style-type: none"> <li>• 2020 performance/refresh award of 100 shares.</li> <li>• 2021 performance/refresh award of 90 shares.</li> <li>• Stock price of publicly traded company on date of application: \$200/share</li> </ul> <p>100 shares + 90 shares = 190 shares * \$140 (70% of share price) = \$26,600 / 24 months = \$1,108 per month.</p>
	<p><b>Minimum Loan Amount</b></p>	<p><b>11.22.2022</b></p>	<p><b>Updated:</b></p> <ol style="list-style-type: none"> <li>1. Minimum loan amounts are \$1 above the current FHFA conforming loan limits.</li> </ol>

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