



# IMPORTANT UNDERWRITING UPDATE

## BULLETIN 03-01132023

**Issued to:** All Channels  
**Date:** 1-13-2023  
**Subject:** Lending Updates – December 2022

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

**[Selling Guide Announcement 2022-10](#)**

Published December 14, 2022

**Valuation options for deed-restricted properties:**

Fannie Mae has clarified that properties are ineligible for appraisal waiver or desktop appraisal if they are subject to resale price restrictions. Other deed restrictions that do not restrict future sales price but based on other criteria (such as age) are eligible for desktop appraisals or appraisal waivers.

**Temporary Leave Income:**

Fannie Mae has added language to clarify that mandatory leave initiated by an employer (such as a furlough), is **not** considered temporary leave. Income resulting from a furlough, layoff, or other employer-initiated action is not eligible to be used as qualifying income unless it is associated with seasonal employment.

**Use of Business Assets:**

Requirements have been simplified when self-employment income is not being used to qualify for the loan, but the borrower is using assets from their business towards down payment, closing costs, and/or reserves.

GHMC will not be required to perform a business cash flow analysis, provided the borrower is listed as an owner of the account and the account is verified in accordance with B3-4.2-01, Verification of Deposits and Assets

**Property, Flood, and Project Insurance Updates:**

Fannie Mae has updated their insurance requirements to better align with current industry standards.

**Gift Funds:**

Section was updated to allow gift letters to specify the actual or the maximum dollar amount of the gift. Fannie Mae also removed the requirement that gift letters must specify the date the funds were transferred. New gift letter requirements apply to both personal gifts and gifts of equity.

**Social Security Number Verification:**

When DU identifies data integrity issues pertaining to the borrower's Social Security Number, direct verification of the borrowers Social Security Number with the SSA with SSA-89 must be obtained.

**Fannie  
Mae**

**Bulletin 2022-25**

Published December 7, 2022

**2023 Conforming Loan Limits****Effective for Mortgages with Settlement Dates on and after 01/01/2023.**

Units	Baseline Loan Limits	
	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

Units	High-Cost Area Loan Limits	
	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	

**Glossary definition of "Related Person"**

Freddie Mac has expanded their definition of a "related person" to include unrelated individuals with a close, family-like tie to the borrower. This update is to expand eligible gift donors.

**Estates and trusts of Related Persons as eligible donors of gift funds and gift of equity.**

A trust established by a related person and an estate of a related person is now considered to be an eligible gift donor.

- Gift letter must be signed by the trustee or the authorized representative of the estate.
- Must indicate the gift funds or gift of equity were provided by a trust established by a related person or an estate of a related person
- Must include mailing address and telephone number of the trustee or authorized representative.

**Exclusion of property-related contingent expenses from the DTI Ratio:**

Expanded requirements for liabilities to permit exclusion of property-related expenses (Taxes, insurance, HOA dues, etc) from the DTI ratio when documentation can confirm that a party other than the borrower has been making timely payments for the most recent 12 months and the party making the payments is not an interested party to the subject property.

**Exclusion of unsecured assigned debts from the DTI Ratio:**

Removed requirement that the debt must be secured in order to be excluded from monthly DTI if the obligation to make the payments on the debt has been assigned to another party by a documented court order, such as a divorce decree.

**Temporary Leave Income:**

Freddie Mac has added language to clarify that mandatory leave initiated by an employer (such as a furlough), is **not** considered temporary leave. Income resulting from a furlough, layoff, or other employer-initiated action is not eligible to be used as qualifying income unless it is associated with seasonal employment.

**Cash-out refinance: Seasoning requirement for Mortgage being refinanced  
EFFECTIVE FOR MORTGAGES WITH SETTLEMENT DATES ON AND AFTER MARCH 7, 2023  
See UW Memo 23-01-03 *Freddie Mac Cash Out Refinance Update* for additional details.**

When proceeds of a cash-out refinance are used to pay off a first lien mortgage, the first lien mortgage being refinanced must be seasoned for at least 12 months (Between Note Date of the mortgage being refinanced and Note Date of the Cash-Out refinance).

Seasoning requirements do not apply when:

- Cash-Out refinance mortgages is a special purpose cash-out that meets requirements outlined in [Section 4301.6](#)
- First Lien mortgage being refinanced is a Home Equity Line of Credit (HELOC).

Freddie Mac

**[Mortgagee Letter 2022-20](#)**

Published December 1, 2022

**2023 loan limits effective for case numbers assigned on or after January 1, 2023**

FHA National Low-cost area mortgage limits are set to 65% of the national conforming limit (\$726,200).

Units	Low-Cost Area	
	Contiguous states, DC, and Puerto Rico	
One	\$472,030	
Two	\$604,400	
Three	\$730,525	
Four	\$907,900	

FHA National High-cost area mortgage limits are set at 150% of the national conforming limit (\$726,200).

Units	High-Cost Area	
	Contiguous states, DC, and Puerto Rico	Alaska, Guam, Hawaii, and U.S. Virgin Islands
One	\$1,089,300	\$1,633,950
Two	\$1,394,775	\$2,092,150
Three	\$1,685,850	\$2,528,775
Four	\$2,095,200	\$3,142,800

**[Mortgagee Letter 2022-22](#)**

Published December 15, 2022

**Clarification of Conflict of Interest and Dual Employment Policy.**

Effective immediately, FHA has revised the conflict of interest and dual employment policy to clarify when individuals may perform multiple roles in a single FHA-insured transaction.

**FHA**

**[Circular 26-22-18](#)**

Published December 5, 2022

**2023 Conforming Loan Limits**

Units	Baseline Loan Limits	
	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

**VA**

**[Updates to HB-1-3555](#)**

Published December 5, 2022

USDA RD has made updates to HB-1-3555 in regards to *Chapter 10: Credit Analysis, and Chapter 12: Property and Appraisal Requirements*. Please refer to UW Memo 22-12-78 *USDA RD Guidelines Update* for a full breakdown of the changes.

**[Advance Notice: Revisions to HB-1-3555](#)**

Published December 7, 2022

USDA will be updating the HB-1-3555 handbook in January 2023. The updates to Chapter 9: Income analysis can be reviewed here: [Upcoming Handbook Revisions](#)

A future UW Memo will be produced when the revisions are announced.

**USDA-RD**

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

Prime Jumbo	Updates		
	Section	Date	Update
	Cash Out Refinance (Located on LTV Matrix)	12.01.2022	<b>Updated:</b> <ul style="list-style-type: none"> <li>LTV Increased to 70% for \$1,000,000 loan amounts.</li> <li>LTV Increased to 65% for \$1,500,000 loan amounts.</li> <li>Max Cash-Out to borrower increased to \$350,000.</li> <li>Required monthly reserves decreased to 18 months.</li> </ul>
	Alimony Income	12.20.2022	<b>Updated:</b> Length of history was reduced to 6 months of receipt.
	Child Support Income	12.20.2022	<b>Updated:</b> Length of history was reduced to 6 months of receipt.
	Social Security Income	12.20.2022	<b>Added:</b> <b>Additional documentation requirements Social Security Income:</b> <ul style="list-style-type: none"> <li>SSA-1099 or</li> <li>Most recent signed federal tax returns or</li> <li>Proof of current receipt</li> </ul>
	LTV Matrix	12.20.2022	<b>Updated:</b> Depreciating Markets policy applies to any MSA depreciating 5.01% or more per Exhibit 1 Depreciating Markets or information found on the appraisal
	LTV Matrix	12.29.2022	<b>Added:</b> <ol style="list-style-type: none"> <li>Minimum loan amounts are \$1 above the current FHFA conforming loan limits (Loans locked as of 12/12/2022 must be at least \$1.00 over 2023 conforming loan limits).</li> </ol>

Expanded Jumbo	Updates		
	Section	Date	Update
	Eligibility Matrix	12.08.2022	Added Declining Market footnote
	Declining Market	12.08.2022	Added Declining Market Section: <ul style="list-style-type: none"> <li>LTV / CLTV / HCLTV must be 10% below product maximum per product matrix eligibility grid up to a maximum 75% LTV / CLTV / HCLTV</li> </ul> As an example: If the eligibility grid indicates a maximum of 89.99% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 75% OR If the eligibility grid indicates a maximum of 80% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%
	Appraisal Requirements	12.08.2022	<b>Removed:</b> Appraisal update (Form 1004D) is allowed for appraisals that are over 120 days aged.

			<p>Added:</p> <ul style="list-style-type: none"><li>• Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date</li><li>• The subject property must be appraised within 90 days prior to the Note date</li><li>• Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets</li></ul>
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This bulletin, and all other GHMC issued bulletins, are posted in the Resource Center in the Bulletins folder.

We appreciate your business!