IMPORTANT UNDERWRITING UPDATE

BULLETIN 33-04122023

Issued to: All Channels

Date: 4-12-2023

Subject: Lending Updates – March 2023

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

Conventional Loans

Selling Guide Announcements

Selling Guide Announcement (2023-02) (Fannie Mae)
Published March 1, 2023

Valuation Modernization:
Fannie Mae is introducing additional appraisal alternatives to establish a property's market value. **At this time, GHMC is not honoring DU findings that allow:**

- **Value Acceptance**
- **Value Acceptance + Property Data**
- **Hybrid Appraisals**

Sweat Equity:
GHMC will continue to not allow sweat equity as a form of down payment.

Bulletin 2023-06 (Freddie Mac)
Published March 1, 2023

Non-occupying co-borrower:
Freddie Mac is clarifying their guidelines for non-occupying co-borrowers. **Effective immediately** non-occupying co-borrowers must not be an interested party to the transaction.

Assumed Mortgages:
Effective immediately Freddie Mac is updating the requirements to omit mortgage debts assumed by another party. The monthly payment for the assumed mortgage may be excluded from the monthly debt when:

- The file contains documentation of the property transfer, evidencing that the borrower no longer owns the property, AND
- The assignee has made timely payments for at least the most recent 12 months as documented by:
    - A copy of the fully executed mortgage assumption agreement, and
    - Evidence of timely payments on the assumed mortgage for the most recent 12 months as documented on the borrower's credit report.

Lender Letters

Lender Letter 2023-01
Bulletin 2023-07
Updated March 22, 2023 (originally published January 19, 2023)

Fannie Mae & Freddie Mac have pushed back the effective date for the DTI ratio LLPA to August 1, 2023. All other LLPA changes will remain effective with loans closed on or after May 1, 2023. The new LLPA Matrix can be located Here

USDA

2-Year Extension for Non-U.S. Citizens
Published March 7, 2023

USDA announced a two year extension of guidance originally published on **April 29, 2022** which makes non-U.S. citizens with a valid Social Security Number and work authorization as eligible to apply. The extension expires on May 2, 2025

Potential Changes to Eligible Area Maps
Published March 28, 2023

USDA is reviewing their rural area data with possible new eligible area maps to become effective October 2, 2023. Additional details will be provided at a later date.

Legacy GUS Retirement
Published March 30, 2023

The Legacy Guaranteed Underwriting System (GUS) will be officially retired on April 1, 2023.

Updates to HB-1-3555 Chapters 4 & 6
Published March 31, 2023

USDA has updated Chapter 4 and Chapter 6 within the Hud Handbook 4000.1

Chapter 4:

- Paragraph 4.2 was revised to add guidance on Conflicts of Interest, clarifying that employees that have an impact on the mortgage transaction are prohibited from having multiple roles or multiple sources of compensation, either directly or indirectly, from a single Rural Development transaction. In addition, guidance was added clarifying that employees who are also the applicant may not participate in any part of the loan process on behalf of the lender.

Chapter 6:

- Paragraph 6.2C was revised to add environmental inspections as an eligible loan cost, replaced the term “seller concessions” with “interested party concessions,” and clarified that funds provided by the seller for repairs are not included in the 6% interested party concession limitation, but must be held in an escrow account.

- Paragraph 6.2D was revised to clarify that existing borrowers on the current mortgage note must remain on the refinanced loan to be consistent with Attachment 6-A and clarified that lenders are required to complete annual income calculations to ensure the allowable maximum income limit is not exceeded.

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

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