



IMPORTANT UNDERWRITING UPDATE

BULLETIN 51-10312023

Issued to: All Channels
Date: October 31, 2023
Subject: Lending Updates – Sept 2023

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

Fannie Mae	<p>FNMA SEL-2023-08 September 6, 2023</p> <p>Personal Gifts and gifts of Equity <i>Effective Immediately</i></p> <ul style="list-style-type: none">• The seller is now considered an acceptable gift donor as long as they are not affiliated with another interested party to the transaction.• The estate of an acceptable donor, or a trust established by an acceptable donor are now considered an acceptable source of gift funds. <p>3D printed homes <i>Effective Immediately</i></p> <ul style="list-style-type: none">• A 3D printed home with a traditional design and constructed using conventional building materials is not considered a unique or nontraditional type of housing as described in the Selling Guide.• Standard eligibility and comparable sale selection requirements for site-built housing should be followed. <p>Trust Income <i>Effective Immediately</i></p> <p>Funds used from a trust for downpayment, closing costs or reserves must be subtracted from the total funds available to determine if the income meets requirements in <i>Continuity of Income</i> in B3-3.1-01, General Income Information. Additional updates included:</p> <ul style="list-style-type: none">• Differentiating the treatment of <u>variable income</u> and <u>fixed trust payments</u> as follows:<ul style="list-style-type: none">○ Variable trust payments<ul style="list-style-type: none">▪ Require a 24-month history of receipt▪ Must be documented with two years of tax returns○ Fixed trust payments<ul style="list-style-type: none">▪ Require a minimum 12-month history of receipt (unless certain conditions apply). If the borrower is unable to document a 12-month history, the trust documentation must reflect
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	<ul style="list-style-type: none"> ▪ Fixed payments ▪ The borrower is not the grantor of the trust, and ▪ At least one payment must be received prior to loan closing <ul style="list-style-type: none"> • Proof of current receipt of the income is required and must be documented with a current bank statement or equivalent documentation • When eligible employment-related assets are liquidated and placed in a trust within 12 months of the loan's application date, the lender must comply with the policies in <i>Employment-Related Assets as Qualifying Income</i>.
<p>Freddie Mac</p>	<p>Selling Bulletin 2023-18 September 6, 2023</p> <p>Student Loan Payment Amounts Included in DTI Ratio <i>Effective Immediately</i></p> <ul style="list-style-type: none"> • All Student Loans <ul style="list-style-type: none"> ○ An amount greater than zero must be included in the monthly debt payment-to income (DTI) ratio for all student loans, including loans in income-driven repayment plans. • Income-driven repayments plans- <ul style="list-style-type: none"> ○ New qualifying payment requirements apply when student loans in income-driven repayment plans where documentation indicates that the Borrower must recertify their income and/or that the Borrower's payment will increase prior to or on the first Mortgage payment due date. <p>Refinance Mortgages <i>Effective Immediately</i></p> <ul style="list-style-type: none"> • "No Cash-Out" refinance Mortgages <ul style="list-style-type: none"> ○ The allowable use of proceeds from a "no cash-out" refinance Mortgage has been updated to specify that the payoff of the existing first Mortgage may include a balance deferred under a loss mitigation plan and any costs or fees associated with the satisfaction and release of the first Mortgage, such as late fees and prepayment penalties. • Cash-out refinance Mortgages Updates <ul style="list-style-type: none"> ○ When title is held by a limited liability company or limited partnership, the transfer of the title into the Borrower's name must be completed on or before the Note Date, replacing the previous requirement that the transfer of title must be completed "prior to the Note Date", and ○ The 12-month seasoning requirement for the First Lien Mortgage being paid off with proceeds of a cash-out refinance Mortgage does not apply to Construction Conversion and Renovation Mortgages or Manufactured Homes being converted to legally classified real property under applicable State law ○ Section 4301.5 has been reorganized into subsections for requirements that apply to all cash-out refinance Mortgages, requirements specific to a cash-out refinance Mortgage used to pay off a First Lien Mortgage and requirements for a cash-out refinance Mortgage on a property owned free and clear. • Title seasoning requirement for cash-out refinance Mortgages secured by a Manufactured Home <ul style="list-style-type: none"> ○ For a cash-out refinance Mortgage secured by a Manufactured Home that is owned free and clear, at least one borrower must have been on title for at least 6 months prior to the note date, which is a reduction from the former requirement of 12 months.
<p>FHA</p>	<p>FHA Info 2023-75 September 7, 2023 <i>Effective Immediately</i></p> <p>Lenders are no longer required to enter rejection information in FHAC, removing an unnecessary barrier for borrowers and to prevent unnecessary delays. Beginning September 11, 2023, the MCR screen in FHAC will no longer be available.</p>
<p>VA</p>	<p>N/A</p>
<p>USDA-RD</p>	<p>Fiscal Year 2024 Conditional Commitment Notice September 7, 2023</p>

The Upfront Guarantee fee and annual fee remain unchanged for FY 2024

USDA anticipates a brief two-week lapse in funding to continue for FY 2024. During the temporary lapse in funding, Rural Development - Rural Housing Service (RHS) will issue Conditional Commitments (Form RD 3555-18/18E) "subject to the availability of commitment authority" for purchase and refinance transactions.

[Changes to the Eligibility of Certain Rural Areas Effective October 1, 2023](#)

September 8, 2023

New ineligible area maps for the Rural Development Single Family Housing (SFH) will be updated to the USDA Income and Property Eligibility Site at <https://eligibility.sc.egov.usda.gov>. The current maps will be moved to the "Previous Eligibility Areas" tab.

As of October 1, 2023, all properties for new applications must be located in an eligible rural area based on the new eligibility maps. However, a property that is located in an area being changed from rural to non-rural may be approved if all of the following conditions are met:

1. The application is dated and received by the lender prior to October 1, 2023, and the Loan Estimate was issued by the lender within 3 days of application receipt.
2. The applicant has a signed/ratified sales contract dated prior to October 1, 2023.
3. Verification that the property was located in an eligible rural area prior to October 1, 2023

Gus Approve/Ineligible findings are acceptable if the items noted above can be met. Refer to the Announcement for additional details.

[Coming Soon- Updates to USDA eAuthentication Login](#)

September 11, 2023

Phase 1 is scheduled to begin the evening of **Monday, September 11, 2023**. At that time, a new eAuth login page will be introduced that includes Login.gov as an option when signing in.

The use of Login.gov will be optional for existing eAuth customer account holders during this phase; however, it is recommended to begin using Login.gov when accessing USDA applications to enable the use of MFA as soon as possible as they will eventually be phased out.

All eAuth customer accounts will eventually need to transition to Login.gov at a future date.

[USDA RD PN 592](#)

September 27, 2023

Effective Immediately

Several updates to HB-1-3555, Chapters 9 (Income Analysis) and 10 (Credit Analysis). Topics include:

- Tax Transcripts
- Business assets
- Calculation of rental income in GUS
- Unverified Assets
- Funds entered into GUS as reserves
- Documenting reserves
- Gift Funds
- Undisclosed debts
- NSF charges
- Defining significant derogatory credit
- Delinquent Child Support
- Delinquent Federal non-tax debt
- Delinquent Federal tax debt
- Housing payment shock
- Verification of all housing payments entered into GUS
- Rental/mortgage income received by family members or interested parties

Use link to PN 592 for additional details.

Updates		
Section	Date	Update
Condo & Co-Op Critical Repairs: 602, 606, 609, 610	09.15.2023	Consolidation of several topics addressing critical repairs and significant deferred maintenance into a single topic and moved to the "Ineligible Project Characteristics" list in Section 610. It is referenced on the list as Projects in need of critical repairs, including material deficiencies and significant deferred maintenance Effective 9/18/23
Continuity of Obligation: Limited Cash-Out 1508.1	09.15.2023	Added as an exception- <i>The property was previously owned by an inter-vivos revocable trust, and the borrower is the primary beneficiary of the trust.</i> Effective 9/17/23
Depreciating Markets List Update	09.15.2023	Depreciating Markets.xlsx Effective with new locks as of 9/18/2023

Prime Jumbo

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We appreciate your business!