



# IMPORTANT UNDERWRITING UPDATE

## BULLETIN 54-11212023

**Issued to:** All Channels  
**Date:** November 21, 2023  
**Subject:** Lending Updates – Oct 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.

<b>Fannie Mae</b>	<a href="#">FNMA SEL-2023-09</a> October 04, 2023
	<p><b>Rental income</b> <i>Effective with loan application dates on or after January 1, 2024</i></p> <ul style="list-style-type: none"><li>• <b>NEW:</b><ul style="list-style-type: none"><li>○ Rental income for non-subject rental properties, put into service within the last 12 months must have a primary housing expense and at least one-year history of property management experience to use the full amount of rental income towards qualifying, otherwise the amount may be limited.</li></ul></li><li>• <b>CLARIFIED:</b><ul style="list-style-type: none"><li>○ When rental income is considered from multiple rental properties, the income or loss calculated from each is then aggregated, with the total amount across all rental properties is considered in the calculation of the borrowers DTI.</li></ul></li><li>• <b>AMENDED:</b><ul style="list-style-type: none"><li>○ The documentation requirements for lease agreements have been amended. When using a lease agreement, the amount of rent indicated on the lease must be supported by<ul style="list-style-type: none"><li>▪ Form 1007 or Form 1025 as applicable, OR</li><li>▪ Two months consecutive bank statements or electronic transfers of rental payments, OR</li><li>▪ Copies of the security deposit and first month's rent check with proof of deposit for newly executed agreements</li></ul></li><li>○ The market rent indicated on form 1007 or Form 1025 must support the income reflected on the lease, or the lease agreement must provide evidence that the lease terms have gone into effect with proof of receipt for at least two-months' rental payments</li></ul></li><li>• <b>ADDED:</b><ul style="list-style-type: none"><li>○ Scenarios for documentation of partial rental income when the rental property was not in service the previous tax year or was only in service for a portion of the previous tax year, which</li></ul></li></ul>

will help to determine when to use alternative rental income calculations vs. the use of lease agreements

### **Self-Employed Borrowers**

*Effective with DU Casefiles created on/after January 1, 2024*

- **Length of self-employment**

- **CLARIFIED:**

- When a borrower has less than a two-year history of self-employment, the signed personal and business federal income tax returns must reflect a minimum of 12 months of self-employment income from the current business.

- **UPDATED**

- When DU determines that only one year of personal and business tax returns can be obtained, the following must be verified

- All self-employed businesses have been in existence for five years, and
- The borrower has had a 25% or greater ownership interest for the last five consecutive years

### **Manufactured Housing Data Plate and HUD Certification Label.**

*Effective Immediately*

Relaxed the current policy requiring both the HUD Data Plate and HUD Certification Label, now requiring only one of the two.

- Applies to each section of the home)
- When neither are present, an IBTS report is still required.
- Does not apply to newly constructed MH

### **Value acceptance and property data- *For informational purposes only- GHMC does not currently accept DU Value Acceptance + Property Data.***

Clarified that when exercising Value Acceptance + Property Data, the

- Property data collection must be obtained after the initial DU offer and prior to the note date
- Property data collection must be submitted to the Property Data API prior to the note date
- Property data collection is only valid for 12 months from date of collection and must be performed prior to the note date

### [Bulletin 2023-19](#)

October 04, 2023

### **Rental Income Requirements**

*Effective Immediately*

- Removed the requirement that a lease must have a minimum original term of one year
- Specified that for newly executed leases, the first rental payment due date must be no later than the first payment due date of the mortgage
- When using receipt of 2 months rental income in lieu of lease, proof that the payments were cashed or deposited into the borrowers account is now required, **OR**
- In lieu of proving receipt of 2 months of rental payments, can now document receipt of security deposit and first month's rental payment
- Removed the appraisal requirement that at least one comp have an ADU that is rented

### **Desktop Appraisals**

*Effective Immediately*

Updated eligibility list to reflect that the following are not eligible for a Desktop Appraisal.

- Refinance mortgages
- Mortgages secured by mixed-use properties

**Freddie  
Mac**

<p><b>FHA</b></p>	<p><a href="#">FHA Mortgagee Letter 2023-17</a>  October 16, 2023  <b>Revisions to Rental Income Policies, Property Eligibility, and Appraisal Protocols for accessory Dwelling Units.</b>  <i>Effective Immediately</i></p> <p>FHA is updating its appraisal protocols, underwriting requirements to permit the inclusion of income from an ADU in the borrower's effective income for the purposes of qualifying for FHA-insured mortgage financing. Some highlights of the ML include:</p> <ul style="list-style-type: none"> <li>• Income from ADU cannot exceed 30% of qualifying income</li> <li>• Manufactured Home ADU income is acceptable</li> <li>• ADU income cannot be used to qualify for a Cash-Out refinance transaction</li> <li>• 2 months PITI is required when using ADU rental income</li> </ul> <p>For additional information, use the link to ML 2023-17 above, or FHA Single Family Housing Handbook 4000.1 sections Accessory Dwelling Unit II.A.1.b.iv(B)(4), Rental Income II.A.4.c.xii(I); General Asset Requirements II.A.4.d.i; Cash-Out Refinances II.A.8.d.v(A) &amp; Acceptable Appraisal Reporting Forms and Protocols (II.D.3).</p>
<p><b>VA</b></p>	<p><a href="#">VA Circular 26-23-19</a>  October 2, 2023</p> <p><b>Clarified procedures related to the Department of Veterans Affairs (VA) funding fee exemption determinations and how refund requests should be submitted</b>  <i>Effective Immediately</i></p> <p>Lenders are required to exercise due diligence in determining whether an exception would apply at the time of loan closing and should not advise Veterans who believe they are exempt from paying the funding fee to close the loan as is and request a refund at a later time.</p> <ul style="list-style-type: none"> <li>• If the COE (or for an IRRRL the case number assignment) indicates non-exempt, the lender must verify with the Veteran there is not a claim for compensation pending. If there is a claim pending, and the Veteran is not on active duty, the lender must obtain an updated COE prior to closing.</li> </ul> <p>Use the link to VA Circular 26-23-19 for additional details.</p>
<p><b>USDA-RD</b></p>	<p><a href="#">USDA RD Procedure Notice PN 594</a>  October 12, 2023</p> <p><b>Updates were made to HB-1-3555, Chapter 8 to update the expiration date of the non-U. S Citizens waiver</b>  <i>Effective Immediately</i></p> <p><b>Paragraph 8.2-B Obtaining Credit:</b></p> <ul style="list-style-type: none"> <li>• Clarified if applicants own a business, close examination must be made to verify if assets are co-mingled between the business and personal account. If the two accounts are mixed, co-mingled accounts must be included in the test for obtaining credit.</li> </ul> <p><b>Paragraph 8.2-F Having Acceptable Citizenship or Immigration status</b></p> <ul style="list-style-type: none"> <li>• Updated the new expiration to May 2, 2025</li> </ul> <p><a href="#">SFH Guaranteed Origination Bulletin</a>  October 17, 2023</p> <p><b>Fiscal Year 2024 SFH Guaranteed Funds are now available</b>  <i>Effective Immediately</i></p>

Updates		
Section	Date	Update
Prime Jumbo	Liabilities	10.15.2023 <b>Amended:</b> <i>Student Loan Payments</i> The monthly payment is required to be included in the debt-to-income ratio (DTI) unless the borrower has 10 months (or fewer) payments remaining  1508.3
	Income	10.15.2023 <b>Update:</b> <i>Departure Property</i>  25% or more equity in departure property Can use 75% of rental income If the borrower does not have a 2-year history of managing investment properties, min fico of 760 is required. Less than 25% equity in departure property Can not use any rental income  1508.3
	Income	10.15.2023 <b>Update:</b> <i>Trust income</i> Trust income documentation requirements have been updated based on whether the trust payments are fixed or variable. Funds used from a trust for down payment, closing costs, or reserves must be subtracted from the total funds available in order to determine if the income meets the requirements  1508.5
Expanded Jumbo	N/A	

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We appreciate your business!