



Your Easiest Path
to Homeownership™

Issue Date 12/01/17

Effective Date As Noted

GA 2017-004

Freddie Mac Guide Updates; Agency Conforming Cash-Out Refinance

Purpose

This announcement includes the following Freddie Mac Guide updates:

- ✓ Student loan debt
 - ✓ Debts paid by others
 - ✓ Rental Income
- AND
- ✓ MSI overlay removal for conforming cash-out refinances

LP AUS

Findings MUST be "Accept/Eligible"

Student Loan Debt

Student Loan in Repayment

The greater of the following is used to calculate the debt-to-income (DTI) ratio

- ✓ The monthly payment amount reported on the credit report, **OR**
- ✓ 0.5% of the original loan balance or outstanding balance as reported on the credit report, **whichever is greater**

Student Loan in Deferment or Forbearance

The greater of the following:

- ✓ The monthly payment amount reported on the credit report, **OR**
- ✓ 1% of the original loan balance or outstanding balance as reported on the credit report, **whichever is greater**

Student Loan Forgiveness, Cancellation, Discharge and Employment-Contingent Repayment Programs

The student loan payment may be excluded from the monthly DTI if the file documentation reflects one of the following:

- ✓ The student loan has ten or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment-contingent repayment program, **OR**
- ✓ The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid at the end of the deferment or forbearance period

AND

- ✓ The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the Seller is not aware of any circumstances that will make the borrower ineligible in the future

<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl11723.pdf>

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This communication is intended for use only by mortgage professionals and business partners of Mortgage Services III, LLC (MSI).

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Debts Paid by Others

Freddie Mac has updated their guidelines to allow the following to be excluded from the monthly DTI when a party other than the borrower has been making timely payments on the debt for the most recent 12 months:

- ✓ Non-Mortgage debts paid by others:
 - The debt may be excluded whether or not the party is obligated on the debt
 - The most recent 12 months of cancelled checks and/or bank statements from the other party documenting a 12 month acceptable payment history
 - No late payments in the last 12 months
 - The debt **MAY NOT** be excluded if the other person making the payments is an interested party to the transaction
 - Non-mortgage debt includes installment, revolving and lease payments.

- ✓ Mortgage debt paid by others
 - Documentation showing that the party making the payments is obligated on the Note of the mortgage that is being excluded
 - The most recent 12 months cancelled checks and/or bank statements from the party making the payments
 - No late payments in the last 12 months
 - Borrower may not be on title of the mortgaged property
 - The person making the payments cannot be an interested party to the transaction

Additional documentation required for exclusion:

- ✓ LOX regarding situation signed by borrower and party making payment
- ✓ Acceptable mortgage assumption documentation
- ✓ Secured debt or mortgage as assigned by a court order such as a divorce decree

Freddie Mac no longer requires the borrower to be a cosigner or guarantor on the excluded debt.

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Revisions to Rental Income Requirements

Rental properties not owned in the prior calendar year

Rental income will be allowed up to a maximum of 30% of the sum of the Non-Rental income plus the Net rental income when the borrower does *NOT* have a documented one-year history of investment property management experience. *NOTE:* Non-rental income is defined as borrower's income used in qualifying.

Examples:

Non-Rental Income	Net Rental Income	Total Income	Calculation	Eligible Amount of Rental Income	Eligible Amount of Total Income
\$5,000	\$1,500	\$6,500	\$6,500 x 30% = \$1,950	\$1,500	\$6,500 (\$5,000 + \$1,500)
\$2,500	\$2,625	\$5,125	\$5,125 x 30% = \$1,537.50	\$1,537.50	\$4,037.50 (\$2,500 + \$1,537.50)

Short-term and long-term rental properties owned in the prior calendar year

The changes below apply to refinance loans when using rental income from properties owned in the prior calendar year and affect the following property types:

- 2-4 unit Primary Residences
- 1-4 unity Investment Properties, and
- Non-subject investment properties

Short term

- ✓ Short term rental income requires a minimum of two years tax returns to support income stability and continuance
- ✓ Income must be documented on Schedule E
- ✓ Property must have been used for the purpose of producing income for this period of time

Long term

- ✓ Long term rental income may be eligible with one year's tax returns with an original lease agreement of at least 12 months
- ✓ Income must be documented on Schedule E

<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl1712.pdf>





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MSI Required Forms

If the property is a Single Family (1 unit) Investment, MSI requires the Fannie 1007/Freddie 1000 Single Family Comparable Rent Schedule to determine net rental income.

If the property is a multi-unit property, MSI requires the Fannie 1025/Freddie 72 Small Residential Income Property Appraisal Report to determine net rental income.

Agency Conforming Cash-out Refi

MSI is removing our overlay to allow cash-out refinances with a maximum LTV of 60% and a minimum 620 Fico score with the following:

- ✓ Property must be 1 unit, single family, primary residence
 - ✓ AUS must be Accept/Eligible or Approve/Eligible
-

Effective Date

Changes reflected in this announcement are effective with all loans underwritten on and after December 4, 2017.

Questions

Retail: If you have any questions, please contact your Manager.
TPO: If you have questions, please contact your Account Executive.

