



Your Easiest Path
to Homeownership™

Issue Date 06/13/18

Effective Date As Noted

GA 2018-006

HomeReady & HomePossible Updates, FHLMC & FNMA Future Income, VA Circular 26-18-3, MI Reminder and Holiday Closure

Purpose

This announcement includes the following topics:

- 2018 Income Limits for HomeReady and HomePossible
- Agency Income commencing after Note date
- New VA refinance requirements
- MI reminder
- Holiday Closure

Fannie Mae HomeReady 2018 Income Limits

On May 22, 2018 Fannie Mae issued a Selling Notice advising the following:

- DU will apply the 2017 income limits to DU loan casefiles submitted Prior to June 23, 2018;
- DU will apply the 2018 income limits to DU loan casefiles submitted OR resubmitted on or after June 23, 2018
- The Income Eligibility Lookup Tool will be updated on June 23, 2018

Effective
June 23, 2018

Freddie Mac HomePossible 2018 Income Limits

Per Freddie Mac Bulletin 2018-7, as provided in the table below, the better of the income limits will be based on:

- 2017 – Refers to the income limits in effect prior to July 29, 2018
 - HomePossible and HomePossible Advantage income eligibility requirements which provide for higher income limits in designated high-cost area, properties located in census tracts designated as disaster areas and high minority census tracts
 - The 2017 AMI limits

Effective
July 29, 2018

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Freddie Mac HomePossible 2018 Income Limits

- 2018 – Refers to the revised HomePossible and HomePossible Advantage income eligibility requirements announced in Bulletin 2018-7 in effect on and after July 29, 2018, which include 2018 AMI limits and 100% AMI limits except for properties located in low-income census tracts.

Effective
July 29, 2018,
continued

If the Mortgage is submitted on or after July 29, 2018	Then the following income limits are applied....
The last submission before July 29, 2018 was also a HomePossible Mortgage and income limits were met	The better of income limits for 2017 or 2018
<ul style="list-style-type: none"> • The mortgage is submitted for the first time • The key number cannot be identified or • The last submission before July 29, 2018 was not submitted as Home Possible and/or did not meet the income eligibility limits 	2018

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REVISED Freddie Mac Income Commencing After the Note Date

Per LPA Reference May 2018

Subject	Requirement
Start date of the new employment or future salary increase	<ul style="list-style-type: none"> • Must be no later than 90 days after the Note date • May be before or after the delivery date
Eligible employment and earnings type	<p>Employment and income must meet the following requirements:</p> <ul style="list-style-type: none"> • Income must be from new primary employment or a future salary increase with the current primary employer • Income must be non-fluctuating and salaried earnings (e.g. hourly earnings are not permitted), and • The borrowers employer must not be a family member or an interested party to the real estate or mortgage transaction
Eligible loan purpose	<p>The mortgage must be originated for one of the following purposes:</p> <ul style="list-style-type: none"> • Purchase transaction • “No cash-out” refinance
Eligible Mortgaged Premises	The mortgaged premises must be a 1-unit Primary residence

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REVISED Freddie
Mac Income
Commencing
After the Note
Date

Per LPA
Reference May
2018, continued

Subject	Requirement
Verification of additional funds	<p>In addition to the funds required to be paid by the borrower and borrower reserves, the Seller must verify additional funds in the borrower's depository and/or securities account(s) that equal or exceed the amount of the monthly housing expense, as described in Section 5401.1, and other monthly liabilities, as described in Section 5401.2, due between the Note date and the start date of the new employment/salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation.</p> <p>The amount of the required additional funds may be reduced by the amount of the borrower's verified gross income expected to be earned during the period described above, whether or not it is used as qualifying income.</p>

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REVISED Freddie Mac Income Commencing After the Note Date

Per LPA Reference May 2018, continued

Subject	Requirement
Required Documentation	<p>The following documentation is required:</p> <ul style="list-style-type: none"> • Copy of the employment offer letter, employment contract or other evidence of the future salary increase that: <ul style="list-style-type: none"> – Is fully executed and accepted by the borrower – Is non-contingent or provides documentation, such as a letter or an e-mail from the employer verifying all contingencies have been cleared – Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings • For a future salary increase provided by the borrower’s current employer, the above documentation must indicate that the increase is fully approved and is explicitly granted to the borrower • A 10 day pre-closing verification (PCV) verifying the terms of the employment offer letter, contract or salary increase have not changed (refer to Section 5302.2(d)) • Documentation of additional funds, as required above





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Fannie Mae Income Commencing After the Note Date

Loan Criteria	<ul style="list-style-type: none"> • Purchase transaction • Principal residence • One-unit property • The borrower is not employed by a family member or by an interested party to the transaction, and • The borrower is qualified using only fixed based income
Non-contingent offer/contract	<ul style="list-style-type: none"> • Must clearly identify the employer and borrower, be signed by the employer, and be accepted and signed by the borrower • Must clearly identify the terms of employment, including position, type and rate of pay, and state date; and • Must be non-contingent. NOTE: if conditions of employment exist, the lender must confirm prior to closing that all conditions of employment are satisfied either by verbal verification or written documentation. This confirmation must be noted in the mortgage loan file. • The employment start date as shown on the employment offer or contract must be within 90 days of the Note date.
Special Feature Code	The lender must deliver the loan with Special Feature Code 707

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**Fannie Mae
Income
Commencing
After the Note
Date, continue**

Documentation	<p>The lender must document, in addition to the amount of reserves required by DU or for the transaction, one of the following:</p> <ul style="list-style-type: none"> • Financial reserves sufficient to cover principal, interest, taxes, insurance, and association dues (PITIA) for the subject property for six months; or • Financial reserves or current income sufficient to cover the month liabilities included in the debt-to-income ratio, including the PITIA for the subject property, for the number of months between the note date and the employment state date, plus one. Current income refers to income that is currently being received by the borrower (or co-borrower), may or may not be used for qualifying, and may or may not continue after the borrower starts employment under the offer or contract. Current income may be used in lieu of or in addition to financial reserves. For this purpose, the lender may use the amount of income the borrower is expected to receive between the note date and the employment start date. If the current income is not being used for qualifying purposes, it can be documented by the lender using income documentation, such as a paystub, and no verification of employment is required. For calculation purposes, consider any portion of a month as a full month.
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New VA Requirements

All applications dated on or after May 25, 2018, MSI will align with VA Circular 26-18-13 for all VA IRRRL loans. Summary of all new requirements are below:

Topic	Prior to May 25, 2018	On/after May 25, 2018
Recoupment Statements	Required with all initial and final disclosures	No change; still require with initial and final disclosures
VA specific loan seasoning NOTE: This requirement effects all VA refinance transactions, IRRRLs and standard cash-out refinances	No VA seasoning, Ginnie Mae requirements apply	The note date for the new loan must be the later of: <ul style="list-style-type: none"> • The date that is 210 days after the date on which the first payment is made on the loan, and; • The date on which the Sixth monthly payment is made

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New VA
Requirements,
continued

Topic	Prior to May 25, 2018	On/after May 25, 2018
Net Tangible Benefit	Interest rate must be reduced	<ul style="list-style-type: none"> • Fixed to Fixed requires .5% rate reduction • Fixed to ARM requires 2.0% rate reduction • ARM to Fixed n/a • ARM to ARM n/a • Discount points may be used to lower interest rates **See below for additional restrictions • VA requires copy of the Note from the refinanced loan to be provided
Discount Points	Not required	<p>When discount points are used to reduce the interest rate, an LTV calculation is required based on the following:</p> <ul style="list-style-type: none"> • Less than or equal to 1 discount point requires an LTV of 100% or less • Greater than 1 discount point requires of LTV of 90% or less

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Guide Announcement

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MI Reminder Currently Arch is the only company offering MI for DTI greater than 45% and FICO less than 720

Holiday Schedule Reminder MSI will be closed to celebrate Independence day
• Wednesday, July 4, 2018

Effective Dates As Noted

Questions Retail – Please contact your Manager with any questions
Mod Corr – Please contact your Account Executive with any questions

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