



Your Easiest Path
to Homeownership™

2019 Loan Limits, Freddie Mac Rental Income Amendments, Condo Property Flood Insurance Requirements, Fannie Flood Insurance updates and Conforming Product Suite

Purpose

This announcement includes the following topic:

- ✓ Federal Housing Finance Agency (FHFA) new loan limits
- ✓ Pricing and Funding Requirements
- ✓ FHLMC Rental Income Amendments
- ✓ FHLMC Condo Property Flood Insurance Requirements
- ✓ FNMA Flood Insurance updates and clarifications
- ✓ Combined Conforming Product Suite

Fannie Mae and Freddie Mac Conforming Loan Limits

Fannie Mae and Freddie Mac have announced the new 2019 loan limits for conforming agency loans.

General loan limits for the Contiguous States and District of Columbia are as follows:

Number of Units	Maximum Base Loan Limit
1	\$484,350
2	\$620,200
3	\$749,650
4	\$931,600

Note: Maximum loan limits for FHA and VA will be based on 2018 limits until further notice. Information on 2019 loan limits and effective dates for FHA and VA loans will follow once the Federal Housing Administration and the Department of Veterans Affairs have published their announcements.

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Guide Announcement

Issue Date 12/10/18

Effective Date As Noted

GA 2018-015

2019 Loan Limits, Freddie Mac Rental Income Amendments, Condo Property Flood Insurance Requirements, Fannie Flood Insurance updates and Conforming Product Suite, Continued

Pricing Requirements

- ✓ MSI is now accepting locks at the new loan limits
 - ✓ Lock loan at 2018 limit
 - ✓ Email pricing to change to 2019 limit: msipricing@msiloans.biz
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Funding Requirements

Any loan utilizing the new loan limits may close on or after December 14, 2018

Additional Requirements

Loan utilizing the new loan limits will need to have the updated version of DU/LP prior to closing.

- DU Submissions: the 2019 loan limits will be applied to DU Version 10.2 and Version 10.3 for loans submitted or resubmitted on or after December 8, 2018
- LPA Submissions: LPA will be updated with the new loan limits on December 1, 2018

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GA-2018-015

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FHLMC Rental Income Amendments to Requirements

Freddie Mac [Bulletin 2018-19](#) further amends the requirements for rental income by adding the following:

- ✓ The Borrower must own a primary residence to use rental income to qualify when purchasing a new rental property; and
- ✓ Whether purchasing a new rental property or converting a principal residence to a rental property, if the Borrower does not have a minimum of 1 year investment property management experience:
 - The rental income can only offset the rental's PITI; and
 - Rental income exceeding PITI cannot be added to the Borrower's gross monthly income to qualify
- ✓ Only the Borrower's most recent federal income tax return is required
- ✓ Rental income must be annualized unless the loan file documents that the property was renovated or purchased late in the prior calendar year
- ✓ Removes the requirement that net rental income considered for qualification must not exceed 30% of the Borrower's monthly qualifying income unless the Borrower has a minimum of 1 year rental management experience.

LPA feedback message will be updated on March 1, 2019

Effective Date: Required for loans closed on or after March 1, 2019. Note: Date may change based on End investor requirements.

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FHLMC Condo Property Flood Insurance Requirements

Freddie Mac [Bulletin 2018-21](#) updated the requirements for a Condominium Unit in a building in a Condo Project (other than a 2- to 4-unit Condo Project or Detached Condo Project) and all or part of the building is in a Special Flood Hazard Area (SFHA) as follows:

- ✓ The condominium owners' association must maintain building coverage of the lower of
 - 80% of the buildings replacement cost, or
 - \$250,000 multiplied by the number of residential units in the building

Reminder: If the condominium owners' association's building coverage meets the required coverage for the association, but the unit allocation does not meet the 1- to 4-unit coverage requirement, the Borrower must maintain supplemental coverage at least equal to the difference between the condominium associations' building coverage allocated to the unit and the amount required for a 1- to 4-unit property (see Section 8202.3(a)).

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Fannie Mae Flood Insurance Updates and clarifications

Fannie Mae Seller Guide Announcement SEL-2018-09 has updated the following policies:

- ✓ Removed the requirement for a condo homeowners' association to maintain a master flood insurance policy for two- to four-unit projects. Individual policies covering a single unit are now permitted;
- ✓ Loans in a community in the Emergency Program of the NFIP will no longer be required to maintain coverage to make up the difference between what is available through the Emergency Program and the Regular Program. Coverage available under the Emergency Program through the NFIP or a private policy with equivalent coverage will be acceptable until the community is approved to participate in the NFIP regular program.

Additionally, the Announcement made the following clarifications:

- ✓ High LTV refinance loans securing units in attached condo projects will be acceptable with individual flood insurance dwelling policies;
- ✓ Projects with over 25% commercial space that maintain a master flood insurance policy must obtain coverage, either through a single private policy or a private supplemental policy in conjunction with a General Property Form flood master policy through the NFIP, to equate to coverage available to projects maintaining a Residential Condominium Building Association Policy;

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Fannie Mae Flood Insurance Updates and clarifications, continued

- ✓ A flood insurance declarations page may not be used to verify that private insurance coverage is equivalent to NFIP coverage; the full policy must be reviewed;
- ✓ For flood insurance coverage for units in a project, the contents coverage for the building must be the lesser of 100% of the insurable value of all contents owned in common or the NFIP maximum available (not 100% of the insurable value);
- ✓ A mortgagee clause is not required for NFIP master policies or policies through a private insurer.

Important Note: The Condominium Project Association must still provide a common elements policy for common elements coverage.

Effective Date: March 1, 2019, but Sellers are encouraged to implement these changes immediately.

Combined Conforming Product Suite

Great News! The Combined (Retail & TPO) Conforming Product Suite has been posted to the website and the intranet. Other product guides are being worked on and will be posted soon.

Effective Dates

As noted within

Questions

Retail: Please contact your Manager with any questions or concerns
TPO: Please contact your Account Executive with any questions or concerns

