

### Fannie Mae Selling Guide Updates

HomeBridge is updating its guidelines based on Fannie Mae Selling Guide Announcement 2012-13 issued November 13, 2012.

The following updates are effective immediately for all HomeBridge loans, including loans in the pipeline.

#### Large Deposits

HomeBridge is revising its definition of a large deposit to 25% of the borrower's total monthly qualifying income (currently 15%) to align with Fannie Mae subject to the following.

If the underwriter finds indications of large deposits when reviewing the borrower's bank statements, the following is required:

- A written explanation as to the source of the funds, along with supporting documentation is required from the borrower when large deposits are reflected on the borrower's bank statements. A large deposit is **defined as a single deposit** that exceeds 25% of the borrower's total monthly qualifying income for the loan, however, HomeBridge will assess all non-payroll deposits and at the underwriter's discretion sourcing/documentation may be required.

Example:

1. Borrower(s) qualifying income is \$10,000. A single deposit of \$3,000 would require sourcing/documentation since \$3,000 exceeds \$2500 (25% of \$10,000).
  2. Borrower(s) qualifying income is \$10,000. Three separate non-payroll deposits of \$1,000 are made within a 30 day period. These deposits technically do not require sourcing/documentation since individually they are less than \$2500 (25% of \$10,000), however, at underwriter discretion sourcing/documentation may be required.
- If the source of the deposit is easily identifiable on the bank statement (i.e. the source of a direct deposit is identified on the statement, such as from the employer or the SSA or IRS) no further documentation is required, however, at underwriter discretion, additional documentation may be requested to substantiate the source of the funds.

#### Retirement Assets Used for Reserves

Fannie Mae updated their guidelines regarding retirement assets used for reserves to allow borrowers who are at or above retirement age to utilize a greater percentage of their retirement accounts assets to satisfy reserve requirements. The following applies to retirement assets used for reserves.

Retirement account funds in the form of stocks, bonds, or mutual funds that will be used to satisfy reserve requirements are subject to the following:

- The retirement account(s) must be vested and allow for withdrawals regardless of the borrower's current employment status. Accounts that do not allow any type of withdrawal are ineligible.

- Borrowers who are at, or above retirement age (usually 59½):
  - 70% of the funds in the account may be considered eligible to meet reserve requirements.
- Borrowers who are **not** of retirement age:
  - 60% of the account funds may be considered eligible to meet reserve requirements unless it is confirmed there is no penalty for early withdrawal then 70% of the account funds may be considered eligible to meet reserve requirements.

As a reminder, the borrower is not required to liquidate retirement funds that will be used to satisfy reserve requirements.

### **Past-Due, Collections and Charge-Off Accounts**

The DU message that requires verification that the collection will not threaten Fannie Mae's first-lien position will be removed from DU. The underwriter may disregard the message until it is removed in a future Fannie Mae DU update.

### **Pay-Off of Installment Land Contract Requirements**

When paying-off an installment land contract, the new loan amount, (not the original loan amount) should be divided by the lesser of the total acquisition cost or the appraised value of the property at the time the new mortgage loan is closed to determine the LTV ratio.

### **Capital Gains Income**

Capital losses that are identified on IRS Form 1040, Schedule D, do not have to be considered when calculating income or liabilities, even if the losses are recurring.

### **Gifts of Equity**

Transactions that involve a gift of equity, the property involved is not required to be sold at market value as gift of equity transactions are generally non-arm's length transactions.

### **Converting a 2-4 Unit Primary Residence to an Investment Property**

When a current 2-4 unit primary residence property is being converted to an investment property, the net rental income for the units not previously occupied by the borrower may be calculated using the borrower's **most recent year of signed federal income tax returns and Schedule E** (previously two years were required).

## Miscellaneous

HomeBridge has also updated the Appraisal topic on the Agency Conforming and High Balance matrices regarding interior photographs to align with Fannie Mae requirements. HomeBridge will **no longer** require photos of the dining room and a bedroom.

The interior photos, at minimum, must include:

- Kitchen, (free-standing stove/range or refrigerator not required),
- Main living area,
- All bathrooms,
- Examples of physical deterioration, if present,
- Examples of any recent updates, if present (i.e. remodel, renovation, restoration).

Additionally, the GSA search feature has been moved to a new website located at [www.sam.gov](http://www.sam.gov). The new "SAM" site is replacing the EPLS.com address previously used for GSA searches.

The updated matrices have been posted on the HomeBridge website at [www.homebridgewholesale.com](http://www.homebridgewholesale.com).

If you have any questions, please contact your Account Executive.