



Bulletin 14-30 Revised

Fannie Mae Updates and Clarifications

HomeBridge Bulletin 14-30 originally issued June 25, 2014 has been revised to update the Business Assets topic. Refer to the yellow highlight below.

HomeBridge is providing a highlight of the changes and clarifications announced by Fannie Mae in Selling Guide Announcement SEL-2014-06 issued May 27, 2014.

HomeBridge will follow the new guidance provided by Fannie Mae and has updated the Agency Conforming, Agency High Balance and DU Refi Plus matrices with this information.

To read the Fannie Mae Announcement in its entirety: [Fannie Mae Announcement 2014-06](#)

Business Assets

- Business assets are eligible for down payment, closing costs, and/or reserves when the borrower is listed as an owner on the account.

NOTE: If the borrower's name is not listed on the business account bank statement Fannie Mae requires documentation that the borrower is an authorized signer on the account. This requirement applies to all businesses, including sole proprietorships when business assets are being used for down payment, closing costs, and/or reserves.

Documentation may include a letter from the bank or online documentation confirming borrower is an authorized signer on the business account. **No** additional documentation is required if the borrower's name appears on the business bank statement (e.g. Smith Plumbing and John Smith are on the statement).

- If the account is held jointly, an access letter, stating the borrower has access to 100% of the account funds is required when business funds are being used for down payment and/or closing costs. An access letter is **not required** if business funds are only being used to satisfy reserve requirements however at underwriter discretion, may be requested.

NOTE: A CPA letter is **no longer** required to document withdrawal of funds will not have a negative impact on the business.

- HomeBridge will require 3 months most recent business bank statements, dated within 60 days of the loan closing date,
- The HomeBridge underwriter will complete a cash flow analysis to determine if the use of business funds will be allowed. Refer to the Assets topic of the Agency guidelines for more detailed requirements at [HomeBridge Wholesale Products and Guidelines](#)

Multiple Financed Properties

- Properties owned by an LLC or partnership **are included** in the maximum financed property calculation when:
 - The borrower(s) individual or combined ownership is $\geq 25\%$ regardless of the entity or borrower that is the obligor on the mortgage.
 - The borrower(s) individual or combined ownership is $\leq 25\%$ and the financing is in the name of the borrower.

Multiple Financed Properties (cont.)

- Properties owned by an LLC or partnership **are not included** in the maximum financed property calculation if the individual or combined ownership is $\leq 25\%$ and the financing is in the name of the LLC or partnership.

As a reminder, when there is a non-borrowing spouse in a community property state the inclusion of financed properties is determined as follows:

- If the borrower has an ownership interest in the property **or** is obligated on the mortgage the property **is included** in the maximum financed property calculation.
- If the borrower does not have an ownership interest in the property and is not obligated on the mortgage the property is not included in the maximum financed property calculation.

Large Deposits

- The definition of a large deposit **was changed from 25% to 50%** of the total monthly qualifying income.
- When a deposit includes “sourced” and “unsourced” funds only the “unsourced” portion of any large deposit applies to the 50% calculation
- Purchase transactions require all large deposits (where the unsourced portion is $> 50\%$ of the total monthly qualifying income) be sourced or the funds are not eligible for qualifying
- Refinance transactions do not require sourcing of large deposits, however at underwriter discretion, explanation and sourcing may be necessary as Fannie Mae requires any payment required on borrowed funds be included in the borrowers DTI.

Examples of sourced and unsourced funds

1. The borrower has a monthly income of \$4,000 and a bank account with a balance of \$20,000. A deposit of \$3,000 was made but \$2,500 of the deposit is documented as the borrower’s tax refund (sourced).

In this example only the \$500 is considered “unsourced” (\$3000 total deposit minus \$2500 tax refund) and is included in the large deposit calculation.

The unsourced \$500.00 is only 12.5% of the borrower’s monthly income therefore it does not meet the large deposit definition (50% of the borrower’s total monthly qualifying income). In this example, documentation is not required and the entire \$20,000 balance in the borrower’s bank account may be used for underwriting purposes.

Large Deposits (cont.)

2. The same borrower has a deposit of \$3,000 but only \$500 is documented as the borrower's tax refund (sourced) leaving \$2,500 has unsourced.

In this example the unsourced \$2,500 is 63% of the borrower's \$4,000 monthly income which does meet the definition of a large deposit.

The unsourced \$2,500 must be deducted from the borrower's \$20,000 bank account balance leaving \$17,500 that may be used for underwriting purposes.

Cash-out Refinance Transactions

- A borrower who inherits a property or is legally awarded a property (divorce, separation, or dissolution of domestic partnership) **is exempt** from the six (6) month waiting period that applies to cash-out refinance transactions.
- Continuity of obligation is required on cash-out transactions unless one of the following applies:
 - The subject property is owned free and clear (no existing mortgage as a result of the borrower purchasing the property for cash or having paid off the mortgage), or
 - The borrower was added to **title ≥ 24 months prior to the disbursement date** of the new loan.

Delayed Financing Requirements

- The borrower initially purchased the property as one of the following:
 - A natural person,
 - An eligible inter vivos revocable trust, where the borrower established that trust and is the beneficiary of the trust,
 - An eligible land trust where the borrower is the beneficiary of the land trust, or
 - An LLC or partnership in which the borrower(s) have 100% ownership (individual or joint)
- If the source of the funds to acquire the property was an unsecured loan or secured by an asset other than a subject property (e.g. HELOC), the HUD-1 for the refinance transaction must reflect that **all** cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property.
- The new loan amount cannot exceed the actual documented amount of the borrower's initial investment to purchase the property plus the financing of closing costs, prepaid fees and any points on the new loan subject to the maximum LTV/CLTV limit for a cash-out transaction based on the current appraised value.
- Delayed financing transactions **are not** subject to continuity of obligation requirements since the subject property is owned free and clear.

Continuity of Obligation

- Continuity of obligation is met when at least one borrower on the existing mortgage is also a borrower on the new refinance transaction.
- Time frame references for continuity of obligation are measured from the date of the original event (such as a transfer of title) to the disbursement date of the new refinance transaction. The event date is the date of the final HUD-1 or date transfer deed was executed.
- Continuity of obligation exemptions were expanded to include the following:
 - The borrower was added to title of the subject property \geq 24 months from the disbursement date of the new refinance transaction (all other exceptions remain the same).
- When there is an existing lien on the property and continuity of obligation is not met or an acceptable exemption does not apply, the loan will be considered a cash-out transaction and subject to the guidelines below.

Months on Title	Eligibility Requirements
< 6 months	Ineligible
\geq 6 months to < 24 months	Limited to a maximum 50% LTV/CLTV/HCLTV
\geq 24 months	No additional restrictions

Refer to the Agency Conforming and High Balance Program matrices Delayed Financing topic for a complete list of exemptions to the continuity of obligation requirement at [HomeBridge Wholesale Products and Guidelines](#).

Proceeds from the Sale of Real Property

When the borrower is using the proceeds from the sale of currently owned property to meet down payment and closing costs for the new home, the final HUD-1 for the existing property **is not** required to be fully executed. The final HUD-1 must be provided either before or at the time of closing to show sufficient net cash proceeds to close the purchase.

Cash Value of Life Insurance

- If the payout from a life insurance policy is being used for down payment or closing costs, a copy of the check or a payout statement, issued by the insurance company, is required.
- If the cash value of the life insurance is being used for reserves, documentation of the cash value is required however the policy **does not need to be liquidated** and received by the borrower.

1031 Exchange

Assets from a 1031 exchange (“like-kind” exchange) **are eligible** for the down payment as long as the exchange meets the Internal Revenue Service Code Section 1031.

Unemployment Benefits – DU Refi Plus

Both seasonal and non-seasonal unemployment benefits may be used for qualifying on the DU Refi Plus program.

The updates detailed above are eligible effective immediately, including loans that are currently in the pipeline.

HomeBridge has updated the Agency Conforming, High Balance, and Du Refi Plus matrices, as applicable, and posted them on the HomeBridge website at www.homebridgewholesale.com

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