



## Bulletin 15-35

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### Freddie Mac Program Enhancements

HomeBridge is pleased to announce enhancements to the Freddie Mac Conforming and Super Conforming guidelines to align with the updates announced by Freddie Mac in Bulletins 2015-12 and 2015-16.

**The following enhancements are eligible with loan applications dated on or after October 7, 2015.**

Loans in the pipeline and/or with applications dated **prior to** October 7, 2015 are **not eligible** for these enhancements.

#### **Rate/Term Refinance Seasoning Requirement**

The 120 day seasoning requirement is **no longer** required on a rate/term refinance of a purchase money transaction.

#### **Ownership Requirement on Cash-out Refinance Transactions**

The requirement that at least one borrower must have been on title for a minimum of 6 months prior to the Note date to be eligible for a cash-out refinance has been updated to include the following exception:

- The 6 months on title prior to the Note date requirement does **not** apply when at least one borrower on the cash-out transaction inherited **or** was legally awarded the subject property (e.g. in the case of divorce, separation, or dissolution of a domestic partnership)

#### **Reduction of LTV for Loans with Subordinate Financing**

A 5% reduction of the LTV is **no longer** required when a loan has subordinate financing.

#### **Borrower Contribution**

A 5% borrower personal funds contribution is **no longer** required on LTVs > 80% where a gift or a gift of equity from an acceptable source was given and the property is a primary residence.

#### **Multiple Financed Properties**

The number of properties a borrower may own and/or have financed when purchasing a second home or investment property is being **increased** to 6 (previously limited to 4).

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## Rental Income

The requirement for a 2-year history of managing investment properties is **being removed**. Borrowers without a 2-year history of managing investment properties may now use the rental income from a subject investment or other investment properties owned for qualifying subject to rental income requirements.

## Rent Loss Insurance

Six months' rent loss insurance is **no longer** required when using rental income from the subject investment property for qualification.

## Credit Cards, Cash Advances as Sources of Borrower Funds

When a credit card, cash advance, and/or unsecured line of credit is used by the borrower to pay fees associated with the mortgage (appraisal, credit report, etc.) **one** of the following is now required (previously **both** were required):

- Verify the borrower has sufficient funds to pay the charges or advances, **or**
- Include the payment for the amount charged/advanced in the monthly DTI.

## Short Sales

Transactions where the borrower previously experienced a short sale are **now eligible** subject to the LP Feedback Certificate.

## Sale or Conversion of Primary Residence

The requirements when the borrower's current primary residence is pending sale or is being converted to a second home or investment property have been updated as follows:

- The additional reserve requirements have been **removed** (6 months for subject and 6 months for property pending sale/being converted **or** 2 months for each property if the borrower had documented 30% equity). Properties pending sale or being converted are now subject to Freddie Mac's standard reserve requirements as determined by LP.
- The additional requirements for the use of rental income have also been removed. Standard rental income requirements apply.

Additionally, the requirements to exclude the monthly payment from the borrowers DTI calculation on a pending sale property has been updated. The monthly payment amount of the property pending sale may be excluded from the DTI calculation when **one** of the following is provided:

1. An executed sales contract for the property pending sale (removed "non-contingent" sales contract). If the sales contract includes a financing contingency the following is required:
    - Evidence the financing contingency has been cleared, **or**
    - A lender's commitment to the buyer of the property pending sale;
- OR**
2. An executed buyout agreement that is part of an employer relocation plan where the employer/relocation company takes responsibility for the outstanding mortgage.

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## Interested Party Contributions

Up to 12 months HOA dues may be paid by an interested party. Interested party contribution requirements apply. The HOA dues must be collected at closing, transferred directly to the HOA and documented on the Closing Disclosure.

## Condo Project Eligibility

- A reserve study is now acceptable as an alternative to a project budget that does not include at least 10% replacement reserves (previously not allowed).
- Investment transactions, at least 50% of the units in an established property must have been conveyed to purchasers (previously 51%).
- Projects with shared amenities (2 or more HOAs share fitness facilities, swimming pools, etc.) are now eligible subject to specific Freddie Mac requirements (previously ineligible).
- Projects where more than 25% of the total **above and below grade** square footage is used for commercial or non-residential space are ineligible (previously said "total square footage").

## Debt-to-Income Calculation

When calculating the DTI on student loans, revolving accounts and open-end accounts the actual monthly payment amount must be used when known. Using a percentage of the outstanding balance is only allowed when the actual payment is unknown.

Additionally, HomeBridge has updated the following topic:

- **Employment/Income**
  - Updated to clarify the income requirements for borrowers who are union workers.

The Freddie Mac Conforming and Super Conforming matrices have been updated with this information and posted on the HomeBridge website at [www.homebridgewholesale.com](http://www.homebridgewholesale.com). The Freddie Mac Condominium Questionnaire's and Answer Keys will be updated in the near future

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