



## Bulletin 18-03

---

### Updates to Freddie Mac Guidelines

HomeBridge is updating its Freddie Mac guidelines to align with Freddie Mac [Bulletin 2017-23](#) issued October 18, 2017 which announced changes to student loans and contingent liabilities policies.

#### Student Loans

Freddie Mac updated student loan debt guidance to divide it into three categories as detailed below; DTI calculations are determined by category.

#### Student Loans in Repayment (Borrower Currently Making Payments)

The following applies to both fully amortizing payments and income-based payments:

- Calculate the monthly DTI using the **greater of**:
  - The monthly payment amount reported on the credit report, **OR**
  - 0.5% of the original loan balance **or** the outstanding balance as reported on the credit report, **whichever is greater**.

#### Loan Payment is Deferred or in Forbearance

Calculate the monthly DTI using the **greater of**:

- The monthly payment amount reported on the credit report, **OR**
- 1% of the original loan balance **or** the outstanding balance as reported on the credit report, **whichever is greater**

#### Loan is in Forgiveness, Cancellation, Discharge or is Employment Contingent

A loan in one of these categories may be **excluded** from the DTI if documentation is provided that indicates the following:

- The loan has 10 months or less of payments remaining until the full balance of the loan is forgiven, cancelled, discharged or, if employment-contingent, paid, **OR**
- The monthly payment is deferred or in forbearance and the full balance of the student loan will be forgiven, cancelled, discharged, or, if employment-contingent, paid at the end of the deferment or forbearance period, **AND**
- The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program

---

## Contingent Liabilities

The following applies when the borrower is legally obligated for a debt but another party has been making the payments.

### Non-Mortgage Installment Debt, Revolving Debt and Lease Payments

When the borrower is obligated on non-mortgage debt but is not making the monthly payment, the debt may be excluded from the DTI as follows:

- The other party has been paying the entire monthly payment for a minimum of 12 months (the party making the payments is **not** required to be obligated on the debt), and
- Twelve (12) months cancelled checks or bank statements from the party making the payments are required to document the 12 months' pay history, and
- The party paying the debt is **not** an interested party to the subject transaction

### Mortgage Debt

Co-signed mortgage debt is not required to be included in the borrower's DTI calculation if all of the following requirements are met:

- The debt is current and the other party has been making the entire payment for the most recent 12 months, **and**
- The party making the payments is **obligated** on the Note for the mortgage, **and**
- The borrower is **not** on the title of the mortgaged property, **and**
- Twelve (12) months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks **cannot** be from an account co-owned with the borrower), **and**
- The party making the payment is **not** an interested party to the subject transaction.

If the above requirements are not met, the payment must be included in the borrower's DTI.

Freddie Mac also included updated guidance on the following topics:

### Assumed Mortgage Debt

The monthly payment may be excluded from the DTI calculation if there is evidence the borrower no longer owns the property and a copy of the fully executed assumption agreement is provided

### Court Ordered Assignment of Debt

Debt that has been assigned by order of the court is **not** required to be included in the borrower's DTI calculations as follows:

- Evidence of the transfer of title, **and**
- A copy of the court order is provided

---

The above guidance is applicable to loans in the pipeline and to new submissions.

HomeBridge has updated the Freddie Mac guidelines and posted them on the HomeBridge website at [www.HomeBridgeWholesale.com](http://www.HomeBridgeWholesale.com)

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