



**MFM Bulletin: 007-2020**

**Date:** October 7, 2020

**Subject:** Freddie Mac Guide Bulletins 2020-31 and 2020-36

On Aug. 5, 2020, Freddie Mac published **Guide Bulletin 2020-31**, addressing multiple topics, including:

- Monthly Obligations
  - Calculation of Monthly Housing Expense – Rental Housing Payments, Real Estate Taxes
  - Documentation of Liabilities – (DTI) ratio
  - Borrower’s Assets Other Than Real Property
  - Excluding Contingent Liabilities – Age of Documentation
- Property eligibility and appraisal requirements on Subsequent appraisals
- Additional Freddie Mac Guide Updates

On Sept. 2, 2020, Freddie Mac published **Guide Bulletin 2020-36**, addressing multiple topics, including:

- SOFR-Indexed ARMs
- Income and Asset Requirements – Social Security Income, Wedding Gift Funds

Freddie Mac Guide Bulletin 2020-31	
Topic Freddie Mac Effective Date Freddie Mac Guide Sections	Summary of Freddie Mac Changes
<p><b>Calculation of Monthly Housing Expense – Rental Housing Payments</b></p> <p><b>Effective:</b> Mortgages with Settlement Dates on and after 11/5/2020, however may be implemented immediately</p> <p>5401.1</p>	<ul style="list-style-type: none"> <li>• For purposes of calculating monthly housing expenses for Mortgages <b>with a non-occupying Borrower</b> and Mortgages secured by second homes and Investment Properties,</li> <li>• When the Borrower does not own, but rents their primary residence (i.e., the primary residential property physically occupied by the Borrower) rental housing payments for that principal domicile must be included in the calculation of the monthly housing expense-to-income ratio and must be documented as follows:           <ul style="list-style-type: none"> <li>○ Direct verification of rent from a management company, or</li> <li>○ Direct verification of rent from an individual landlord (supported by two months of canceled checks or other evidence of two months’ payments), or</li> <li>○ A copy of the current, fully-executed lease agreement (supported by two months of canceled checks or other evidence of two months’ payments), or</li> <li>○ Six months of canceled checks or bank statements supporting consistent payments in the amount used in qualifying.</li> </ul> </li> </ul>



Freddie Mac Guide Bulletin 2020-31	
Topic Freddie Mac Effective Date Freddie Mac Guide Sections	Summary of Freddie Mac Changes
<p><b>Calculation of Monthly DTI ratio – Documentation of Liabilities</b></p> <p><b>Effective:</b> Mortgages with Settlement Dates on and after 11/5/2020, however may be implemented immediately</p> <p>5401.2</p>	<p>Freddie Mac has updated its Guide to include the following:</p> <ul style="list-style-type: none"> <li>Documentation of all payment amounts included in the monthly DTI ratio except as otherwise stated in Section 5401.2</li> <li><b>Documentation of the remaining term for installment loans, child support, alimony and maintenance payments omitted from the DTI ratio if there are 10 or fewer months of payments remaining</b></li> <li>The monthly amount of child support, alimony and separate maintenance payments be documented with a copy of the signed court order, legally binding separation agreement and/or final divorce decree, or equivalent documentation.</li> </ul>
<p><b>Loans Secured by Borrower’s Assets Other Than Real Property – Documentation of Proceeds</b></p> <p><b>Effective:</b> Mortgages with Settlement Dates on and after 11/5/2020, however may be implemented immediately</p> <p>5501.3</p>	<p>Freddie Mac has revised the documentation requirements for proceeds from a loan secured by a Borrower’s asset other than real property (e.g., 401(k), artwork, jewelry, etc.):</p> <ul style="list-style-type: none"> <li>Monthly payment included in the DTI ratio must be documented in the Mortgage file in accordance with 5401.2, but the requirement for documentation of loan terms is removed.</li> <li>In addition to documentation verifying the value and ownership of the asset, documentation is required supporting that the loan is secured by that same asset.</li> <li>Updates to section 5401.2(a) to address when the monthly payment on a loan secured by a Borrower’s financial asset may be excluded from the monthly DTI ratio.</li> </ul> <p>Loan Product Advisor® messaging will be updated by November 5, 2020 to reflect this change.</p>
<p><b>Contingent Liabilities – DTI Ratio Exclusion – Age of Documentation Requirements</b></p> <p><b>Effective:</b> 11/5/2020</p> <p>5401.2</p>	<p>Freddie Mac has updated its Guide to add a cross- reference to Section 5102.4 highlighting the age of documentation requirements for credit and capacity documentation in response to Seller questions related to the age of documentation required in Section 5401.2 in order to exclude a contingent liability.</p>
<p><b>Calculation of Monthly Housing Expense – Real Estate Taxes</b></p> <p><b>Effective:</b> 11/5/2020</p> <p>5401.1</p>	<p><i>Freddie Mac Guide</i> clarifies that for purposes of calculating monthly housing expense, use of estimated real estate taxes based on the value of the improvements plus the value of the land applies only to newly constructed properties when the actual real estate tax amount is not yet available.</p>
<p><b>Subsequent Appraisal Report – Clarification</b></p> <p><b>Effective:</b> 11/5/2020</p> <p>5601.13</p>	<p>Clarifies that under specific conditions, Freddie Mac will permit the use of Form 1033, <i>One-Unit Residential Appraisal Desk Review Report</i> and use of a desk review in Section 5601.13 as an acceptable subsequent opinion of market value.</p> <p>Additionally, when Lenders obtain multiple opinions of value, if an appraisal desk or field review is used to underwrite the Mortgage, it must be retained in the Mortgage file.</p>



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<p><b>Representation and Warranty Framework Relief for Mortgages Subject to Forbearance Agreements</b></p> <p>Effective: 5/19/2020</p> <p>1301.11</p>	<p>Freddie Mac is updating <i>Guide Section 1301.11</i> to reflect the following changes:</p> <ul style="list-style-type: none"> <li>• Mortgages subject to a forbearance agreement during the payment history period,</li> <li>• May be eligible for relief from enforcement of selling R&amp;Ws regardless of the forbearance agreement,</li> <li>• Provided the acceptable payment history requirements in <i>Section 1301.11</i> are met.</li> <li>• Mortgages are also eligible for relief based on a satisfactory conclusion of a Freddie Mac quality control review of the Mortgage file,</li> <li>• If the Mortgage otherwise meets the requirements in version 2 of the selling R&amp;W framework.</li> </ul> <p>Additionally, Freddie Mac is removing the requirement that in order to qualify for selling R&amp;W relief, a Mortgage must not have been subject to a forbearance agreement during the payment history period.</p>

Other topics addressed in **Guide Bulletin-2020-31** which are out-of-scope and therefore not addressed in this announcement include:

- Building sketch exhibit for appraisal reports
- Document Custody related to original security instrument requirements and insurance coverage

Freddie Mac Guide Bulletin 2020-36	
Topic Freddie Mac Effective Date Freddie Mac Guide Sections	Summary of Freddie Mac Changes
<p><b>Social Security Income – Tax Exempt</b></p> <p>Effective: All LPA® submissions and resubmissions on and after 9/2/2020.</p> <p>4304.5 and 5305.2</p>	<p>Freddie Mac is revising the documentation requirements for Social Security income eligible for tax exemption as follows:</p> <ul style="list-style-type: none"> <li>• <b>Lenders may gross up 15% of the Borrower’s Social Security income (i.e., retirement income, disability benefits, survivor benefits and Supplemental Security Income) without documentation validating that the portion of the Social Security income is tax exempt.</b></li> <li>• Existing documentation requirements continue to apply when using more than 15% of the Borrower’s Social Security income for qualifying.</li> </ul>
<p><b>Gift Funds – Wedding</b></p> <p>Effective: All LPA® submissions and resubmissions on and after 9/2/2020.</p> <p>4304.5 and 5305.2</p>	<p>Freddie Mac is changing its policy on wedding gift funds to extend the allowable time frame for the gift funds to be on deposit in the Borrower’s depository account to within <b>90 days</b> of the date of the marriage license or certificate.</p> <p>Previously, the gift funds were required to be on deposit in the Borrower’s depository account within 60 days of the date of the marriage license or certificate.</p>

Please contact [underwriting@memberfirstmortgage.com](mailto:underwriting@memberfirstmortgage.com) if you have any questions or concerns.

Thank you