



WHOLESALE BULLETIN

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18W-113

Attention: Business Development Managers & Mortgage Brokers December 13, 2018

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: [USDA Chapter 9 Changes December 2018](#)

USDA has announced changes to HB-1-3555 Chapter 9 “Income Analysis” that will become effective on December 15, 2018.

Loan application packages submitted for USDA Conditional Commitment requests beginning December 15, 2018, must meet the new HB-1-3555 Chapter 9 Handbook guidance.

See the table below for a summary of the changes:

HB-1-3555 Section	Summary of Changes
Attachment 9-A Income and Documentation Matrix (attached) Attachment 9-A replaces: 9.4A-E, 9.5 A-E, 9.10 A-E, 9.12	A new matrix, Attachment 9-A Income and Documentation Matrix , provides an encompassing resource for: <ul style="list-style-type: none">• Income Type/Annual/Repayment,• Adjusted Annual Income Deductions, and• Assets
Qualifying Income Changed to Eligibility Income Section 1: Eligibility Income (9.2 - 9.6)	References to qualifying income are revised to eligibility income as applicable for annual income throughout Chapter 9 and the related attachments.
IRS Transcripts: Verification of Income (Requirement was suspended in December 2017 – Requirement is reinstated effective December 2018)	Reinstates the requirement for 4506-Ts and tax transcripts as follows: <ul style="list-style-type: none">• Lenders must require each adult household member as applicable to complete and sign IRS Form 4506-T for the previous two years at the time of loan application.• Full time students age 18 and up that are not the applicant, co applicant or spouse of an applicant are not required to sign the 4506-T or have transcripts provided

Chapter 9, 9.3 E-6, Attachment 9-A	<ul style="list-style-type: none"> • The 4506-T must request full transcripts with all schedules • A Conditional Commitment may be requested without submitting the transcripts. • The transcripts must be in the lender loan file prior to loan closing.
Calculating Income from Assets Section 9.4	<p>The limit for assets to be considered an income source will increase from \$5,000 to \$50,000.</p> <ul style="list-style-type: none"> • If the cumulative total of non retirement assets exceeds \$50,000, lenders must perform the applicable manual income calculation.
Assets, Gift Funds Attachment 9-A - Assets	<p>Additional guidance has been provided on assets including; eligible gift donors, acceptable usage of gift funds, and general Asset documentation.</p>
Miscellaneous Chapter 9 Changes and Clarifications	<ul style="list-style-type: none"> • 3 month Separation Exclusion: A significant other, fiancé, domestic partner, or adult parent must document the required 3-month separation in order to exclude their income from the annual income calculation. • IRS Publication 501 Guidance will not be used in determining which parent may claim their child as a household member. • Balance Sheets: Balance sheets will not be required for self employed applicants. • Gift Providers: Clarifies that the only people that cannot provide a gift are those that stand to benefit from the sale, such as the lender, builder, real estate agent, or seller. • Gifts of Equity or Sweat Equity: Clarifies that gifts of equity or sweat equity cannot be returned to the applicant as cash at closing. The gift of equity must be expressed as a reduction to the sales price. • Paystubs: Changes “paystubs that cover 30 days of earnings” has been changed to “4 weeks of earnings” for clarification.

Please note: MWF USDA guides will be updated shortly.

Please refer to USDA's HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

Link: <https://www.rd.usda.gov/publications/regulations-guidelines/handbooks#hb13555>

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