

# WHOLESALE BULLETIN

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## 19W-051

Attention: Business Development Managers & Mortgage Brokers

June 3, 2019

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

Included in this Bulletin: Multiple UW Guideline Additions and Changes – May

### What's New?

The following Underwriting Guideline changes have been implemented within the UW Manuals/Product Matrices (Note: these changes may not have been announced in a prior bulletin):

(Click on the link listed under "Manual Affected" below to find the topic listed in **YELLOW** within the Table of Contents.)

Topic	Manual Affected	Detail
Ineligible Income	<a href="#">Mountain Combo</a>	<p><b>Updated Section 10.4 - Ineligible Income</b></p> <ul style="list-style-type: none"> <li>• Illegal income</li> <li>• Income from a business that is state or federally illegal</li> <li>• Restricted Stock Units (RSUs)</li> <li>• Future income - Stand Alone Second ONLY</li> </ul>
Maximum Properties Owned by Borrower	<a href="#">Mountain Combo</a>	<p><b>Added new Section 2.4 - Maximum Properties Owned by Borrower</b></p> <p>If the loan is secured by the borrower's principal residence, there are no limitations to the number of properties that the borrower can own or have financed.</p> <p>If the loan is secured by the borrower's second home or an investment property:</p> <ul style="list-style-type: none"> <li>• The borrower may have up to 10 financed properties (including their principal residence), or</li> <li>• The borrower may own or have financed an unlimited number of properties if the loan has a maximum LTV/CLTV that does not exceed the lesser of the program maximum or 70%.</li> </ul>
Maximum Loans in One Market Area	<a href="#">Mountain Combo</a>	<p><b>Added new Section 2.5 - Maximum Loans in One Market Area</b></p> <p>The number of loans to one borrower in any single market area is limited to two: The term "Single Market Area" refers to the physical location of the property, meaning two or more homes, owned by the same borrower within</p>

		a several block radius, defined neighborhood, or lending area.
Earnest Money Deposit	<a href="#">Mountain Combo</a>	<b>Updated Section 4.5.8 - Earnest Money Deposit</b> The deposit on the sales contract is an acceptable source for down payment and cash required to close. When included as a part of the down payment for a purchase transaction, the borrower is required to document and source certain earnest-money deposits.
Escrow Holdbacks	<a href="#">Mountain Combo</a>	<b>Updated Section 1.11 - Escrow Holdbacks</b> Escrow Holdbacks are allowed
Borrower Required Funds	<a href="#">Mountain Combo</a>	<b>Updated Section 11.1 - Borrower Required Funds</b> <ul style="list-style-type: none"> <li>• A minimum down payment of 5% of the borrower's own funds is required for any purchase transaction.</li> <li>• A borrower's real estate commission from the subject property cannot be used to satisfy the minimum down payment requirement.</li> </ul>
Multiple Bankruptcy Filings	<a href="#">Mountain Combo</a>	<b>Updated Section 9.6.2 - Multiple Bankruptcy Filings</b> For a borrower with more than one bankruptcy filing within the past seven years, a five-year waiting period is required, measured from the most recent dismissal or discharge date.  Note: The presence of multiple bankruptcies in the borrower's credit history is evidence of significant derogatory credit and increases the likelihood of future default. Two or more borrowers with individual bankruptcies are not cumulative, and do not constitute multiple bankruptcies. For example, if the borrower has one bankruptcy and the co-borrower has one bankruptcy this is not considered a multiple bankruptcy.  <u>Exceptions for Extenuating Circumstances</u> A three-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the most recent bankruptcy discharge or dismissal date. The most recent bankruptcy filing must have been the result of extenuating circumstances.
Credit	<a href="#">Mountain Combo</a>	<b>Updated Section 9.2 - Credit</b> A borrower(s) without an established credit history is ineligible. A valid and usable score is one that is generated based upon credit history and credit patterns that accurately reflect the Borrower's history. It should contain at least: <ul style="list-style-type: none"> <li>• Three established open and active trade lines reporting on the credit report:</li> <li>• One reported for a minimum of 24 months</li> <li>• All active in the last 12 months (defined as last activity within 12 months of credit report date)</li> <li>• One with a minimum \$2500.00 high credit balance.</li> </ul> OR <ul style="list-style-type: none"> <li>• Minimum four years of established credit history as follows:</li> <li>• Eight or more tradelines reported</li> </ul>

		<ul style="list-style-type: none"> <li>• At least one active in the last 12 months. This is defined as last activity within 24 months of the credit report date</li> <li>• At least one of these tradelines must be a mortgage tradeline (can be counted as the active tradeline).</li> </ul>
Borrower Credit Eligibility	<a href="#">Mountain Combo</a>	<p><b>Added New Section 9.2.1 - Borrower Credit Eligibility</b> Borrower eligibility requirements apply to all properties currently or previously owned by the borrower. Examples include mortgage housing histories, loss mitigation, foreclosure, etc. Inclusive of all liens regardless of lien position.</p>
Commission Income	<a href="#">Jumbo Wells Fargo</a>	<p><b>Added New Section 3.5.4 – Commission Income</b> Commission income must be averaged over the previous two years. Commission income earned for less than one year is not considered stable income unless the underwriter can verify and document in writing that the borrower’s compensation changed from salary to commission within a similar position with the same employer.</p> <p>Borrowers whose commission income was received for more than one year, but less than two years, may be considered favorably if the underwriter can do both of the following:</p> <ul style="list-style-type: none"> <li>• Document the likelihood that the income will continue.</li> <li>• Soundly rationalize accepting the commission income.</li> </ul> <p>Commission income received for a minimum of two years from similar positions with different employers within the same industry may be considered, if the underwriter can soundly rationalize accepting the commission income.</p> <p>To document, obtain all of the following:</p> <ul style="list-style-type: none"> <li>• Most recent YTD pay stub(s) documenting at least one month of income.</li> <li>• Most recent two years’ W-2s.</li> <li>• Verbal VOE not more than 20 business days prior to the date printed on the Note.</li> </ul> <p>A WVOE covering a two year history may be acceptable in lieu of W-2s and pay stub(s).</p>

**Refer to Underwriting Guidelines for complete details.**