

WHOLESALE BULLETIN

IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

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20W-042

Attention: AEs, Business Development Managers & Mortgage Brokers

April 2, 2020

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

Included in this Bulletin: Temporary Guidance for Conventional Originations due to the Impact of COVID-19

Fannie Mae and Freddie Mac are offering temporary measures to help ensure clarity and flexibility to continue to lend in a prudent and responsible manner.

Effective with applications dated on or after April 14, 2020 through May 17, 2020, the following measures are being implemented. You are encouraged to apply these measures to existing loans in process, but they must be applied on or after April 14, 2020.

Age of Documentation

Age of documents are being modified to two months (60) days from four months (120 days) for most income and asset documentation. If an asset account is reported on a quarterly basis, the most recently issued quarterly statement is required.

Third Party Employment verification will now require the vendor's database to be no more than 60 days old as of the note date.

Standard age of document requirements will remain for Military Income documented using a Leave and Earnings Statement, Social Security, Retirement Income, Long Term Disability, Mortgage Credit Certificates, Public Assistance, Foster Care, or Royalty Payments.

Due to the federal income tax filing extension granted through July 15, 2020, the following documentation requirements are being eliminated:

- A copy of the IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Tax Return), AND
- IRS Form 4506-T (Request for Transcript of Tax Return) transcript to confirm "No Transcript Available" for the 2019 tax year.

All other requirements in regards to Allowable Age of Credit Documents and Federal Income Tax Returns continue to apply.

Verification of Self Employment

When using self-employment income to qualify a borrower, the existence of the borrower's business must be verified within 120 calendar days prior to the note date. Due to latency in system updates or re-certifications using annual licenses, certifications, or government systems of record, additional steps must be taken to confirm that the borrower's business is open and operating. This must be confirmed within 10 business days of the note date.

Below are examples of methods that may be used to confirm the borrower's business is currently operating:

- Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day self-employment is verified);
- Evidence of current business receipts within 10 days of the note date (payment for services performed);
- Certification the business is open and operating (confirmed through a phone call or other means); OR
- Business website demonstrating activity supporting current business operations (timely appointment for estimates or service can be scheduled).

Market Based Assets

Stocks, Stock Options, and Mutual Funds

In light of current market volatility, the following updates are being made when the borrower is using stocks, stock options, or mutual funds for assets:

- When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

We know these are unique times, and appreciate your partnership. If you have any questions, contact your local Account Executive, or Production Coordinator.

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