

## Freddie Mac updates, QM, HomeReady and Home Possible Income Limits, COVID-19 Temporary Guidance, FHA Condo SUA and Holiday Closure

**Purpose**

This announcement includes the following topic:

- ✓ Freddie Mac Seasoning, Cash-out, Future Long Term Disability Income, & Prorated Taxes
- ✓ QM Effective dates
- ✓ HomeReady and Home Possible 2021 Income Limits
- ✓ COVID-19 Appraisal and VVOE Guidance
- ✓ FHA Condo Single Unit Approval
- ✓ Holiday Closure – Independence Day

**Freddie Mac Updates**

[Freddie Mac Bulletin 2021-16](#) announced the following changes:

Summary of Changes		Effective Date
<b>Credit Underwriting and Mortgage Eligibility</b>	A 30-day seasoning requirement to pay-off refinance Mortgages using the proceeds from a no cash-out refinance transaction is required. The Note Date, for the first mortgage being paid off, must be at least $\geq 30$ days prior to the Note Date of the new “no cash-out” refinance loan, as documented in the loan file (i.e., on the credit report or the title commitment)	Effective Immediately

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**Freddie Mac updates, QM, HomeReady and Home Possible Income Limits, COVID-19 Temporary Guidance, FHA Condo SUA and Holiday Closure, Continued**

**Freddie Mac  
Updates,  
continued**

Summary of Changes		Effective Date
Cash-Out Refinance Mortgages	<p>At least one Borrower must be on the title to the subject property for a minimum of six (6) months prior to the Note Date except, if by the time the property was titled in the name of the LLC or LP:</p> <ul style="list-style-type: none"> <li>✓ The Borrower is a majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, <b>and</b></li> <li>✓ Title is transferred into the Borrower's name prior to the Note Date</li> </ul>	Effective Immediately
Future Long-Term Disability Income	<p>The use of future long-term disability income which commences after the first Mortgage payment Due Date is permissible when:</p> <ul style="list-style-type: none"> <li>✓ The Borrower currently receives short-term disability benefits that will subsequently convert to long-term benefits,</li> <li>✓ The Borrower qualifies on the lesser amount of either the long-term or short-term disability payments, <b>and</b></li> <li>✓ Documentation requirements are met</li> </ul>	Effective Immediately

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**Freddie Mac updates, QM, HomeReady and Home Possible Income Limits, COVID-19 Temporary Guidance, FHA Condo SUA and Holiday Closure, Continued**

**Freddie Mac  
Updates,  
continued**

Summary of Changes		Effective Date
Prorated Real Estate Tax Credits	<p>Updated their requirements where property sellers have contributed prorated real estate tax credits in areas where real estate taxes are paid in arrears:</p> <ul style="list-style-type: none"> <li>✓ Prorated tax credits <b>are not considered</b> interested party contributions and therefore are not subject to financing concession limits, and</li> <li>✓ Prorated tax credits <b>cannot be considered</b> when determining if the Borrower has sufficient funds for the mortgage transaction.</li> </ul>	Effective Immediately

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## Freddie Mac updates, QM, HomeReady and Home Possible Income Limits, COVID-19 Temporary Guidance, FHA Condo SUA and Holiday Closure, Continued

### QM Effective Dates

FSM will be aligning with the revised QM requirements announced in [Fannie Mae Lender Letter 2021-09](#) and [Freddie Mac Bulletin 2021-13](#).

All Conventional loans meeting the current QM rule requirements must adhere to the effective dates in the below table or be subject to the revised QM rule requirements:

QM Rule Effective Dates		
Important Dates	Old/Current QM Rule	NEW/Revised QM Rule
Application Date	On/Before 6/30/21	On/After 7/1/21
Delivery Date	On/Before 8/1/21	N/A
Purchase Date	On/Before 8/15/21	

\*There are no changes to the current QM requirements for FHA, VA, and USDA.

*Note: Exceptions to any of the deadline dates will not be available.*

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**Freddie Mac updates, QM, HomeReady and Home Possible Income Limits, COVID-19 Temporary Guidance, FHA Condo SUA and Holiday Closure, Continued**

**Home Ready  
2021 Income  
Limits**

On June 5, 2021, Desktop Underwriter (DU) was updated with the 2021 Area Median Income (AMI) limits.

- ✓ New DU casefiles created on/after June 5, 2021, will have the 2021 limits applied;
- ✓ Casefiles created prior to June 5, 2021, will continue to use the 2020 limit

Resource:

[Fannie Mae AMI Lookup Tool](#)

**Home Possible  
2021 Income  
Limits**

On June 16, 2021, Loan Product Advisor (LPA) was updated with the new 2021 Area Median Income (AMI) limits.

If the mortgage is submitted as a Home Possible Mortgage on/after June 16, 2021	Then the following income limits are applied
For the following resubmissions: <ul style="list-style-type: none"> <li>• The last submission before the effective date was also a Home Possible Mortgage, and</li> <li>• The income limits were met</li> </ul>	The better of the following income limits: <ul style="list-style-type: none"> <li>• 2020 AMI limits at 80% of the AMI <b>OR</b></li> <li>• 2021 AMI limits at 80% of the AMI</li> </ul>
For the following submissions: <ul style="list-style-type: none"> <li>• The Mortgage is submitted for the first time</li> <li>• The Key number cannot be identified, or</li> <li>• The last submission before the effective date was not submitted as Home Possible and/or did not meet the income eligibility limits</li> </ul>	2021 AMI limits at 80% of the AMI

Resource:

[Home Possible Income and Property Eligibility Tool](#)

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## Freddie Mac updates, QM, HomeReady and Home Possible Income Limits, COVID-19 Temporary Guidance, FHA Condo SUA and Holiday Closure, Continued

### COVID-19 Temporary Guidance

#### APPRAISALS

The GSE's have all announced the following expiration dates for the Appraisal COVID-19 flexibilities:

Agency	Expiration Date	Reference
Fannie Mae	Applications on/after 6/1/21	Fannie Mae LL 2021-04 (4/21/21 update)
Freddie Mac	Applications on/after 6/1/21	Freddie Mac Bulletin 2021-15

#### Verbal Verification of Employment (VVOE)

*Effective immediately, for all loan types (Conv, FHA, VA, USDA):*

#### Wage Earner and Salaried Borrowers:

- VVOE must be completed within 10 *calendar* days of Note Date.

#### Self-employed Borrowers:

- Verification of Business (VOB) must be completed within 10 *calendar* days of Note Date.

Additional diligence must be completed to verify the business is operational to support the income stability and continuance including, but not limited to:

- Evidence of current work (e.g., executed contract or signed invoices that indicate the business is operating on the date of VOB)
- Evidence of current business receipts dated within 10 calendar days of the Note Date (e.g., payment for services performed)
- Letter from CPA
- Business website demonstrating activity supporting current business operations (e.g., appointments for estimates or services can be scheduled)

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## **Freddie Mac updates, QM, HomeReady and Home Possible Income Limits, COVID-19 Temporary Guidance, FHA Condo SUA and Holiday Closure, Continued**

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**FHA Condo  
Single Unit  
Approval**

*Effective Immediately*, FSM will no longer be participating in the FHA Condo Single Unit Approval process.  
Guide Announcement 2019-023 is officially retracted as of this date.

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**Holiday Closure**

FSM will be closed in observance of Independence Day  
✓ **Monday, July 5, 2021**

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**Effective Date**

As Noted

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**Questions**

Retail – Please contact your Manager with any questions  
Mod Corr – Please contact Brent Wilder, National Account Executive, at  
bwilder@fsmloans.biz

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