

Avoiding Common Underwriting Errors

Suggested Best Practices
February 2019



Agenda

Introduction

General Underwriting Tips

- Resources
- Examining and Documenting Files

Specific Errors and Recommendations

- Capacity, Credit History, Capital, Compliance

Questions and Answers

Resources

Job Aides, Tools, Websites



For Information:

<https://www.fanniemae.com/singlefamily>

Sentiment Survey

Learn more ➔



Fannie Mae Job Aids/FAQs

Originating & Underwriting Training

The Originating & Underwriting Training page provides Fannie Mae training on originating & underwriting loans, our underwriting applications, and best practices. Training solutions include live webinars, virtual classrooms, on-demand eLearning courses, job aids, and FAQs

Find the Training Resources You Need



Originating & Underwriting

Pricing & Execution

Delivering

Servicing

HFI Virtual Classroom

Live Web Seminars

Related Training

General Underwriting

Mortgage Products

Loan Quality

Technology Solutions

Training focusing on underwriting the borrower and the property.

Job Aids / FAQs

FAQs | Property Inspection Waiver (General Questions)

FAQs | Special Approval Designation for Established Florida Condominium Projects

FAQs | Uniform Appraisal Dataset (UAD)

FAQs | Borrower Income Verification Policies

FAQs | Top Trending Questions for Lenders

FAQs | Top Underwriting Questions

Online Courses / Microlearning

Appraising Rural Properties

Assessing Income from Self-Employment

How to Underwrite Loans to Non-U.S. Citizen Borrowers

Market Conditions Addendum Form

Qualifying the Borrower Video Series

UAD Interactive Reference Manual

<https://www.fanniemae.com/singlefamily/originating-underwriting-training>

Fannie Mae Borrower Income Verification FAQs

Answers Common Lender Income Questions

- <https://www.fanniemae.com/content/faq/borrower-income-verification-faqs.pdf>



Fannie Mae®

Borrower Income Verification Policies Frequently Asked Questions

This document addresses frequently asked questions about Fannie Mae's policies regarding verification of borrower income (*Selling Guide* B3-3), including updates in *Selling Guide Announcement SEL-2014-16* and *Announcement SEL-2015-07*. For related information, refer to the *IRS Form 4506-T Tips for Underwriting and Quality Control*. For details on income verification for loans with income validated through the DU Validation Service, refer to the *DU Validation Service FAQs*.

Q1. When does Fannie Mae require that borrowers complete and sign IRS Form 4506-T, and when is the lender required to obtain tax transcripts from the IRS?

The *IRS Request for Transcript of Tax Return* (IRS Form 4506-T) gives the lender permission from the borrower to obtain tax transcripts from the IRS.

Fannie Mae requires that lenders obtain a completed and signed IRS Form 4506-T from all borrowers during the underwriting process, EXCEPT that this requirement does not apply if all of the borrower's income has been validated by the DU® validation service. This aligns with the *Selling Guide* policy that does not require lenders to obtain tax transcripts as part of the quality control process in these cases. If all borrower income is not validated through the DU validation service, the lender must obtain the completed and signed IRS Form 4506-T. The lender has the discretion to determine at what point in the process it is obtained, understanding that the form is only valid for 120 days from the date of the borrower's completion/signature.

Some lenders may submit the Form 4506-T to the IRS to document borrower income, but the intent of this policy is to validate the income documentation provided by the borrower and used in the underwriting process.

Fannie Mae does not require lenders to obtain tax transcripts from the IRS prior to closing, but does require that it be included as part of the lender's post-closing quality control processes, unless all borrower income has been validated through the DU validation service.

If the lender chooses to obtain tax transcripts from the IRS prior to closing, the transcripts received must be used to validate the income documentation used in the underwriting process.

Q2. Why does Fannie Mae permit lenders to request specific or limited documentation from the IRS when submitting a request with the borrower's consent on IRS Form 4506-T (such as requesting only the transcript for forms W2 or 1099), rather than always requiring the full transcript of the borrower's personal income tax return (aka Form 1040)?

Fannie Mae's requirements for documentation to be requested from the IRS align with the income documentation required at origination. Only when the borrower's federal income tax returns are required in the underwriting process, per the *Selling Guide*, does Fannie Mae require the lender to request federal income tax return transcripts.

Federal tax returns are not required to verify income for a significant number of income types including salary/base pay, bonus and overtime, or commission earnings that amount to less than 25% of total qualifying income. Tax returns are also not required for military income, Social Security disability, or

Fannie Mae Top Trending Questions

Trending Questions

Question	Answer
If a home is purchased at an auction and the purchase price includes the buyer's premium and/or technology fee, will that be acceptable?	Yes. We will permit the combining of the buyer's premium and the winning bid to calculate the final sales price. However, the amount of the buyer's premium should be common and customary (that is, an amount that is consistent with a typical auction and tech fee transaction). As with all purchase transactions, the lesser of the sales price or appraised value must be used when establishing the LTV, CLTV, and HCLTV ratios. (Ref: Selling Guide B2-1.2-01, Purchase Transactions)
For employment offers and contracts, if the lender is unable to obtain a paystub to meet the Selling Guide requirements, do we have options?	In lieu of a paystub, the lender can obtain a fully completed Verification of Employment (VOE) with year-to-date earnings to verify the income used to qualify. (Ref: Selling Guide B3-3.1-09, Other Sources of Income)
Can the borrower's parent, who is also the selling realtor, give a gift of cash or commission to the borrower for down payment?	No, the donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction. (Ref: Selling Guide B3-4.3-04, Personal Gifts)
Can we use the credit report to support a mortgage that was included in a bankruptcy if the credit report states "included in a BK?"	"Included in a BK" does not necessarily mean the debt was discharged in the bankruptcy. In order to disregard a mortgage debt that was included in a BK, the lender must obtain documentation that the debt was discharged. (Ref: Selling Guide B3-5.3-07, Significant Derogatory Credit Events - Waiting Periods and Re-establishing Credit)
When a borrower converts their primary into an investment, do we still have to follow the old guidelines, in reference to 30% equity and 6 months reserves?	The equity and reserve requirements that applied specifically when a borrower converted their current principal residence into an investment property have been eliminated. The lender should follow standard reserve requirements and rental income policy. (Ref: Selling Guide B3-6-06, Qualifying Impact of Other Real Estate Owned)

<https://www.fanniemae.com/singlefamily/trending-questions?taskId=task-47>

Fannie Mae Underwriting FAQs

Answers Common Lender Income Questions

- <https://www.fanniemae.com/content/faq/underwriting-faqs.pdf>



Fannie Mae®

Underwriting FAQs

This document highlights frequently asked questions about policies that are covered in the *Selling Guide*, and provides direct links to the relevant *Selling Guide* topic and other resources. The document is updated periodically to align with policy changes.

#	Question	Answer
1	Can the amount of distributions reported on IRS Schedule K-1 be used as income to qualify the borrower?	No, distributions are not an additional or secondary source of income for qualifying purposes and cannot be used in the absence of business earnings for qualifying purposes. A documented history of distributions demonstrates that business income has been received by the borrower. When the borrower cannot document a history of distributions consistent with the amount of business income used to qualify, the lender can alternatively confirm the business has adequate liquidity to support the withdrawal of earnings.
2	How is the minimum replacement reserve allocation for HOA budgets calculated?	To determine whether the association has a minimum annual budgeted replacement reserve allocation of 10%, divide the annual budgeted replacement reserve allocation by the association's annual budgeted assessment income. Certain types of income may be excluded from the reserve calculation. Additional information can be found in B4-2.2-02: Full Review Process .
3	Are lenders permitted to use a reserve study in lieu of calculating the replacement reserve?	Yes. The lender may use a reserve study in lieu of calculating a replacement reserve of 10% provided the following conditions are met: <ul style="list-style-type: none">• The lender obtains a copy of an acceptable reserve study and retains the study and the lender's analysis of the study in the project approval file;• The study demonstrates that the project has adequate funded reserves that provide financial protection for the project equivalent to Fannie Mae's standard reserve requirements; and• The study demonstrates that the project's funded reserves meet or exceed the recommendation made in the study. Additional requirements for reserve studies can be found in B4-2.2-02: Full Review Process .
4	Do employee business expenses reported on IRS Form 2106 always need to be deducted from the borrower's income?	No. If the borrower is qualified using base, bonus, and overtime pay, and commission income is less than 25% of the borrower's annual employment income, unreimbursed employee business expenses are not required to be analyzed or deducted from qualifying income or added to the monthly liabilities. See B3-3.1-04: Commission Income and B3-3.2-1-03: Deductions Reported on IRS Form 2106 .
5	When a borrower has a bankruptcy and a foreclosure, what event is used to determine the waiting period?	If a mortgage was discharged through a bankruptcy (and documented by the lender), the bankruptcy waiting periods may be applied. Otherwise, the greater of the bankruptcy or foreclosure waiting periods must be applied. See B3-5.3-07: Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit .
6	Can gift funds come from trust or estate accounts?	No. Gifts must come from individuals related to the borrower. Trusts and estates do not meet the gift donor requirements. See B3-4.3-04: Personal Gifts .
7	Does Fannie Mae require borrower signatures in conjunction with the Closing Disclosure?	No. As stated in the <i>Selling Guide</i> A2-5.1-02: Individual Mortgage Loan Files , Fannie Mae is not currently requiring that the borrower and seller (if applicable) sign the Closing Disclosure. Although these signatures are not

Single-Family

Resources for Sellers/Service

Become a Freddie Mac
Seller/Service

Original

Sell and

Afford

Loan A

For Information:

<https://www.freddiemac.com>

Uniform Mortgage Data
Program (UMDP)

Mortgage Products

Home Possible Income &
Property Eligibility

Servicing

The Guide and Forms

Apply Now to be a Seller/Service



Originate and Underwrite



Focus Areas

- Duty to Serve
- Affordable Lending
- Community Lender Resource Center
- Counterparty Operational Risk Evaluation (CORE) Reviews
- Purchase Market Resource Center

Documentation Matrix

- Updated February 2019
- Assists with processing and documenting loan files
- Be mindful of Investor Overlays

Loan Product Advisor® Documentation Matrix



Use the following information as a reference for documenting your Loan Product Advisor loans. For complete documentation information and specific program eligibility requirements, refer to the [Freddie Mac Single-Family Seller/Service Guide \(Guide\)](#). We recommend bookmarking the Guide link (Freddie Mac Guide URL page) for easy access to AllRegs.

What Has Changed in this Reference?

This reference is updated to coincide with new and significant changes to documentation requirements announced in Guide Bulletins. Recent changes include:

Topic	Change	Effective Date	Bulletin Announcement
Commission Income	Removing the requirements to obtain tax returns covering a two-year period and to deduct unreimbursed employee expenses when the Borrower's commission income is greater than or equal to 25% of the total income from the commissioned employment. As a result of this change, the documentation and income calculation requirements will be the same for all commission income, regardless of its percentage of the total income from the commissioned employment.	February 6, 2019	Bulletin 2019-4

Note: Vertical revision bars " | " are also used in the margin of this reference to highlight these new requirements and significant changes.

February 2019

www.FreddieMac.com/learn/

Genworth Underwriting Guidelines

The screenshot shows the Genworth website interface. At the top, the Genworth logo is on the left, and contact information (800 444.5664) and a search bar are on the right. Below the header, a navigation bar contains links for MI & RATES, UNDERWRITING & GUIDES (highlighted with a red box), LOS & CONNECTIONS, GENWORTH TOOLKIT, and TRAINING. A dropdown menu for UNDERWRITING & GUIDES is open, showing links to View Underwriting Guides, Access Regulatory Resources, About Contract Services UW, and Get UW Tips & Policies. The main content area features a large banner with colorful balloons and the text 'Welcome to GenRATE'. Below the banner, there are three main sections: Underwriting (highlighted with a red box), Rate Express, and LOS. The Underwriting section includes a 'Best in Class' award badge and text about technology and innovation. The Rate Express section includes a percentage icon and a link to 'GET A QUOTE NOW'. The LOS section includes a handshake icon and a link to 'LET'S GO'.

Genworth

800 444.5664 | Search

LOG IN TO:
ORDER MI
MANAGE MI
VIEW ACCOUNT

MI & RATES | **UNDERWRITING & GUIDES** | LOS & CONNECTIONS | GENWORTH TOOLKIT | TRAINING

Let's help you

View Underwriting Guides
Access Regulatory Resources
About Contract Services UW
Get UW Tips & Policies

Genworth Mortgage Insurance

SO IN THE AIR...
Introducing GenRATE™, the risk-based pricing solution choice.

Welcome to GenRATE

Underwriting
Technology. Innovation. We're changing the way the MI industry approaches underwriting.
KNOW MORE »

Rate Express
Find a rate. Share the results.
GET A QUOTE NOW »

LOS
We'll meet you in your LOS.
LET'S GO »

new.mi.genworth.com

Underwriting Guidelines

Genworth Mortgage Insurance underwritten by:
Genworth Mortgage Insurance Corporation

December 10, 2018



Let's help someone buy a house today.

12659881.1218

Genworth

Genworth

Simply UnderwriteSM Eligibility Recap

Simply Underwrite applies to eligible loans with a Desktop Underwriter[®] recommendation or Loan Product Advisor[®] risk classification. Contact your sales representative or the ActionCenter[®] at 800 444.5664 with any questions.

Effective December 10, 2018

Primary Residence – Purchase, Rate/Term Refinance and Construction-to-Permanent ¹				
Property Type	Max LTV	Max Loan Amount	Min Credit Score	Max DTI ²
Single family (detached & attached), Condominiums, Cooperatives, Manufactured Housing	97%	Agency Base Conforming	620	Per DU & Loan Product Advisor
	95%	FHFA High Cost		
2 units	95%	FHFA High Cost	700	
3 units	95%	FHFA High Cost up to \$1,000,000		
4 units	95%	FHFA High Cost up to \$1,000,000		
Second Home – Purchase, Rate/Term Refinance and Construction-to-Permanent				
Single family (detached & attached), Condominiums, Cooperatives, Manufactured Housing	90%	FHFA High Cost	620	Per DU & Loan Product Advisor
Investment Property – Purchase and Rate/Term Refinance				
Single family (detached & attached), Condominiums	85%	FHFA High Cost	700	Per DU & Loan Product Advisor

¹ Construction-to-Permanent is ineligible with property types other than single family (detached) or Manufactured Housing.

² Genworth utilizes the DTI excluding the mortgage insurance for pricing purposes, the total DTI including mortgage insurance is used for guideline eligibility.

Eligibility	<p>In addition to Approve/Eligible and Accept/Eligible loans, the following GSE AUS recommendations or risk classifications may be eligible for Simply Underwrite:</p> <ul style="list-style-type: none"> • Approve/Ineligible for HomePath[®] Property • See Simply Underwrite sections 4.1 and 6.1 in the <i>Underwriting Guidelines</i> for complete details • HomeReady[®] and Home Possible[®] are eligible for Simply Underwrite. For more information, see section 4.2 in our <i>Underwriting Guidelines</i>.
Exclusions from Simply Underwrite	<ul style="list-style-type: none"> • Fannie Mae High LTV Refinance Option and Freddie Mac Enhanced Relief Refinance MortgageSM • DU Refi PlusSM and Freddie Mac Relief RefinanceSM – Open Access • Lender-negotiated guideline variances, waivers or programs unless approved by Genworth. However, Fannie Mae's published HomeStyle[®] Renovation Mortgages and cooperative share mortgages are eligible for Simply Underwrite.
Other Underwriting Requirements	<ul style="list-style-type: none"> • Genworth does not insure the following: Properties located in Guam, Puerto Rico and Virgin Islands • Follow Sections 4.1 and 6.1 Simply Underwrite requirements in our <i>Underwriting Guidelines</i> • Appraisal waivers are eligible when offered by DU for rate/term refinance transactions receiving a DU Approve/Eligible recommendation
Note	<p>References to FHFA (Federal Housing Finance Agency) pertain to HERA High-Cost Areas Loan Limits which can be found at FHFA Loan Limits.</p>

Desktop Underwriter[®], DU[®], HomePath[®] Properties, HomeReady[®] and HomeStyle[®] Renovation are registered trademarks of Fannie Mae. DU Refi PlusSM is a trademark of Fannie Mae. Loan Product AdvisorSM, Freddie Mac Relief Refinance – Open AccessSM and Freddie Mac Enhanced Relief RefinanceSM are service marks of Freddie Mac. Home Possible[®] is a registered trademark of Freddie Mac.

This summary is intended for reference only and is subject to the complete terms and conditions of Genworth's *Underwriting Guidelines* at [new.ml.genworth.com](#). In case of differences with this document, the *Underwriting Guidelines* will govern.

Delegated Underwriting MI Decision Tips

4th Quarter 2018

Genworth's Risk Quality Assurance team creates this report to help underwriters to submit quality originations. Each quarter, you can use this report to discover the most frequently made MI decision errors and learn how to avoid them. You'll find excerpts from the associated underwriting guidelines along with corrective actions for each – including relevant examples when appropriate. Loans requiring an exception to Genworth published guidelines must be sent in for a Genworth underwrite.

Assets – Analyzing the Borrower's Assets		
Decision Error	Underwriting Guideline	Corrective Action
Assets Not Documented as Required by Program or AUS Guidelines	Genworth Section 4.1 Simply Underwrite Eligibility Follow documentation required by DU and LP. Additional documentation may be warranted to support the underwriting decision.	Underwriter must ensure Genworth, AUS and Investor documentation requirements have been met for verification and documentation of assets. AUS assumes any assets required will be verified and documented in file.
Source of Funds not Adequately or Properly Documented for Large Deposits	Genworth Standard Guidelines Section 7.10 Assets and Liabilities Genworth will accept the following GSE standard underwriting guidelines for asset and liability assessment. Our policy is to: <ul style="list-style-type: none"> Follow Fannie Mae's guidelines when Fannie Mae is the investor or the Fannie Mae Selling Guide is your standard guideline set Follow Freddie Mac's guidelines when Freddie Mac is the investor or the Freddie Mac Seller Guide is your standard guideline set Follow the least restrictive of the agencies guidelines for all other situations, unless a specific GSE's guideline is noted to follow for all others. 	Example 1: Insufficient verified liquid funds for closing. Cash to close per Closing Disclosure was \$30,866 and verified liquid funds in file are \$23,404; funds are short by \$7,462.
Insufficient Assets to Close and/or Pay Off Required Obligations		Example 2: Missing documentation to evidence source of a large deposit in the amount of \$6,500.00.
Gift not Disclosed in AUS or Missing Gift Documentation		Example 3: Gift not disclosed in AUS. Example 4: Missing all pages to bank statements or missing second month statement if required.

continued on back page

Genworth MI Decision Tips Updated Every Quarter

Assets – Analyzing the Borrower's Assets																	
Decision Error	Underwriting Guideline	Corrective Action															
Excessive Seller Contributions	<p>Section 5.30 Builder/Seller Contributions Follow GSE standard guidelines for treatment of builder/seller contributions, subject to these maximum contributions amounts:</p> <table border="1"> <thead> <tr> <th>Occupancy</th><th>LTV</th><th>Max Contribution</th></tr> </thead> <tbody> <tr> <td>Primary Residence</td><td>90.01 – 97%</td><td>3%</td></tr> <tr> <td></td><td>90%</td><td>6%</td></tr> <tr> <td>Second Homes</td><td>90%</td><td>6%</td></tr> <tr> <td>Investment Property</td><td>85%</td><td>2%</td></tr> </tbody> </table> <p>Loans with payment abatements are ineligible. Payment abatements are funds provided by an interested party used to offset or fully fund a borrower's monthly payments.</p> <p><i>Note: The payment of HOA fees is not considered an abatement unless the payment of the fee extends for more than 12 months. The payment of HOA fees for 12 months or less is considered an interested party contribution.</i></p> <p>For HomePath® properties, we allow up to 6% Interested Party Contribution (IPC) for primary residence transactions with LTV/CLTV > 90%. All other requirements related to interested party contributions continue to apply. As DU will not be able to identify the subject property as a HomePath property, it is the lender's responsibility to verify and ensure that the property is a HomePath property and document the Loan File accordingly.</p>	Occupancy	LTV	Max Contribution	Primary Residence	90.01 – 97%	3%		90%	6%	Second Homes	90%	6%	Investment Property	85%	2%	Underwriter must ensure that AUS, Genworth and Investor guidelines have been met.
Occupancy	LTV	Max Contribution															
Primary Residence	90.01 – 97%	3%															
	90%	6%															
Second Homes	90%	6%															
Investment Property	85%	2%															
Income - Analyzing the Borrower's Income																	
Decision Error	Underwriting Guideline	Corrective Action															
Verbal VOE Missing, Incomplete or Incorrect	<p>Genworth Section 4.1 Simply Underwrite Eligibility Follow Verbal VOE requirements by DU and LP</p> <p>Genworth Standard Guidelines Documentation Section 7.2 Verbal VOE is required to be dated within 30 calendar days prior to the note date for both salaried and self-employed borrowers.</p>	Underwriter must ensure that AUS, Genworth and Investor documentation requirements have been met.															

Genworth MI Decision Tips Updated Every Quarter

Genworth Rate *Express*®

The screenshot shows the Genworth Rate Express website. At the top, the Genworth logo is on the left, and contact information (800 444.5664) and a search bar are on the right. Below the header is a navigation bar with links: MI & RATES, UNDERWRITING & GUIDES, LOS & CONNECTIONS, GENWORTH TOOLKIT, and TRAINING. The 'MI & RATES' link is highlighted with a red box. A dropdown menu is open under 'MI & RATES', listing: Get A Quote - Rate Express, View Rate Cards, Explore MI Products, Learn About MI, Understand Your Master Policy, and Compare MI & FHA. The main content area features a large banner with colorful balloons and the text 'Welcome to GenRATE'. Below the banner are three colored boxes: 'Underwriting' (blue), 'Rate Express' (green, highlighted with a red box), and 'LOS' (orange). The 'Rate Express' box contains a percentage icon, the text 'Find a rate. Share the results.', and a 'GET A QUOTE NOW »' link. The 'Underwriting' box contains a 'Ranked Best in Class' award icon, the text 'Technology. Innovation. We're changing the way the MI industry approaches underwriting.', and a 'KNOW MORE »' link. The 'LOS' box contains a hand icon, the text 'We'll meet you in your LOS.', and a 'LET'S GO »' link.

Genworth

800 444.5664 | Search

LOG IN TO:
• ORDER MI
• MANAGE MI
• VIEW ACCOUNT

MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | GENWORTH TOOLKIT | TRAINING

Get A Quote - Rate Express
View Rate Cards
Explore MI Products
Learn About MI
Understand Your Master Policy
Compare MI & FHA

Genworth Mortgage Insurance

Welcome to GenRATE

Underwriting
Technology. Innovation. We're changing the way the MI industry approaches underwriting.
KNOW MORE »

Rate Express
Find a rate. Share the results.
GET A QUOTE NOW »

LOS
We'll meet you in your LOS.
LET'S GO »

LOS Connections

The screenshot displays the Genworth website's navigation and main content. At the top, the Genworth logo is on the left, and contact information (800 444.5664) and a search bar are on the right. A navigation bar includes links for MI & RATES, UNDERWRITING & GUIDES, LOS & CONNECTIONS, GENWORTH TOOLKIT (highlighted with a red box), and TRAINING. Below the navigation bar, a banner reads "Let's help someone buy a house today." and "Genworth Mortgage Insurance". The main content area features a large headline "SOMETHING'S IN THE AIR..." and a sub-headline "Introducing GenRATE™, the risk-based pricing solution choice." To the right of this headline is a cloud graphic with the text "Welcome to GenRATE™". A dropdown menu is open from the "GENWORTH TOOLKIT" link, listing: "Submit on our Site", "Submit with your LOS", "Use Optimal Blue & Doc Delivery", and "Access Paper Applications". At the bottom, there are three service cards: "Underwriting" (blue), "Rate Express" (green), and "LOS" (orange, highlighted with a red box). The "LOS" card contains the text "We'll meet you in your LOS." and a "LET'S GO »" link.

Genworth

800 444.5664 | Search | LOG IN TO: ORDER MI, MANAGE MI, VIEW ACCOUNT

MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | **GENWORTH TOOLKIT** | TRAINING

Let's help someone buy a house today.

Genworth Mortgage Insurance

SOMETHING'S IN THE AIR...
Introducing GenRATE™, the risk-based pricing solution choice.

Welcome to GenRATE™

Underwriting
Technology. Innovation. We're changing the way the MI industry approaches underwriting. **KNOW MORE »**

Rate Express
Find a rate. Share the results. **GET A QUOTE NOW »**

LOS
We'll meet you in your LOS. **LET'S GO »**

Training Tools and Information

The screenshot displays the Genworth website interface. At the top left is the Genworth logo. To the right, there is a phone number (800 444.5664), a search bar, and a 'LOG IN TO:' button with links for 'ORDER MI', 'MANAGE MI', and 'VIEW ACCOUNT'. Below the header is a navigation bar with links: 'MI & RATES', 'UNDERWRITING & GUIDES', 'LOS & CONNECTIONS', 'GENWORTH TOOLKIT', and 'TRAINING'. The 'TRAINING' link is highlighted with a red box. A dropdown menu is open from the 'TRAINING' link, showing the following options: 'Browse Course Catalog', 'View Live Webinar Calendar', 'Self-Employed Borrower Calculators', 'Get to Know Our Trainers', 'Learn About That MI Guy', and 'Get Answers to FAQs'. Three red arrows point to the first three items in the dropdown menu. Below the navigation bar, there is a large banner with the text 'Let's help someone buy a house today.' and 'SOMETHING'S IN THE AIR... Introducing GenRATE™, the risk-based pricing solution choice.' To the right of the banner is a cloud graphic with the text 'Welcome to GenRATE™'. Below the banner are three colored boxes: 'Underwriting' (blue), 'Rate Express' (green), and 'LOS' (orange). Each box contains an icon, a brief description, and a call-to-action button. The 'Underwriting' box also features a 'Ranked Best in Class' award ribbon.

Genworth

800 444.5664 | Search | LOG IN TO: ORDER MI, MANAGE MI, VIEW ACCOUNT

MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | GENWORTH TOOLKIT | **TRAINING**

Let's help someone buy a house today.

SOMETHING'S IN THE AIR...
Introducing GenRATE™, the risk-based pricing solution choice.

Underwriting
Technology. Innovation. We're changing the way the MI industry approaches underwriting.
KNOW MORE »

Rate Express
Find a rate. Share the results.
GET A QUOTE NOW »

LOS
We'll meet you in your LOS.
LET'S GO »

Welcome to GenRATE™

Browse Course Catalog
View Live Webinar Calendar
Self-Employed Borrower Calculators
Get to Know Our Trainers
Learn About That MI Guy
Get Answers to FAQs

Training Tools and Information

Course Catalog

Topic
Search Training Courses

Genworth offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line and ultimately best serve your borrowers. With more than 90 courses in our catalog, our team is here to help you stay up-to-date on the mortgage industry and regulatory environment. Classes are all offered at no cost to you.

Browse by Topic

Mortgage Industry Skills

Professional Development Skills

That Mi Guy

Tutorials

Browse by Role

Mortgage Professional

Loan Officer

Loan Processor

Underwriter

Featured Courses

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

Fannie Mae Form 1084 Calculator (2016-2017) Calculate cash flow analysis to help you complete Fannie Mae Form 1084.	Freddie Mac Form 91 Calculator (2016-2017) Quick reference guide and income analysis for Freddie Mac Form 91.	Freddie Mac Form 92 Calculator (2017-2018) Form 92 Net Rental Income Calculators - Schedule E. UPDATED
Schedule Analysis Method (SAM) Calculator (2016-2017) Calculate qualifying income from tax returns.	Rental Income Calculator (2017-2018) Focus on calculating rental income from 1041 Form 1041 Schedule E. UPDATED	Current Ratio - Liquidity Calculator (2017-2018) Calculate working capital liquidity against current liabilities. UPDATED
Quick Ratio - Liquidity Calculator (2017-2018) Calculate an organization's liquidity against current liabilities. UPDATED	Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Rental Income, 21-61 & 62-63-64-65-66-67-68-69-70-71-72-73-74-75-76-77-78-79-80-81-82-83-84-85-86-87-88-89-90-91-92-93-94-95-96-97-98-99-100-101-102-103-104-105-106-107-108-109-110-111-112-113-114-115-116-117-118-119-120-121-122-123-124-125-126-127-128-129-130-131-132-133-134-135-136-137-138-139-140-141-142-143-144-145-146-147-148-149-150-151-152-153-154-155-156-157-158-159-160-161-162-163-164-165-166-167-168-169-170-171-172-173-174-175-176-177-178-179-180-181-182-183-184-185-186-187-188-189-190-191-192-193-194-195-196-197-198-199-200-201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-814-815-816-817-818-819-820-821-822-823-824-825-826-827-828-829-830-831-832-833-834-835-836-837-838-839-840-841-842-843-844-845-846-847-848-849-850-851-852-853-854-855-856-857-858-859-860-861-862-863-864-865-866-867-868-869-870-871-872-873-874-875-876-877-878-879-880-881-882-883-884-885-886-887-888-889-890-891-892-893-894-895-896-897-898-899-900-901-902-903-904-905-906-907-908-909-910-911-912-913-914-915-916-917-918-919-920-921-922-923-924-925-926-927-928-929-930-931-932-933-934-935-936-937-938-939-940-941-942-943-944-945-946-947-948-949-950-951-952-953-954-955-956-957-958-959-960-961-962-963-964-965-966-967-968-969-970-971-972-973-974-975-976-977-978-979-980-981-982-983-984-985-986-987-988-989-990-991-992-993-994-995-996-997-998-999-1000-1001-1002-1003-1004-1005-1006-1007-1008-1009-1010-1011-1012-1013-1014-1015-1016-1017-1018-1019-1020-1021-1022-1023-1024-1025-1026-1027-1028-1029-1030-1031-1032-1033-1034-1035-1036-1037-1038-1039-1040-1041-1042-1043-1044-1045-1046-1047-1048-1049-1050-1051-1052-1053-1054-1055-1056-1057-1058-1059-1060-1061-1062-1063-1064-1065-1066-1067-1068-1069-1070-1071-1072-1073-1074-1075-1076-1077-1078-1079-1080-1081-1082-1083-1084-1085-1086-1087-1088-1089-1090-1091-1092-1093-1094-1095-1096-1097-1098-1099-1100-1101-1102-1103-1104-1105-1106-1107-1108-1109-1110-1111-1112-1113-1114-1115-1116-1117-1118-1119-1120-1121-1122-1123-1124-1125-1126-1127-1128-1129-1130-1131-1132-1133-1134-1135-1136-1137-1138-1139-1140-1141-1142-1143-1144-1145-1146-1147-1148-1149-1150-1151-1152-1153-1154-1155-1156-1157-1158-1159-1160-1161-1162-1163-1164-1165-1166-1167-1168-1169-1170-1171-1172-1173-1174-1175-1176-1177-1178-1179-1180-1181-1182-1183-1184-1185-1186-1187-1188-1189-1190-1191-1192-1193-1194-1195-1196-1197-1198-1199-1200-1201-1202-1203-1204-1205-1206-1207-1208-1209-1210-1211-1212-1213-1214-1215-1216-1217-1218-1219-1220-1221-1222-1223-1224-1225-1226-1227-1228-1229-1230-1231-1232-1233-1234-1235-1236-1237-1238-1239-1240-1241-1242-1243-1244-1245-1246-1247-1248-1249-1250-1251-1252-1253-1254-1255-1256-1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Common Underwriting Errors

Capacity, Credit History, Capital, Compliance

Underwriting Reminders

Every loan is unique

Always follow prudent underwriting standards

Information must be consistent

All applicable guidelines should be followed

Guidelines show minimum requirements

Five Cs

Capacity

Credit History

Collateral

Capital

Compliance

Six Cs

Capacity

Credit History

Collateral

Capital

Compliance

Common Sense

Capacity Errors

Income Calculation and Documentation, Self-Employed Borrowers

Capacity

Steady, Stable, Likely to Continue

- Two Year History
- Guideline exceptions for some income types
- Examples: Alimony, Survivor Benefits, Retirement
 - Three Year Continuance from application date

Documentation

- Check guidelines for minimum documentation requirement
- Seek additional documentation if:
 - Inconsistent
 - Discrepancies
 - Possible misrepresentation

Capacity: Fannie Mae

Expiration Date Not Defined	Defined Expiration Date*
Lender does not need to document 3-year continuance <ul style="list-style-type: none">• automobile allowance• base salary• bonus, overtime, commission, or tip income• capital gains income• corporate retirement or pension	Lender must document 3-year continuance <ul style="list-style-type: none">• alimony or child support• distributions from a retirement account – for example, 401(k), IRA, SEP, Keogh• mortgage differential payments• notes receivable• public assistance

Fannie Mae Single Family Selling Guide

§B3-3.1-01, Employment and Other Sources of Income

- | | |
|--|--|
| <ul style="list-style-type: none">• mortgage credit certificates• part-time job, second job, or seasonal income• rental income• self-employment income• Social Security, VA, or other government retirement or annuity | <ul style="list-style-type: none">• VA benefits (not including retirement or long-term disability) |
|--|--|

Capacity: Fannie Mae

Selling Guide


Published December 4, 2018

➤ [Guide Table of Contents](#)

Part B: Origination Through Closing

This part provides the requirements for originating conventional sale to Fannie Mae.

Search guide content



B1: Loan Application Package

This subpart describes the documentation required in application packages for loans to be delivered to Fannie Mae. It describes the allowable [More...](#)

B1-1: Application Package Documentation

This chapter describes the documents that must be included in the loan application package, and provides a sample Blanket Authorization [More...](#)

B2: Eligibility

This subpart describes Fannie Mae's mortgage, borrower, and property eligibility policies and

B5: Unique Considerations

This subpart describes the requirements for originating loans, proper

B5-1: High

This chapter describes the requirements for high

B5-2: Man

This chapter describes the requirements for manual

B3-3: Income Assessment

This chapter describes the requirements for evaluating income stability, adequacy, and likelihood of continuance — key factors used in [More...](#)

B3-3.1: Employment and Other Sources of Income

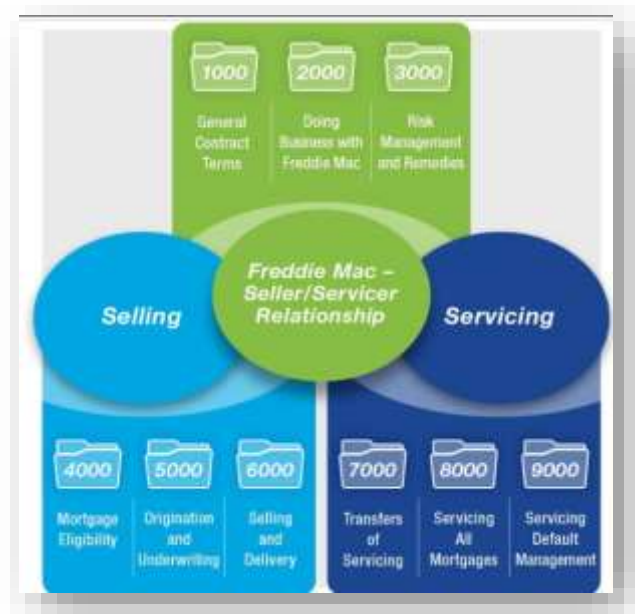
- B3-3.1-01: General Income Information (12/04/2018)
- B3-3.1-02: Standards for Employment Documentation (10/24/2016)
This topic contains information on the standards for documentation of employment income, [More...](#)
- B3-3.1-03: Base Pay (Salary or Hourly), Bonus, and Overtime Income (05/15/2012)
This topic contains information on base pay (salary and hourly), bonus, and overtime income, [More...](#)
- B3-3.1-04: Commission Income (12/04/2018)
This topic contains information on the verification of commission income.
- B3-3.1-05: Secondary Employment Income (Second Job and Multiple Jobs) and Seasonal Income (05/27/2014)
This topic contains information on income from secondary and seasonal employment, [More...](#)

<https://www.fanniemae.com/content/guide/selling/b/index.html>

Capacity: Freddie Mac

Topic 5300: Stable Monthly Income and Asset Qualification Sources

- Chapter 5301: General Requirements for All Stable Monthly Income and Asset Qualification Sources
- Chapter 5302: General Documentation Requirements
- Chapter 5303: Employed Income
- Chapter 5304: Self-Employed Income
- Chapter 5305: Other Income
- Chapter 5306: Rental Income
- Chapter 5307: Asset Qualification Sources



Capacity: Freddie Mac

Income continuance charts were added to Topic 5301.1

- **Income and earnings types typically without documentable continuance**
- **Income types with documentable continuance**
- **Other income types that may or may not have documentable continuance**

Freddie Mac's Single-Family Seller/Servicer Guide Series 5000: Origination and Underwriting

Topic 5300: Stable Monthly Income and Asset Qualification Sources

Chapter 5301: General Requirements for All Stable Monthly Income and Asset Qualification Sources

Capacity: Freddie Mac

Employed Income Types

Primary

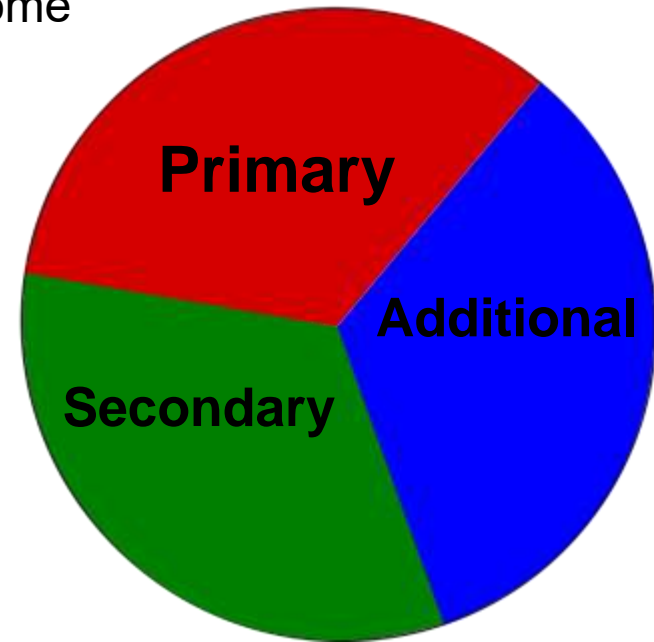
- Borrower's primary source of employed income

Secondary

- Second job, part-time job or multiple jobs

Additional

- Commissions
- Bonus
- Overtime
- Tips
- Auto allowance
- Mortgage differential
- Military entitlements
- Military Reserves & National Guard
- Unemployment with seasonal employment



Freddie Mac's Single-Family Seller/Servicer Guide Topic 5300

Capacity

Examine Paystubs Carefully

- Clear explanations for withholding items
 - Possible undisclosed debt
- Consistent information
 - Address
 - Social Security number
 - Last four digits
- Year to date income
 - Showing on paystub
 - Consistent with income
- Stale dated?
- Year End paystub for borrowers with OT, bonus, commission incomes or
- Verification of Employment
 - Additional support
 - Clarify information
 - OT
 - Bonus
 - Commission

Capacity: Fannie Mae

Commission Income

B3-3.1-04: Commission Income (12/04/2018)

This topic contains information on the verification of commission income.

Verification of Commission Income

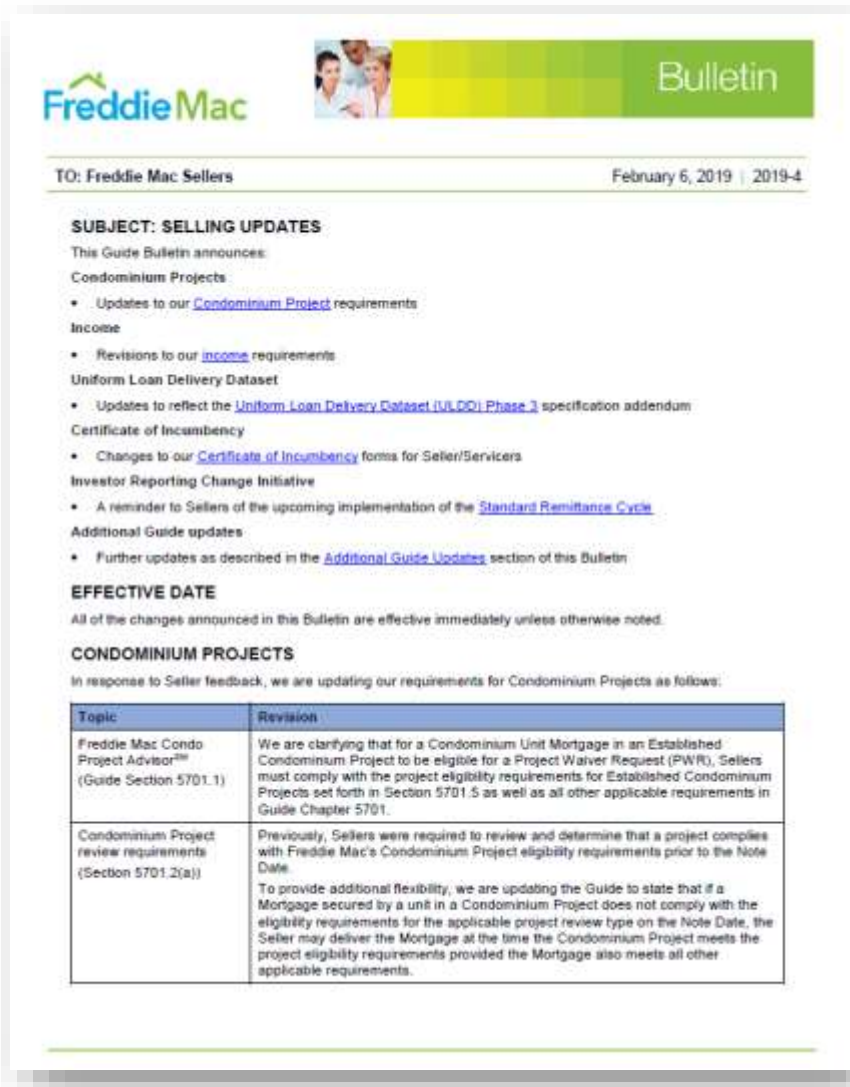
The following table provides verification requirements for commission income.

✓	Verification of Commission Income
	A minimum history of 2 years of commission income is recommended; however, commission income that has been received for 12 to 24 months may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history.
	One of the following must be obtained to document commission income: <ul style="list-style-type: none">• a completed <i>Request for Verification of Employment</i> (Form 1005 or Form 1005(S)), or• the borrower's recent paystub and IRS W-2 forms covering the most recent two-year period.
	A verbal VOE is required from each employer. See B3-3.1-07, Verbal Verification of Employment , for specific requirements.
	See B3-3.1-01, General Income Information , for additional information about calculating variable income.
	See B3-3.1-02, Standards for Employment Documentation , for additional information about verifying employment income.

Freddie Mac 2106 Policy

Effective February 2019

- All commission income will be treated the same
- Individual returns or tax transcripts will not be required for any commission income
- Loan Product Advisor will be updated at a future date so Sellers can disregard the message for tax returns until then when using commission income



The screenshot shows a Freddie Mac Bulletin titled "Freddie Mac 2106 Policy". The bulletin is dated February 6, 2019, and is addressed to Freddie Mac Sellers. The subject is "SELLING UPDATES". The bulletin announces updates to the Guide, including updates to the Condominium Project requirements, income requirements, Uniform Loan Delivery Dataset, Certificate of Incumbency, Investor Reporting Change Initiative, and Standard Remittance Cycle. It also mentions additional guide updates and further updates as described in the Additional Guide Updates section. The effective date is February 6, 2019, unless otherwise noted. The bulletin also includes a section on Condominium Projects, which states that in response to Seller feedback, the requirements for Condominium Projects are being updated. A table is provided with two columns: Topic and Revision. The table lists two topics: "Freddie Mac Condo Project Advisor" and "Condominium Project review requirements". The revisions for these topics are: "We are clarifying that for a Condominium Unit Mortgage in an Established Condominium Project to be eligible for a Project Waiver Request (PWR), Sellers must comply with the project eligibility requirements for Established Condominium Projects set forth in Section 5701.5 as well as all other applicable requirements in Guide Chapter 5701." and "Previously, Sellers were required to review and determine that a project complies with Freddie Mac's Condominium Project eligibility requirements prior to the Note Date. To provide additional flexibility, we are updating the Guide to state that if a Mortgage secured by a unit in a Condominium Project does not comply with the eligibility requirements for the applicable project review type on the Note Date, the Seller may deliver the Mortgage at the time the Condominium Project meets the project eligibility requirements provided the Mortgage also meets all other applicable requirements."

Freddie Mac Bulletin

TO: Freddie Mac Sellers February 6, 2019 | 2019-4

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Condominium Projects

- Updates to our [Condominium Project](#) requirements

Income

- Revisions to our [income](#) requirements

Uniform Loan Delivery Dataset

- Updates to reflect the [Uniform Loan Delivery Dataset \(ULDD\) Phase 3](#) specification addendum

Certificate of Incumbency

- Changes to our [Certificate of Incumbency](#) forms for Seller/Service

Investor Reporting Change Initiative

- A reminder to Sellers of the upcoming implementation of the [Standard Remittance Cycle](#)

Additional Guide updates

- Further updates as described in the [Additional Guide Updates](#) section of this Bulletin

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

CONDOMINIUM PROJECTS

In response to Seller feedback, we are updating our requirements for Condominium Projects as follows:

Topic	Revision
Freddie Mac Condo Project Advisor SM (Guide Section 5701.1)	We are clarifying that for a Condominium Unit Mortgage in an Established Condominium Project to be eligible for a Project Waiver Request (PWR), Sellers must comply with the project eligibility requirements for Established Condominium Projects set forth in Section 5701.5 as well as all other applicable requirements in Guide Chapter 5701.
Condominium Project review requirements (Section 5701.2(a))	Previously, Sellers were required to review and determine that a project complies with Freddie Mac's Condominium Project eligibility requirements prior to the Note Date. To provide additional flexibility, we are updating the Guide to state that if a Mortgage secured by a unit in a Condominium Project does not comply with the eligibility requirements for the applicable project review type on the Note Date, the Seller may deliver the Mortgage at the time the Condominium Project meets the project eligibility requirements provided the Mortgage also meets all other applicable requirements.

Capacity

Show Your Income Calculation Work

- Agencies/Investors require calculations
- Self-Employed Borrowers
 - Written analysis
 - Available worksheets
 - Fannie Mae Cash Flow Analysis (Form 1084)
 - Freddie Mac Income Analysis (Form 91)
 - Schedule Analysis Method
 - Specific Lender/Investor Forms
 - Genworth calculators can be found at <https://new.mi.genworth.com/training>

Capacity

Income Trend/Declining Income

- Can the income be used to qualify?
- If so, use only the lower of the two years

Fannie Mae Comparative Income Form (Form 1088)

- For Self-Employed Borrowers
- Reference Guide on the Genworth website

Fannie Mae Comparative Income Analysis Form (Form 1088)

General Instructions: This Form is to be used to compare the borrower's business over a period of years. Both years are defined as follows:

Gross Income: Gross receipts or sales (1) Net Profit or Loss (2) Total Income

Expenses: Total of gross sales (1) Total Income

General Instructions: This Form is to be used to compare the borrower's business over a period of years. Both years are defined as follows:

Gross Income: Gross receipts or sales (1) Net Profit or Loss (2) Total Income

Expenses: Total of gross sales (1) Total Income

Quick Reference Guide: Fannie Mae's Comparative Analysis Form (Form 1088)

Fannie Mae's Comparative Income Analysis Form (Form 1088) leads the lender through the calculation of percentage increases or decreases in gross income, expenses and taxable income, as well as taxable income trends.

This form can be used with any business return, including Sole Proprietor (IRS Form 1040, Schedule C, or C-22), Partnership (IRS Form 1065), S-Corp (IRS Form 1120S) and Corporate (IRS Form 1120). The guide below shows the line numbers for each form where the information can be found.

Form	Line Number
Sole Proprietor	1040, Schedule C
Partnership	1065
S-Corp	1120S
Corporate	1120

Gross Income

Step 1. Enter the gross income figure from each year's statement where indicated.

Step 2. Determine the percentage change in gross income from one year to the next by:

(a) calculating the dollar difference between the two years, and then

(b) dividing the dollar difference by the previous year's gross income.

Enter the percentage of increase or decrease where indicated. Be sure to include a + (plus) or - (minus) sign.

Expenses

Step 1. Enter the expense income figure from each year's statement where indicated.

Step 2. Determine total percentage expenses as a percentage of gross income by dividing the expense amount by the dollar amount of gross income for each year. Enter the results where indicated.

Step 3. Determine the percentage change in expenses from one year to the next by:

(a) calculating the dollar difference between the two years, and then

(b) dividing the dollar difference by the previous year's expenses.

Enter the percentage of increase or decrease where indicated. Be sure to include a + (plus) or - (minus) sign.

Net Income

Step 1. Enter the net income figure from each year's statement where indicated.

Step 2. Determine the percentage change in net income from one year to the next by:

(a) calculating the dollar difference between the two years, and then

(b) dividing the dollar difference by the previous year's net income.

Enter the percentage of increase or decrease where indicated. Be sure to include a + (plus) or - (minus) sign.

Form 1088

Genworth calculators can be found at <https://new.mi.genworth.com/training>

Capacity: Self-Employed Income

Fannie Mae Income Calculations

– Bulletin 2016-05

- Clarification in determining adequate business liquidity when required
- Eliminated the requirement to document the borrower's access to income
- Extended the VVOE on Self-Employed from 30 days prior to the note to 120 days

– Form 1084 Income Calculations Form

- Genworth posted Form 1084 at <https://new.mi.Genworth.com>

Capacity: Self-Employed Income

Freddie Mac Income Calculations

- Bulletin 2016-19
 - Revised and clarified self-employed income requirements for Freddie Mac
 - Distributions are not required for partnerships and S corporations but business must be capable of paying out profit and generating future earnings
- Form 91 Income Calculations Form
 - Genworth posted Form 91 at <https://new.mi.Genworth.com>
- Documentation requirements
 - Two years tax returns for businesses in existence less than five years
 - One year tax return for businesses in existence more than five years
 - Verification of existence of the business required and must be completed prior to delivery date but not more than 120 days prior to the Note date.
- Bulletin 2018-15
 - Updated policy for self-employment when disclosed and not used for qualifying. Income or loss not required to be evaluated or documented for each borrower when:
 - Has a primary source of income, other than self-employment, used for qualifying the Mortgage and
 - Is self-employed, and the self-employment income is a secondary source of income

Capacity: Self-Employed Income

Freddie Mac Income Documentation

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)		
Self-employed Income (continued)			
Documentation Requirements (continued) Guide Section 5304.1(h)		Business in existence ≥ 5 years	Business in existence < 5 years
	Sole proprietorship	Obtain complete signed federal individual (Form 1040) income tax return for the most recent year.	Obtain complete signed federal individual (Form 1040) income tax returns for the most recent two years.
	Partnership	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.
	S Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including
	Corporation		

SELF-EMPLOYMENT INCOME

We are updating our requirements to state that when self-employment is used to qualify for the Mortgage, the Seller is not required to obtain income or loss from the self-employment for each Borrower who:

- Has a primary source of income, other than self-employment, (e.g., salaried income from primary employment), and
- Is self-employed, and the self-employment income is a secondary source of income.

Guide impact: Section 5304.1

Refer to Chapter 5304 for complete requirements and guidance.

Freddie Mac Bulletin 2018-15

Capacity

Rental Income Guidelines And Rental Income Forms

- Fannie Mae Forms 1037, 1038 and 1039
 - Genworth has calculators on website
- Genworth Rental Income Calculator is an option
- Freddie Mac Update - Rental Form 92
 - Genworth has posted Form 92 calculator on our website
- Overview
 - Leases may be used if property recently acquired or acquired subsequent to the filing of tax returns but additional guidelines may apply
 - Fannie Mae : Clarification on calculating when a Partnership or S-Corp owns the property
 - Form 1039 can be used to determine if PITIA can be excluded from the borrower's debt ratio
 - The 1039 does not allow use of net positive cash flow as qualifying income

Include Taxes, Insurance, HOA Dues In The Monthly Payment, Even If The Investment Property Is Owned Free And Clear.

Capacity: Freddie Mac Long Term Rental Income

One-year management history or ownership of a primary home income (Section 5306.19c)(ii) **March 1, 2019**

- The borrower must own a Primary Residence to use rental income to qualify when purchasing a new rental property; and
- Whether purchasing a new rental property or converting a Primary Residence to a rental property, if the Borrower does not have minimum of one-year investment property management experience
 - The rental income can only offset the PITI of the rental property; and
 - Rental income exceeding the PITI cannot be added to the Borrower's gross monthly income to qualify
- ***Genworth offers a Rental Income webinar which includes recent Freddie Mac Bulletin 2017-12 changes which are effective March 1, 2019***

Credit History Errors

Credit Scores, Credit Reports, Liabilities

Credit History

Credit Concerns Not Always Recognized by AUS or Common Errors

– Examples of Errors

- No evidence in file why you are *omitting a debt
- Taxes and insurance for properties owned free and clear omitted
- Debts evidenced on paystub or disclosed during initial application
- Paid mortgage tradeline with paid P&L noted in the comments section with no explanation or documentation

– Significant derogatory events

- Financial mismanagement
- Extenuating circumstances?
 - Does my investor allow?
- Re-established credit requirements met?
- Waiting period met?

See Fannie Mae DU Version 10.2 June Updates-Bankruptcy and Mortgage Delinquency Assessment updates. Effective date June 23, 2018

****See Fannie Mae Selling Guide or Freddie Mac Seller/Servicer Guide for guidance on excluding debts from a borrower's DTI Ratio.***

Credit History

Credit Scores

- Minimum score requirement?
 - Non-traditional credit borrowers (without a credit score) eligible for AUS submission with Fannie Mae's Desktop Underwriter® 10.0
 - Two non-traditional credit references must be reviewed and one must be housing related
 - See Selling Guide §B3-5.4-03: Verification and Documentation of Alternative Credit
 - Non-traditional credit borrowers (without a credit score) eligible for AUS submission with Freddie Mac's Loan Product Advisor May 14, 2017
 - Two Non-traditional tradelines must be verified and one must be housing related
 - See Freddie Mac Bulletin 2017-02 for more details
- Within definition
 - Genworth Simply UnderwriteSM
 - 620 minimum credit score
 - No additional requirements with valid AUS Approve/Accept Eligible recommendation
 - Genworth Standard Guidelines (Non-AUS)
 - Minimum of three (3) tradelines / credit references
 - Open or closed
 - That have been evaluated at least 12 months
- Lender, Investor, GSE requirement met?

Credit History

Credit History

– Trended Credit Data

- Additional information can be found in [Fannie Mae's DU Version 10.0 Frequently Asked Questions](#)
- Credit reports used with Version 10.0 must include trended credit data
- For now, lenders do not need to analyze trended data
- Borrowers making minimum monthly revolving account payments may still be able to receive an Approve recommendation from DU

Research has shown that borrowers who	are	than borrowers who
Never exceed their limit	75% less likely to become delinquent	Exceeded their credit card limit in the last 12 months
Pay off their credit card every month	60% less likely to become delinquent	Only make their minimum payment each month

Credit History

Disputed Information

- AUS Loans
 - DU provides messaging if impactful and further action necessary
 - Loan Product Advisor will provide “Invalid” recommendation if impactful
 - Manually underwritten typically significant items must be resolved prior to approval

Inaccurate Information

- Determine impact (Was AUS credit score impacted?)
- Obtain
 - Written explanation from Borrower
 - Credit report supplement
 - New credit report
 - Creditor documentation
- Manually underwritten loans
 - Reporting company confirms inaccuracy
 - Credit report unreliable
 - Traditional credit evaluation without regard to inaccurate information
 - Investors often require the “inaccuracy” be cleared and resolved before loan approval

Credit History

Minimum Payments

- Usually on credit report. If not on credit report
 - Creditor supplied documentation
 - Revolving,
 - DU uses the greater of:
 - 5% of outstanding balance or
 - \$10
 - Loan Product Advisor allows
 - 5% of outstanding balance

Open Ended Accounts (O-J or O-I under MOP on Credit Report)

- Sufficient funds for repayment plus funds to close and reserves
 - Yes
 - Inclusion not required
 - No
 - Inclusion of 5% outstanding balance required for Freddie Mac if no payment listed
 - Cannot close loan for Fannie Mae
- Third party responsibility
 - Example: employer reimbursement
 - Document with letter from employer/responsible party

Credit History

Student Loans

– Fannie Mae

Student Loans

If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below.

- If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment is \$0. The lender may then qualify the borrower with a \$0 payment.
- For deferred loans or loans in forbearance, the lender may calculate
 - a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
 - a fully amortizing payment using the documented loan repayment terms.

Guidelines Stated Are Generic Fannie Mae Policy

Credit History

Student Loans

– Freddie Mac

Student Loans (Guide Section 5401.2)	Debt Type	Eligibility and Documentation Requirements
	In repayment, forbearance or deferment	<ul style="list-style-type: none">▪ If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or▪ If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding balance, as reported on the credit report.

Prudent Underwriting Practices Will Apply

Credit History

Excluding Debts – Contingent Liabilities or Not

– Fannie Mae

- Allows for any type debt (revolving, leases, student loans & mortgage debt)
 - Must document 12 month payment history with no delinquencies
 - Evidence payments made by someone other than borrower(s)
 - Mortgaged properties must be counted in the maximum financed properties. See additional guidelines regarding use of rental income.
 - For mortgages payments to be excluded, the person making the payments must be obligated on the mortgage debt

– Freddie Mac same as above. See Freddie Mac Bulletin 2017-23

– Situations requiring inclusion in debt ratio

- Obligor's payment not documented
- Sufficient history (12 months) not established
- History of Delinquency
- Business debt not paid from separate business account
 - Cannot be borrower's personal account
 - Cannot be business account from which personal debts are paid

Credit History

Recent Credit Inquiries

– Definition

- Freddie Mac: within past 90 days
 - Review updated messages on Loan Product Advisor Feedback

Topic	Documentation Requirements
Credit report inquiries within previous 90 days (Guide Sections 5201.1(e) and 5202.6)	Determine if additional credit was granted. If additional credit was granted, verification of the debt must be obtained and the debt must be considered when qualifying the borrower.

- Fannie Mae: The report must list all inquiries that were made in the previous 90 days.

– Confirm if new credit obtained

- Do you see the new account on credit report?
- Was it disclosed on application?
- Obtain verification
 - Freddie Mac documentation examples
 - Creditor letter
 - Signed borrower letter
- Include in ratios
- Evaluate risk

Capital Errors

Assets to Close, Borrower's Own Funds, Gift Funds, Reserves and Large Deposits

Capital

Excessive Seller Contributions

- Follow GSE, Investor and MI Guidelines
- Loans with payment abatements are ineligible
 - Exception condo/HOA dues up to 12 months but amounts must included as IPC
- Check for guideline overlays
- See guidelines on next slides

IPC's- Fannie Mae



The screenshot shows the Fannie Mae website interface. At the top is the Fannie Mae logo and a search bar. Below the logo is a navigation menu with links: Single-Family, Originating & Underwriting, Pricing & Execution, Delivering, Servicing, Training, and Technology. The main content area is divided into two columns. The left column is titled 'Selling Guide' and includes the text 'Published May 1, 2018' and a link to 'Guide Table of Contents'. The right column is titled 'B3-4.1-02: Interested Party Contributions (IPCs) (12/19/2017)' and contains the text 'This topic contains information on interested party contributions, including:' followed by four links: 'Overview', 'IPC Limits', 'Lender Checklist for IPCs', and 'Lender Incentives for Borrowers'.

IPC Limits

The table below provides IPC limits for conventional mortgages.

IPCs that exceed these limits are considered sales concessions. The property's sales price must be adjusted downward to reflect the amount of contribution that exceeds the maximum, and the maximum LTV/CLTV ratios must be recalculated using the reduced sales price or appraised value.

Occupancy Type	LTV/CLTV Ratio	Maximum IPC
Principal residence or second home	Greater than 90%	3% ¹
	75.01% – 90%	6%
	75% or less	9%
Investment property	All CLTV ratios	2%

IPC's- Freddie Mac

Reference

Single-Family Seller/Servicer Guide
Single-Family Seller/Servicer Guide
Selling
Series 5000: Origination and Underwriting
Topic 5500: Assets
Chapter 5501: Assets

E-mail Text

5501.5: Interested party contributions (07/06/17)
(a) Types of interested party contributions and eligibility requirements
Freddie Mac will purchase Mortgages that include interested party contributions under the terms of the Purchase Documents and this section.
Interested parties include, but are not limited to:

- Builder
- Developer
- Seller of the property
- Real estate agent

Based on "value," as defined in [Section 4203.1](#), the maximum permitted financing concessions are as follows:

Occupancy	LTV/TLTV ratios >90%	LTV/TLTV ratios > 75% and ≤ 90%	LTV/TLTV ratios ≤ 75%
Primary Residences and second homes	3%	6%	9%
Investment Properties	2%	2%	2%

The amount of any financing concessions in excess of the limitations set forth above will be considered a sales concession.

Funds paid by the property seller that are fees or costs customarily paid by the property seller according to local convention are not subject to the maximum financing concession limitations above.

*Freddie determines value by using the lesser of the sales price or appraised value

Capital

Purchase Price (or refinance of all debt to be paid off)

- Earnest Money Deposit (only if verified)**
- Other Financing (if applicable)**
- Loan Amount Applied for**
- + Balance Owed on 30 day accounts “O”**
- + Closing Costs**
- + Prepaids and escrows**
- + Judgments, collections and debt to be brought current, paid down or paid off prior to/or at closing.**
- + Required Reserves**

= Total Required Funds

Capital

Assets to Close

- Cash to close
- Reserves
 - Loan Product Advisor/DU
 - Verify funds required
 - Best practice: only enter needed funds
- Manual calculation
 - Additional reserves need to be calculated when:
 - Borrower is selling a home and needs cash to complete that transaction
 - For Loan product Advisor loans when discount points are being paid by anyone other than borrower
- Other funds necessary for transaction (manual calculation??)
 - Debts paid at close (check guidelines)
 - 30-day accounts, if applicable
 - Credit card financing, if applicable (funds to payoff or include in DTI)
 - Collections and charge-off
 - Multi family owner occupied, second homes and investment transactions - see guidelines
 - Judgements or garnishments

Capital

Large Deposits Fannie Mae

- A large deposit is any deposit that is 50% or more of the total qualifying income being used to qualify
 - Source any account opened in most recent 90 days if using VODs
 - Asset statements look for one or two month seasoning depending on recommendation
 - Investors often are more conservative so check guidelines

Transaction Type	Evaluation Requirements
Refinance transactions	Documentation or explanation for large deposits is not required; however, the lender remains responsible for ensuring that any borrowed funds, including any related liability, are considered.
Purchase transactions	<ul style="list-style-type: none">• If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the lender must document that those funds are from an acceptable source. Occasionally, a borrower may not have all of the documentation required to confirm the source of a deposit. In those instances, the lender must use reasonable judgment based on the available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile. Examples of acceptable documentation include:

Fannie Mae Single Family Selling Guide § B3-4.2-02, Depository Accounts (05/27/2014)

	<p>Using the provisions above, one deposit to account toward the 50% threshold is identified. It does not meet the large deposit definition.</p> <p>The unseasoned \$500 is 12.5% of the borrower's \$4,000 monthly income, falling short of the 50% definition of a large deposit. Therefore, it is not considered a large deposit and the entire \$20,000 balance in the ABC Bank account can be used for underwriting purposes.</p> <ul style="list-style-type: none">• Scenario 2: Using the same borrower example, a deposit of \$5,000 is identified, but only \$500 is documented as coming from the borrower's federal income tax refund, leaving \$2,500 unseasoned. <p>In this instance, the unseasoned \$2,500 is 63% of the borrower's \$4,000 monthly income, which does meet the definition of a large deposit. Therefore, the unseasoned \$2,500 must be subtracted from the account balance of \$20,000 and only the remaining \$17,500 may be used for underwriting purposes.</p>
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Deposits Which May Indicate Borrowed Funds Must Be Investigated.

Capital

Large Deposits Freddie Mac

- A large deposit is any deposit that is 50% or more of the total qualifying income being used to qualify
 - Source any account opened in most recent 90 days if using VODs

Topic	Documentation Requirements
Required funds (continued) (Guide Section 5103.1 and Guide Chapter 5501)	Asset documentation must meet the requirements of Guide Sections 5102.3 and 5102.4, as applicable, and be maintained in the mortgage file. In addition: <ul style="list-style-type: none">▪ For purchase transactions, document the source of funds for any single deposit exceeding 50% of the total monthly qualifying income for the mortgage (referred to as a large deposit) if the deposit is needed to qualify the borrower for the mortgage transaction. When a large deposit is not documented and is not needed to qualify the borrower for the mortgage transaction, reduce the funds used for qualifying purposes by the amount of the unverified
<i>Freddie Mac Seller/Servicer Guide</i> <i>§ 5103.1 and 5501 Required funds</i>	
	<ul style="list-style-type: none">▪ When the source of funds can clearly be identified (e.g., direct payroll deposits or tax refund), additional documentation is not required.▪ If an account was opened within 90 days of a direct verification (i.e., VOD) and/or reflects a current balance significantly greater than the average balance, document the source of funds.▪ You must consider any liabilities resulting from all borrowed funds.

Deposits Which May Indicate Borrowed Funds Must Be Investigated.

Capital

Earnest Money

- Documentation
 - From eligible source (account listed on 1003?)
 - Correct documentation per guidelines – Is it a gift?
- Make sure funds are not counted twice
 - Back out of bank account balance if necessary

Capital

Borrower's Own Funds

– Fannie Mae

The following table describes the minimum borrower contribution requirements for transactions that contain gifts.

LTV, CLTV, or HCLTV Ratio	Minimum Borrower Contribution Requirement from Borrower's Own Funds	
80% or less	One- to four-unit principal residence Second home	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
Greater than 80%	One-unit principal residence	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
	Two- to four-unit principal residence Second home	The borrower must make a 5% minimum borrower contribution from his or her own funds. ¹ After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves. See B5-6-03, HomeReady Mortgage Underwriting Methods and Requirements , for HomeReady mortgage minimum borrower contribution and down payment requirements.

1. If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence.

Capital

Borrower's Own Funds

– Freddie Mac

- No requirement for >80% LTV loans where:
 - Primary residence and
 - Gift or gift of equity received from eligible donor used as source of funds or
 - Employer Assisted Homeownership (EAH) Benefit is used as source of funds
- Some >80% LTV loans secured by manufactured loans no longer require borrower's own funds in transaction

– Genworth follows the GSE guidelines on borrower's own funds

(b) Special requirements for Borrower personal funds

(i) Minimum Borrower contribution

For a purchase transaction Mortgage, the Borrower must make a minimum contribution from Borrower personal funds when specifically required in the Guide, as summarized in the chart below.

Minimum contribution from Borrower personal funds			
Mortgage type	Guide section number	Mortgages with LTV/TLTV/HTLTV ratios ≤ 80%	Mortgages with LTV/TLTV/HTLTV ratios > 80%
Mortgage secured by a 1- and 2-unit Primary Residence	N/A	None	
Mortgage secured by a 3- and 4-unit Primary Residence	N/A	None	N/A
Mortgage secured by a second home	5501.3(c)	None	5% of value, when gift funds or grants are used for the transaction
Mortgage secured by an Investment Property	4201.16	All funds used for the transaction must be Borrower personal funds	
Mortgages with shared equity plans	4204.5	5% of value (must be Owner-Occupant's personal funds)	

See Section 4501.10 for requirements for minimum contribution from Borrower personal funds for Home Possible® Mortgages.

Capital- Gift Funds

Gift Funds

- Enter into AUS correctly
- Must come from acceptable source
- A gift can be provided by:
 - A relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
 - A fiancé, fiancée, or domestic partner
- Document correctly
- *Verify donor availability
 - Funds transfer per investor guidelines
 - Fannie Mae prior to, or at closing
 - Freddie Mac prior to closing
- Other restrictions
 - Investment properties, gifts are **not** allowed

**The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.*

Assets and Liabilities

***New**

*** Section 2: Financial Information — Assets and Liabilities.** This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

*** 2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have**

Include all accounts below. Under Account Type, choose from the account types listed here:

• Checking	• Certificate of Deposit	• Stock Options	• Bridge Loan Proceeds	• Trust Account
• Savings	• Mutual Fund	• Bonds	• Individual Development Account	• Cash Value of Life Insurance (used for the transaction)
• Money Market	• Stocks	• Retirement (e.g., 401k, IRA)		

Account Type – use list above	Financial Institution	Account Number	Cash or Market Value
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$
Provide TOTAL Amount Here			\$

List Assets

- Breakdown by type of asset
- Ask applicant which account or accounts or “source” of funds will be used for the transaction
- Collect two months assets statement
- Know what is considered a large deposit
- Explain any change source of funds must be communicated to you (i.e. borrower was to get a gift but now liquidating their 401k)
- Does borrower have access to retirement accounts without restriction?
- Proof of liquidation?

Do not enter gift funds in Section 2. Gifts are entered in Section 4.

Assets & Liabilities

***New**

Do not enter gift funds in Section 2. Gifts are entered in Section 4.

*** 4d. Gifts or Grants You Have Been Given or Will Receive for this Loan** ☐ Does not apply

Include all gifts and grants below. Under Source, choose from the sources listed here:

- Relative
- Employer
- Community Nonprofit
- State Agency
- Other
- Unmarried Partner
- Religious Nonprofit
- Federal Agency
- Local Agency

Asset Type (Cash Gift, Gift of Equity, Grant)	Source – use list above	Cash or Market Value
<input type="text"/> <input type="radio"/> Deposited <input type="radio"/> Not Deposited	<input type="text"/>	\$
<input type="text"/> <input type="radio"/> Deposited <input type="radio"/> Not Deposited	<input type="text"/>	\$

Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must:

- specify the dollar amount of the gift;
- specify the date the funds were transferred;
- include the donor’s statement that no repayment is expected; and
- indicate the donor’s name, address, and relationship to the borrower

Documentation of donor ability/transfer and proof of receipt of the gift will be required prior (prior to for Freddie Mac) or at closing.

Capital- Gift Funds/ Documentation Requirement

Gifts must be evidenced by a letter signed by the donor, called a gift letter which:

- Specifies the dollar amount of the gift;
- Specifies the date the funds were transferred;
- Includes the donor's statement that no repayment is expected; and
- Indicates the donor's name, address, telephone number, and relationship to the borrower

Acceptable Donor

A gift can be provided by:

- A relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
- A fiancé, fiancée, or domestic partner

The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

Capital- Gift Funds

Availability & Transfer of Funds

The lender must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account. Acceptable documentation includes the following:

- a copy of the donor's check and the borrower's deposit slip,
- a copy of the donor's withdrawal slip and the borrower's deposit slip,
- a copy of the donor's check to the closing agent, or
- a settlement statement showing receipt of the donor's check (Fannie Mae Only)

Fannie Mae Only: When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check with remitter as the donor.

Freddie Mac: Requires the gift to be transferred to the borrower prior to closing, unless it is a gift of equity.

Capital- Gift Funds: Freddie Mac

ASSET DOCUMENTATION, continued	
Topic	Documentation Requirements
Gift funds or a gift of equity (Guide Section 5501.3(c))	<p>Provide a gift letter signed by the donor. Information provided in the gift letter must:</p> <ul style="list-style-type: none"> State the donor's name and the funds are given by a related person Include the donor's mailing address and telephone number State the amount of the gift funds or gift of equity Establish the gift funds or gift of equity are a gift that does not have to be repaid <p>Gift funds: If the verifications provided in the mortgage file do not show evidence that the gift funds have been deposited in the borrower's account, the borrower must provide evidence of the transfer of funds from the donor to the borrower.</p> <p>Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.</p> <p>Note:</p> <ul style="list-style-type: none"> Investment Property Mortgages: Gift funds or gift of equity are not an eligible source of funds Second Home Mortgages with LTV/TLTV/HTLTV ratios greater than 80%: Minimum contribution from borrower personal funds must be 5% of value when gift funds or grants are used for the transaction.
Gift funds received as a wedding gift (Guide Section 5501.3(c))	<p>Provide the following:</p> <ul style="list-style-type: none"> A copy of the marriage license or certificate A verification of the gift funds in the borrower's depository account <p>The gift funds must be on deposit in the borrower's depository account within 60 days of the date of the marriage license or certificate</p>
A gift or grant from an agency (Guide Section 5501.3(c))	<p>Provide documentation supporting a gift or grant from an agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower. The documentation must:</p> <ul style="list-style-type: none"> Establish that the funds were provided by an Agency Establish that the organization has an established gift or grant program Establish that the funds are a gift or grant that does not have to be repaid Provide evidence that the funds were received by the borrower or by the Seller on the borrower's behalf Identify the donor's mailing address

Capital: Fannie Mae

Borrowers with Multiple Financed Properties – Reserve Requirements

- DU determines the reserves required for the other residential financed properties (excluding the borrower's principal residence and the subject property)
- The reserve amount is determined by applying a percentage to the outstanding unpaid principal balance (UPB) for all *mortgages and HELOC's disclosed on the application
- The percentage is based on the number of financed properties the borrower is obligated on
- Max is 10 financed Properties

RESERVES CALCULATION TABLE	
2 to 6 financed properties (Manually Underwritten and Casefiles Underwritten through DU)	<p>The % of UPB is based on the number of <u>financed properties</u>:</p> <ul style="list-style-type: none">• If 2-4 financed properties, reserves = 2% of aggregated mortgage UPBs for all other* financed properties.• If 5-6 financed properties, reserves = 4% of aggregated mortgage UPBs for all other* financed properties. <p>*Other includes all financed properties which are not the subject property or the borrower's principal residence.</p>
7 to 10 financed properties (DU Casefiles Only)	<p>The % of UPB is based on the number of <u>financed properties</u>:</p> <ul style="list-style-type: none">• If 7-10 financed properties, reserves = 6% of aggregated mortgage UPBs for all other* financed properties. <p>*Other includes all financed properties which are not the subject property or the borrower's principal residence.</p>

**If marked paid by close, omit or if associated with subject property, not included.*

Capital: Fannie Mae

Borrowers with Multiple Financed Properties

Examples of Reserves Calculations

The following tables contain examples of reserves calculations for borrowers with multiple financed properties.

Example 1: Three Financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Second Home	\$78,750	\$776	2 Months PITIA =	\$1,552
Principal	\$0	\$179	N/A	\$0
Investor	\$87,550	\$787	\$230,050 x 2% =	\$4,601
Investor	\$142,500	\$905		
	\$230,050		Total =	\$6,153

Capital: Freddie Mac

Loan Product Advisor Updated To Determine Reserves For Other Financed Properties

- Loan Product Advisor will determine reserves for additional properties owned and obligated on when subject is a second home or investment property
- Data accuracy is critical
- Enter all eligible assets
- Enter details for each additional 1-4 unit residential property in which the borrower has ownership interest and is obligated on the financing
- Specifically:
 - Property disposition
 - Subject property
 - Current Resident
 - Liabilities associated with each property?

The screenshot shows a document from Freddie Mac titled "Understanding Loan Product Advisor's Determination of Reserve Requirements". The document is dated November 2017 and is page 2 of 2. It provides guidance on how to enter eligible reserves and gift funds in the Loan Product Advisor system. Key sections include:

- Effective for mortgages since:** This reference provides an overview of requirements and data entry tips for minimum reserve requirements. For complete information, refer to the Single-Family Seller/Service Guide (Guide) Section 5501.2.
- What Are Reserves?** Reserves are the borrower's eligible months of the monthly payment. Examples include:
 - Principal and interest
 - Property hazard insurance
 - Real estate taxes
 - When applicable:
 - Mortgage insurance
 - Leasehold payments
 - Homeowners association fees
 - Payments on second mortgages
- How Does Loan Product Advisor Determine Reserves?** For each transaction, Loan Product Advisor determines the loan and Guide requirements. While other transactions may require verification, Loan Product Advisor determines the amount to be verified through messages on the Loan Product Advisor Feedback Certificate.
- Data Entry Tips for Determining Reserves through the Loan Product Advisor** Data accuracy is critical to Loan Product Advisor. Enter eligible assets in the Reserves field (b) and (c) for information.
- Enter eligible reserves as a total across all borrowers in the Reserves field.** Loan Product Advisor will determine the amount of reserves requiring verification and return this information in a message on the Loan Product Advisor Feedback Certificate. Refer to Guide Section 5501.3 (b) and (c) for information about assets that may be used to calculate reserves.
- Enter gift funds in the Total Gift Fund field as the total for all borrowers.** For conventional mortgages, the Total Gift Fund field must include all gift funds – those already received and those expected. For FHA/VA mortgages, comply with the gift fund requirements set forth in the FHA Single Family Housing Policy Handbook 4000.1 (HUD Handbook 4000.1) and VA Lender's Handbook, as applicable.
- Enter details for each additional 1- to 4-unit residential property in which the Borrower has an ownership interest and/or on which the Borrower is obligated.** Specifically, ensure information entered in the following fields is accurately reflected:
 - In Real Estate Owned section:
 - Property Disposition
 - Subject Property?
 - Current Residence?
 - In Liabilities section for Mortgage associated with the property:
 - Monthly Payment
 - Unpaid Balance
- Review the asset messages on the Loan Product Advisor Feedback Certificate to confirm the type of assets entered.** For each asset type entered, Loan Product Advisor provides messages regarding how to document the asset.

Footer: November 2017, www.FreddieMac.com/loan/, Page 2


Capital: Freddie Mac

Effective August 20, 2018

Selling Updates

Increasing number of financed properties to 10 when subject is a second home or investment. When 7-10 range loan must have:

- 720 credit score
- 8 months reserves for each second home or investment property borrower owns/obligated on
- Accept/Eligible



Freddie Mac Bulletin

TO: Freddie Mac Sellers June 27, 2018 | 2018-10

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

Property eligibility and appraisal requirements

- Eligibility of Condominium Units for [automated collateral evaluation](#) – July 16, 2018 (New)
- Updates to our [comparable sales selection](#) requirements

Condominium Projects

- Revisions to our requirements for [Detached Condominium Projects](#) – June 28, 2018
- Updates to our requirements for [Freddie Mac-owned "no cash-out" refinance](#) Condominium Unit Mortgages
- Updates to our requirements for [New Condominium Projects](#)
- Revisions to our general [Condominium Project eligibility](#) requirements

Maximum number of financed properties

- Increase in the [maximum number of financed properties](#) that a Borrower may be obligated on when the subject property is a second home or an Investment Property, provided that additional requirements are met – August 20, 2018

Cash-Released XChange™

- Guide revisions to reflect the rebranding of our [Servicing-released executions](#)
- Implementation of [Freddie Automated Servicing Transfer™ \(FAST™\)](#) – October 1, 2018 (New)

Additional Guide updates and reminders

- Further updates and reminders as described in the [Additional Guide Updates and Reminders](#) section of this Bulletin.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

PROPERTY ELIGIBILITY AND APPRAISAL REQUIREMENTS

Automated collateral evaluation

Effective for new submissions and resubmissions to Loan Product Advisor® on and after July 16, 2018

As part of our continued focus on leveraging big data and advanced analytics to bring greater efficiencies to the loan origination process, we are expanding eligibility for automated collateral evaluation (ACE) appraisal waivers to include Mortgages secured by Condominium Units. As a result, Mortgages secured by Condominium Units that qualify for ACE may receive relief from representation and warranties related to the property's value, condition and marketability, providing Sellers with greater purchase certainty.

Additionally, we are updating the Guide to specifically state that to qualify for an ACE appraisal waiver, the Mortgage must receive a Loan Product Advisor® Risk Classification of Accept.

Compliance

Completeness

Compliance

Ensure Completeness of the Loan Application and Loan Package

- Two year history
 - Employment
 - Residence
- Occupancy
 - Make sense
 - Consistent throughout loan file
- All 1003 copies
 - Signed original/scratch
 - Final
- AUS updated with final data
 - Within tolerances, if permitted
- Proofread
 - All information provided
 - All documents in file

Compliance

No Cash-Out, Limited Cash-Out. Rate & Term Refinance

- Fannie Mae Limited cash-out refinance transactions must meet the following requirements:

The transaction is being used to pay off an existing first mortgage loan (including an existing HELOC in first-lien position) by obtaining a new first mortgage loan secured by the same property; or for single-closing construction-to-permanent loans to pay for construction costs to build the home, which may include paying off an existing lot lien.

Only subordinate liens used to purchase the property may be paid off and included in the new mortgage. Exceptions are allowed for paying off a Property Assessed Clean Energy (PACE) loan or other debt (secured or unsecured) that was used solely for energy-related improvements. See [B5-3.3-01, HomeStyle Energy for Improvements on Existing Properties](#), for additional information.

The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).

<https://www.fanniemae.com/content/guide/selling/b/index.html>

Compliance

No Cash-Out, Limited Cash-Out. Rate & Term Refinance

– Fannie Mae Limited cash-out refinance transactions. The following are acceptable in conjunction with a limited cash-out refinance transaction:

- modifying the interest rate and/or term for existing mortgages;
- paying off the unpaid principal balance of the existing first mortgage (including prepayment penalties);
- for single-closing construction-to-permanent transactions, paying for construction costs to build a home, which may include paying off an existing lot lien;
- financing the payment of closing costs, points, and prepaid items. With the exception of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation. (For example, if a particular state law does not allow a lender to require an escrow account under certain circumstances, the loan would be eligible as a limited cash-out refinance without an escrow account.) If an escrow account is not being established, see [B2-1.2-03, Cash-Out Refinance Transactions](#);
- receiving cash back in an amount that is not more than the lesser of 2% of the new refinance loan amount or \$2,000;
- buying out a co-owner pursuant to an agreement;
- paying off a subordinate mortgage lien (including prepayment penalties) used to purchase the subject property. The lender must document that the entire amount of the subordinate financing was used to acquire the property; or
- paying off the unpaid principal balance of PACE loans and other debt used for energy-related improvements, described above.

<https://www.fanniemae.com/content/guide/selling/b/index.html>

Compliance

No Cash-Out, Limited Cash-Out. Rate & Term Refinance

Freddie Mac- A refinance Mortgage is either:

1. A Mortgage the proceeds of which are used to pay off an existing Mortgage or Mortgages secured by the Mortgaged Premises with the cancellation of the existing promissory note(s) and the execution of a new promissory note and a new Security Instrument, or
2. A Mortgage secured by Mortgaged Premises previously owned free and clear by the Borrower

A Mortgage the proceeds of which are used to pay off an Interim Construction Financing must meet requirements of Chapter 4602 for Construction Conversion and Renovation Mortgages, including, but not limited to, how the transaction type (purchase or refinance) is determined.

Freddie Mac offers three types of refinance Mortgages:

A "no cash-out" refinance

A cash-out refinance

A special purpose cash-out refinance

Within these types, Freddie Mac has special requirements for refinancing certain Mortgages currently owned by Freddie Mac.

Compliance

No Cash-Out, Limited Cash-Out. Rate & Term Refinance

- Freddie Mac No Cash-Out

Cash back requirements for “no cash-out” refinance Mortgages

Effective for Mortgages with Settlement Dates on and after October 27, 2018; but Sellers may implement immediately

Previously, for a “no cash-out” refinance Mortgage, proceeds could be used to disburse cash to the Borrower (or other payee) not to exceed 2% of the new refinance Mortgage, or \$2,000, whichever was less.

→ To provide flexibility in the disbursement of cash back to the Borrower, we are revising our requirements to permit cash back up to the greater of 1% of the Mortgage amount or \$2,000.

Guide impacts: Sections 4301.4, 4602.5 and 5703.4

Genworth Underwriting Guidelines

The screenshot shows the Genworth website interface. At the top, the Genworth logo is on the left, and contact information (800 444.5664) and a search bar are on the right. Below the header, a navigation bar includes links for MI & RATES, UNDERWRITING & GUIDES (highlighted with a red box), LOS & CONNECTIONS, GENWORTH TOOLKIT, and TRAINING. A dropdown menu for 'UNDERWRITING & GUIDES' is open, listing: View Underwriting Guides, Access Regulatory Resources, About Contract Services UW, and Get UW Tips & Policies. The main content area features a large banner with the text 'SOMETIMES IN THE AIR...' and 'Introducing GenRATE™, the risk-based pricing solution choice.' To the right of the banner is a cloud graphic with the text 'Welcome to GenRATE™'. Below the banner, there are three colored boxes: 'Underwriting' (blue), 'Rate Express' (green), and 'LOS' (orange). The 'Underwriting' box is highlighted with a red border and contains a 'Ranked Best in Class' award icon, the text 'Technology. Innovation. We're changing the way the MI industry approaches underwriting.', and a 'KNOW MORE >>' link. The 'Rate Express' box contains a percentage icon, the text 'Find a rate. Share the results.', and a 'GET A QUOTE NOW >>' link. The 'LOS' box contains a hand icon, the text 'We'll meet you in your LOS.', and a 'LET'S GO >>' link.

Genworth Rate *Express*®

The screenshot shows the Genworth Rate Express website. At the top, the Genworth logo is on the left, and contact information (800 444.5664) and a search bar are on the right. A navigation bar below the header includes links for MI & RATES, UNDERWRITING & GUIDES, LOS & CONNECTIONS, GENWORTH TOOLKIT, and TRAINING. The MI & RATES link is highlighted with a red box, and a dropdown menu is open, listing options like 'Get A Quote - Rate Express', 'View Rate Cards', 'Explore MI Products', 'Learn About MI', 'Understand Your Master Policy', and 'Compare MI & FHA'. The main banner features a large image of colorful balloons and a cloud with the text 'Welcome to GenRATE'. Below the banner, there are three main sections: 'Underwriting' (blue header), 'Rate Express' (green header, highlighted with a red box), and 'LOS' (orange header). The 'Rate Express' section includes a percentage icon, the text 'Find a rate. Share the results.', and a 'GET A QUOTE NOW »' link. The 'Underwriting' section features a 'Ranked Best in Class' award icon and text about technology and innovation. The 'LOS' section includes a hand icon and text about meeting in the LOS.

Genworth

800 444.5664 | Search

LOG IN TO:
• ORDER MI
• MANAGE MI
• VIEW ACCOUNT

MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | GENWORTH TOOLKIT | TRAINING

Let's house today. Genworth Mortgage Insurance

Get A Quote - Rate Express
View Rate Cards
Explore MI Products
Learn About MI
Understand Your Master Policy
Compare MI & FHA

WELCOME TO
GenRATE

Underwriting
Technology. Innovation.
We're changing the way
the MI industry approaches
underwriting.
KNOW MORE »

Rate Express
Find a rate.
Share the results.
GET A QUOTE NOW »

LOS
We'll meet
you in your LOS.
LET'S GO »

LOS Connections

The screenshot shows the Genworth website interface. At the top, the Genworth logo is on the left, and contact information (800 444.5664) and a search bar are on the right. Below the header, a navigation bar includes links for MI & RATES, UNDERWRITING & GUIDES, LOS & CONNECTIONS (highlighted with a red box), GENWORTH TOOLKIT, and TRAINING. A dropdown menu for LOS & CONNECTIONS is open, listing: Submit on our Site, Submit with your LOS, Use Optimal Blue & Doc Delivery, and Access Paper Applications. The main content area features a large banner for 'SOMETHING'S IN THE AIR...' introducing GenRATE, the risk-based pricing solution. To the right of the banner is a 'Welcome to GenRATE' cloud graphic. Below the banner are three service cards: 'Underwriting' (blue), 'Rate Express' (green), and 'LOS' (orange, highlighted with a red box). The 'LOS' card includes the text 'We'll meet you in your LOS.' and a 'LET'S GO >>' link.

Genworth

800 444.5664 | Search

LOG IN TO:
• ORDER MI
• MANAGE MI
• VIEW ACCOUNT

MI & RATES | UNDERWRITING & GUIDES | **LOS & CONNECTIONS** | GENWORTH TOOLKIT | TRAINING

Let's help someone buy a house to

SOMETHING'S IN THE AIR...
Introducing GenRATE™, the risk-based pricing solution choice.

Submit on our Site
Submit with your LOS
Use Optimal Blue & Doc Delivery
Access Paper Applications

Genworth Mortgage Insurance

Welcome to GenRATE ▶

Underwriting
Technology. Innovation. We're changing the way the MI industry approaches underwriting.
KNOW MORE >>

Rate Express
Find a rate. Share the results.
GET A QUOTE NOW >>

LOS
We'll meet you in your LOS.
LET'S GO >>

Training Tools and Information

The screenshot displays the Genworth website's navigation and content. At the top, the Genworth logo is on the left, and contact information (800.444.5664) and a search bar are on the right. A navigation bar contains links for MI & RATES, UNDERWRITING & GUIDES, LOS & CONNECTIONS, GENWORTH TOOLKIT, and TRAINING. The TRAINING link is highlighted with a red box. A dropdown menu from TRAINING lists: Browse Course Catalog, View Live Webinar Calendar, Self-Employed Borrower Calculators, Get to Know Our Trainers, Learn About That MI Guy, and Get Answers to FAQs. Two red arrows point to the first two items in the dropdown. Below the navigation bar, a banner reads "Let's help someone buy a house today." followed by "SOMETHING'S IN THE AIR..." and "Introducing GenRATE™, the risk-based pricing solution choice." To the right of the banner is a cloud graphic with "Welcome to GenRATE™" and a play button. Below the banner are three colored boxes: "Underwriting" (blue) with a "Ranked Best in Class" ribbon and text "Technology. Innovation. We're changing the way the MI industry approaches underwriting. KNOW MORE »"; "Rate Express" (green) with a percentage icon and text "Find a rate. Share the results. GET A QUOTE NOW »"; and "LOS" (orange) with a hand icon and text "We'll meet you in your LOS. LET'S GO »".

Genworth

800.444.5664 | Search

LOG IN TO:
• ORDER MI
• MANAGE MI
• VIEW ACCOUNT

MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | GENWORTH TOOLKIT | **TRAINING**

Let's help someone buy a house today.

SOMETHING'S IN THE AIR...
Introducing GenRATE™, the risk-based pricing solution choice.

Welcome to GenRATE™

Underwriting
Ranked Best in Class
Technology. Innovation. We're changing the way the MI industry approaches underwriting.
KNOW MORE »

Rate Express
Find a rate. Share the results.
GET A QUOTE NOW »

LOS
We'll meet you in your LOS.
LET'S GO »

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Get to Know Our Trainers
Learn About That MI Guy
Get Answers to FAQs

Training Tools and Information

Course Catalog

Topic

Search Training Courses

Genworth offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line and ultimately best serve your borrowers. With more than 90 courses in our catalog, our team is here to help you stay up-to-date on the mortgage industry and regulatory environment. Classes are all offered at no cost to you.

Browse by Topic



Browse by Role



Featured Courses

Fannie Mae Form 1084 Calculator (2016-2017) Calculate cash flow analysis to help you complete Fannie Mae Form 1084. <small>UPDATED</small>	Freddie Mac Form 91 Calculator (2016-2017) Quick reference guide and income analysis for Freddie Mac Form 91. <small>UPDATED</small>	Freddie Mac Form 92 Calculator (2016-2017) Form 92 for Rental Income Calculations - Schedule E. <small>UPDATED</small>
Schedule Analysis Method (SAM) Calculator (2016-2017) Calculate qualifying income from tax returns. <small>UPDATED</small>	Rental Income Calculator (2016-2017) Helper in calculating rental income from IRS Form 1041 (Schedule E). <small>UPDATED</small>	Current Ratio - Liquidity Calculator (2016-2017) Calculate working capital liquidity against current liabilities. <small>UPDATED</small>
Quick Ratio - Liquidity Calculator (2016-2017) Calculate an organization's liquidity against current liabilities. <small>UPDATED</small>	2106 Expense Form (2016-2017) Calculator and quick reference guide to assist you in completing 2106 expenses. <small>UPDATED</small>	Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence 2 to 4-unit Property). <small>UPDATED</small>
Fannie Mae Rental Guide (Calculator 1038) Worksheet for calculating qualifying rental income for Fannie Mae Form 1038 (Individual Rental Income From Investment Property). <small>UPDATED</small>	Fannie Mae Rental Guide (Calculator 1039) Calculator qualifying rental income for Fannie Mae Form 1039 (Business Rental Income From Investment Property). <small>UPDATED</small>	

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- **Your Genworth Sales
Representative**



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Questions?