



To:	All Customers	From:	Credit Policy
Date:	07/13/20	Memo #:	20072
Subject:	Conventional Underwriting Guideline Updates		

The [Conventional Underwriting Guidelines](#) will be updated with the following clarifications and are effective immediately unless otherwise noted.

RATE-AND-TERM (LIMITED CASH-OUT) REFINANCE UPDATE

It is no longer required to establish an escrow account in order to include the payoff of non-delinquent real estate taxes as a part of the loan amount on a rate-and-term refinance. The funds must be paid through the closing transaction, with no funds used for the taxes to be distributed to the borrower. As a reminder, unpaid taxes more than 60 days delinquent may not be included in the loan amount on rate-and-term transactions and are subject to cash-out refinance and escrow waiver limitations.

AREA MEDIAN INCOME LIMITS (AMI)

Each year Fannie Mae and Freddie Mac publish updated income requirements for HomeReady and Home Possible based on published Area Median Income data.

DU and the online Fannie Mae HomeReady Income Eligibility Lookup Tool were updated over the weekend of June 20, 2020 with the new 2020 AMI limits. New income limits are effective with new loan casefiles submitted after June 20, 2020.

Loan Product Advisor and the Home Possible Income & Property Eligibility tool were updated on July 12, 2020 to reflect the updated Borrower income limits as well as the 2020 AMI limits. New income limits are effective with new applications received on or after July 12, 2020.

NON-EMPLOYMENT RELATED ASSETS AS QUALIFYING INCOME FOR FANNIE MAE

Effective July 20, 2020 for new application registrations, the calculation method of the monthly income stream for non-employment related assets as income for Fannie Mae (DU) is being updated to allow for calculation by the term of the mortgage only. The previous secondary method of calculating the income stream by annuity period is being removed.

Pipeline loans using an annuity method of calculation for non-employment related assets as qualifying income for Fannie Mae must be closed and funded or purchased by Friday August 14, 2020.

Please refer to the [Conventional Underwriting Guidelines](#) for all eligibility requirements.