To:	All Customers	**From:**	Credit Policy
Date:	09/24/2020	**Memo #:**	20096
Subject:	**Conventional Guideline Updates**		

The *Conventional Underwriting Guidelines* will be updated with the following clarifications and are effective immediately unless otherwise noted.

TAX EXEMPT INCOME- FREDDIE MAC

For social security income only, 15% of the gross income may be grossed up without further documentation validating the income is tax exempt.

Example of Social Security Income Calculation		
Gross Social Security income received monthly		$500
Taxable Portion	85% of income received is considered taxable	$500 x 85% = $425
Non-Taxable Portion	15% of the income received is considered non-taxable	$500 x 15% = $75
	Non-taxable portion grossed up by 25%	$75 x 125% = $93.75
Qualifying Income	Addition of Taxable and Non-Taxable amounts for total used for qualification	$425 + $93.75 = $518.75mo

RESALE RESTRICTED PROPERTIES- FREDDIE MAC

The Right of First Refusal under the resale restrictions has been updated to a time period not to exceed 120 days from the date of written notice to the parties to which the notice runs. Previously, this period could not be longer than 90 days.

ACCESSORY DWELLING UNIT CLARIFICATIONS

Clarification has been added defining an accessory unit as a space that must provide for living, sleeping, cooking and contain bathroom facilities which may be added to or detached from the primary one-unit dwelling on the same parcel.

The below have been added to the existing requirements for defining a unit as an accessory unit. See guide section for complete list of requirements.

- Be subordinate in size to the primary dwelling
- The kitchen, at minimum, must contain cabinets, a countertop, sink with running water, and a stove or stove hookup (hotplates, microwaves, or toaster ovens are not acceptable substitutes)
    - Note that a second kitchen does not by itself constitute an ADU. Other features of living, sleeping and bathing area must be present.
    - Likewise, the removal of a stove does not change the ADU classification. The presence of a stove hookup is sufficient to classify as an ADU.
- The unit must have an entrance that does not require access through the primary dwelling though it may include an access to the primary residence. However, it is not considered an ADU if it can only be accessed through the primary dwelling or the area is open to the primary dwelling with no expectation of privacy.

See the *Conventional Underwriting Guidelines* for complete details.