

To: All Customers **From:** Credit Policy
Date: 08/05/21 **Memo #:** 21107
Subject: **Conventional Guideline Updates**

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

CHINESE DRYWALL

Chinese drywall as an ineligible property type is being removed. Any identified presence of Chinese drywall must meet the requirements listed under Environment Hazard section of the guidelines.

MORTGAGED PREMISES OCCUPIED BY BORROWER'S PARENT - FANNIE MAE

It is no longer required for the parent to take title to a property when a borrower is purchasing a property as a principal residence for a parent who does not have sufficient income to qualify for a mortgage on their own.

GARNISHMENTS

Clarification is being added to address garnishments, generally disclosed as a deduction on paystubs, with more than 10 months remaining must be included in the monthly debt obligations.

PAYMENTS ON REAL PROPERTY CO-OWNED

When the borrower is on title to a property as an owner (subject property excluded) but is not obligated on the Note, follow the applicable guidance listed below:

- For Fannie Mae/DU, the borrower is not required to qualify with the additional taxes, insurance, or assessment(s) when another person is obligated to a mortgage secured on the property
- For Freddie Mac/LPA, the borrower must qualify with the taxes, insurance, and any assessment(s) for said property unless the expenses are escrowed in the mortgage payment for which the borrower is not obligated.

CONVERTING FROM PART TIME TO FULL TIME

When a borrower has converted from part time to full time employment, it is no longer required to document a full 30 days year-to-date earnings at the full-time rate. A written verification from the employer is required to document the borrower has transitioned to full time in order to use the current wages.

HOUSING OR PARSONAGE INCOME

The documentation requirements which previously only allowed for the use of either a W2 with box 14 completed or tax returns is being removed from the guidelines. Documentation provided must be sufficient to document the income has been received for the most recent 12 months and the allowance is likely to continue for the next three years.

RE-ENTERING THE WORKFORCE

Documentation to support stable employment history directly proceeding the extended absence will be required for a borrower re-entering the workforce after an extended absence. It is no longer



required for the borrower to be employed for a minimum of six months at the new employer in order to use the current income for qualification.

POWER OF ATTORNEY

For single (sole) borrower transactions, a Power of Attorney is now eligible for use. All other applicable guidelines must be met.

Refer to the [Conventional Underwriting Guidelines](#) for complete details which may supersede Fannie Mae and Freddie Mac Seller Guides.

If you have any questions on the contents on this memo, please email underwritingsupport@flagstar.com or call the Underwriting Support Desk at (866) 945-9872