To:	All Customers	**From:**	Credit Risk
Date:	08/19/21	**Memo#:**	21110
Subject:	**Conventional Guideline Updates**		

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

RATE AND TERM (LIMITED CASH-OUT) REFINANCES- FANNIE MAE

For loans with an application dated on or after September 1, 2021, the transaction is not eligible as a rate-and-term refinance if the borrower completed a cash-out refinance transaction with a Note date 30 days or less prior to the application date of a new refinance of the subject property. Additional documentation may be required for loans submitted with the pay-off of a mortgage closed within 30 days of the new application.

CREDIT CARD REWARDS- FANNIE MAE

Credit card reward points are acceptable funds for use towards closing costs, down payment and financial reserves, provided the reward points are converted to cash prior to the closing of the loan. The following requirements apply:

- If the credit card reward points are converted to cash and deposited into the borrower's depository account (for example, checking or savings), no additional documentation is required unless the deposit is considered a large deposit.
- If the credit card reward points are converted to cash, but not deposited into a borrower's depository account, provide evidence the reward points were available to the borrower prior to the conversion, including verification of the cash value (for example, credit card reward statement prior to conversion); and converted to cash prior to the closing of the loan. Asset type must be indicated as "Other".

DELAYED FINANCING

Clarification is being added to state that borrowed funds used to acquire the subject may be paid-off or paid-down with the subject transaction however additional cash-back to the borrower is only permitted if the borrowed funds are paid in full.

ADDITIONAL RESOURCES

- Fannie Mae SEL-2021-07
- Freddie Mac Bulletin 2021-27

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