

Friday, March 12, 2021

Bulletin #2021-AC-012

## NOTICE TO ALL CUSTOMERS

### Conventional Guidelines and COVID-19 Updates

#### **Fannie Mae**

Fannie Mae announced via bulletin [SEL-2021-02](#) Desktop Underwriter (DU) Version 11 will be released the weekend of March 13 2021 to align with updates made by Fannie Mae to the selling guide in the past few months. Loans with DU Case files created in DU Version 10.3 will continue to be underwritten through DU Version 10.3. Also, as part of normal prudent risk management, they are adjusting the DU risk assessment:

- Debt Composition/Debt-to-Income Assessment: DU will continue to use multiple factors to perform a comprehensive risk assessment which will now include an evaluation of the composition of the Borrower's debt, specifically looking at how revolving debts and student loan debts make up the Borrower's total monthly obligations. Borrowers whose revolving debt makes up a considerable percentage of their monthly expenses will represent a higher risk than Borrowers whose revolving debt makes up a smaller percentage of their monthly obligations.
- Variable Income/Self-Employment Assessment: DU will view Borrowers whose total annual income is made up of a higher percentage of variable income i.e. Bonus, Overtime, Commission, Miscellaneous, and Self-Employed as representing increased risk.
- Retirement of DU Version 10.2

#### **Freddie Mac**

Freddie Mac announced via bulletin [2021-9](#) their removal of the option allowing lenders to use 5% of the outstanding balance of 30-day accounts (open-end accounts) into the debt-to-income ratio. Going forward, the full amount of the outstanding account balance must be included in the debt-to-income ratio unless the lender verifies that the Borrower has sufficient funds to pay off the outstanding account balance. FLCBank has aligned its credit policy to this guidance accordingly.

#### **Fannie Mae and Freddie Mac's COVID-19 Policies Extended**

Yesterday the GSEs made the announcement extending the effective dates of some temporary flexibility due to the impacts of COVID-19 on Borrowers; while also announcing the discontinuance of other flexibilities addressed below.

##### **Verifications of Employment Flexibility (Final Extension)**

- The flexibilities for verifications of employment to be completed by the Borrower's direct supervisor/manager or HR are extended for loans with application dates through April 30, 2021.
- Loans with application dates on or after May 1, 2021 must comply with standard applicable guidelines.

##### **Alternative Appraisal Inspections**

- The flexibilities allowing appraisal inspections and reporting requirements to be other than a traditional full URAR appraisal inspection are extended for loan applications through April 30, 2021
- The flexibility allowing the completion reports be provided by someone other than the appraiser are also extended for loan applications through April 30, 2021.

To access our most recently updated Temporary Policies Related to COVID-19 (version 33) please [click here](#).