

Thursday, October 13, 2022  
Bulletin #2022-AC-028

## NOTICE TO ALL CUSTOMERS

### Important Credit Updates and Announcements

#### Fannie Mae

##### **Social Security Income Documentation**

Social Security income documentation has been expanded by Fannie Mae via Bulletin SEL-2022-09 to allow the SSA-1099 form or the most recent signed federal tax returns or tax transcripts to serve as adequate documentation of retirement or disability benefits when the income is derived from the borrower's own account or work record.

DU messages will be updated in a future release, but lenders may take advantage of this policy change immediately. FLCBank accepts these changes effective immediately.

##### **Consumer Fraud Alert Notice**

Fannie Mae issued a consumer alert notice about a consumer fraud scam involving a person who claims to be a Fannie Mae employee contacting people offering to modify their mortgage and requesting money or gift cards. Fannie Mae is investigating this matter. Fannie Mae does not contact individual borrowers. If lenders, servicers, or other mortgage professionals receive inquiries from consumers, please remind them to work only with their own loan servicers. Consumers can always contact Fannie Mae's Consumer Resource Center at 1-800-2FANNIE (1-800- 232-6643), option 4, or obtain more information on Fannie Mae's consumer alert web page.

#### Freddie Mac

##### **Income Reported on IRS Form 1099 for Services Performed**

Freddie Mac is updating its policy when income is received on IRS Form 1099 for services performed and reported by the borrower on Schedule C as it occurs when the pay structure is designated as a "contractor" or "contingent worker" via Bulletin 2022-18 specifying that for this type of income. Lenders must use the requirements for either self-employed income (current requirement) or the new requirements summarized below.

**FLCBank will implement the updates in accordance with this announcement effective with new loan applications received on Monday, October 17, 2022.**

The updated requirements must be documented in the loan file to include but not limited to the following:

- The most recent 2-year 1099s for services performed documenting a two-year history of receipt
- Tax return and all applicable schedules for the most recent year
- YTD income documentation via a YTD paystub, or YTD earnings statement received by the Borrower
- The IRS Schedule C must evidence the following:
  - Gross receipts or sales are equal to the total amount(s) reported on IRS Form 1099(s)
  - Total expenses are  $\leq$  5% of gross receipts or sales after deducting non-cash expenses (i.e., depreciation)
  - The cost of goods sold must be \$0
  - 12-month history of 1099 income and reported expenses

Refer to Selling Guide Sections 5303.2, 5304.1 and 5901.2

## USDA

Updates made to the Single-Family Housing Guaranteed Loan Program (SFHG) USDA Handbook 3555.1 Chapters 10 and 11 are described below and are effective immediately:

### **Chapter 10**

**Child Support Payment Obligation:** Borrowers with delinquent child support payments, subject to collection by administrative offset, are ineligible unless the payments are brought current, the debt is paid in full, or an approved repayment agreement is in place with three timely payments made prior to loan closing (the Borrower cannot prepay the scheduled payments in order to meet the required minimum of three months of payments), the arrearage is paid in full prior to loan closing, or a release of liability is documented. **Loans in the pipeline that do not meet this requirement must close on or before October 31, 2022.**

### **Chapter 11**

**Student Loans:** Revised guidelines to indicate that for all outstanding student loans, regardless of the payment status, lenders must use:

- The payment amount reported on the credit report or the actual documented payment, when the payment is above zero; or
- 0.50% of the outstanding loan balance documented on the credit report or creditor verification, when the payment amount is zero.

DTI waiver compensating factor on GUS Refer

- Removed information referencing payment shock as a compensating factor for GUS Refer, Refer with Caution, and manually underwritten loans without GUS assistance

## VA Updates to the Reasonable Value Ordering Data Fields

VA issued [Circular 26-22-15](#) informing lenders of updates made to the Reasonable Value Ordering Data Fields in WebLGY's Request Single Property Appraisal" user interface (UI) consistent with recent revisions made to VA Form 26-1805.

The revisions eliminate unnecessary data fields and add new data fields to collect information necessary to improve appraisal processing which includes:

- Number of pages in the sales contract
- Tidewater POC (Name, Phone Number, and email address)
- Veteran POC (Name, Phone Number, and email address)
- Special Instructions under Section 3-Property Information: Lenders requesting an Alternative Valuation Method pursuant to VA Circular 26-22-13 (Exhibit A and Exhibit B) should include a note in this section.

**IMPORTANT:** FLCBank is in the process of updating credit guidelines on all products affected by these changes.

If you have any questions, please contact your [Account Executive or Client Relations Representative](#).

To access our most recently updated Temporary Policies Related to COVID-19 (version 47) please [click here](#).