

Monday, January 9, 2023

Bulletin #2023-AC-001

## NOTICE TO ALL CUSTOMERS

### Important Conventional Credit Updates and ATR-QM Points and Fees Thresholds

This bulletin announces credit updates made by Fannie Mae and Freddie Mac to various requirements for Conventional Mortgages and new CFPB Qualified Mortgages and HOEPA Points and Fees threshold

#### Fannie Mae

##### Use of Business Assets

The requirements related to the use of business assets on self-employed borrowers have been simplified when self-employed income is not being used to qualify for the loan, but the borrower is using assets from the business towards a down payment, closing costs, and/or financial reserves:

- The borrower must be listed as an owner of the business account
- The business account must be verified in accordance with standard verification of funds to close and bank statements, and
- The underwriter is not required to perform a business cash flow analysis

##### Gift Letter Requirements

Gift letters can now either specify the exact dollar amount or the maximum dollar amount of the gift being given to the borrower (the actual amount of gift funds received must still be documented in the DU findings) and removed the requirement that gift letters must specify the date the funds were transferred.

Note: with these two updates, Fannie Mae is now closely aligned with Freddie Mac's policies already in place related to these topics.

#### Freddie Mac

##### Acceptable Gift and Gift of Equity Updates

Freddie Mac announced in Bulletin 2022-25 a new seasoning requirement when a first mortgage is being refinanced with the proceeds of a cash-out refinance must be seasoned for 12 months (at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage).

##### Cash-Out Refinance Seasoning Requirement Updates

Freddie Mac announced in Bulletin 2022-25 about a new seasoning requirement when the first mortgage being refinanced with the proceeds of a cash-out refinance which now must be seasoned for 12 months (at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage).

**FLC Bank adheres to the new seasoning requirement effective with loans locked on or after January 13, 2023. Loans currently in the pipeline locked before January 13, 2023, must close/fund on or before January 31, 2023.**

Note that the seasoning requirement does not apply when:

- The cash-out refinance Mortgage is a special purpose cash-out refinance a/k/a buyout of an Owner's Interest, or
- When the First Lien Mortgage being refinanced is a Home Equity Line of Credit (HELOC)

## CFPB Annual Threshold Adjustments for ATR/QM and HOEPA test for 2023

The CFPB announced their final rule for Regulation Z annual threshold adjustments for ATR/QM and HOEPA points and fees test and adjusted total loan amounts effective January 1, 2023.

### Ability to Repay/ Qualified Mortgage Points and Fees Test

Loan amount thresholds for loans with an interview date on or after 1/1/2023	Allowable Points and Fees for loans with an interview date on or after 1/1/2023
$\geq$ \$124,331	3% of the ATR/QM Total Loan Amount
Greater than or equal to \$74,599 but less than \$124,331	Flat dollar cap of \$3,730
Greater than or equal to \$24,866 but less than \$74,599	5% of the ATR/QM Total Loan Amount
Greater than or equal to \$15,541 but less than \$24,866	Flat dollar cap of \$1,243
$<$ \$15,541	8% of the ATR/QM Total Loan Amount

(NOTE: The minimum loan amount FLCB allows is \$75,000.)

### HOEPA Points and Fees Test

Loan amount thresholds for loans with an interview date on or after 1/1/2023	Allowable Points and Fees for loans with an interview date on or after 1/1/2023
$\geq$ \$24,866	5% of the HOEPA Total Loan Amount
Greater than or equal to \$14,541 but less than \$24,866	Points and fees exceed the lesser of \$1,243 or 8% of the ATR/QM Total Loan Amount

The Fannie Mae and Freddie Mac Product Guidelines have been updated on the FLCBank website [www.flcbmtg.com](http://www.flcbmtg.com)

Please contact your [Account Executive or Client Relations Representative](#) if you have any questions.

Please [click here](#) to access our most recently updated Temporary Policies Related to COVID-19 (version 48).