

## NOTICE TO ALL CUSTOMERS

### Important Fannie Mae and Freddie Mac Credit Updates

On January 10, 2024, FLCBank published a summary of Fannie Mae and Freddie Mac credit updates via Bulletin #2024-AC-003. This bulletin is to provide Customers FLCBank's credit underwriting updates and the timeline of adherence to the credit updates.

#### Fannie Mae

FLCBank accepts the following Fannie Mae updates published in [SEL-2023-11](#) as follows:

- Restricted Stock Units (RSU) and Restricted Stocks (RS) are eligible sources of qualifying income if they have been vested and distributed to the borrower without restriction and all of the following is documented:
  - Evidence the stock is publicly traded,
  - The current vesting schedule reflecting past and future vesting,
  - Brokerage or bank statement showing receipt of the previous year(s) distribution and, at a minimum, the number of vested shares or the cash equivalent,
  - The Verification of Employment reflects distributions, or the borrower's recent paystub showing receipt of the income; and
  - W-2 forms covering the most recent two-year period.

FLCBank accepts this update effective immediately.

- Allowing the grossing up of Child Support and Social Security benefits without providing additional documentation evidencing nontaxable status.
  - Child Support income: The full amount of child support income can be considered as nontaxable and grossed up by 25%.
  - Social Security income: The underwriter may treat 15% of the income as nontaxable and gross up that nontaxable 15% by 25%. Note that with this update Fannie Mae is now in sync with Freddie Mac's policy when grossing up social security income.

FLCBank accepts this update effective immediately.

- Alternative for the 10-Day Pre-Closing Verification of Employment: Introduction of the use of a paystub showing YTD earnings dated within 15 business days from the pay period immediately preceding the Note Date, or a bank statement that is dated within 15 business days preceding the Note Date as an alternative option for lenders to meet the pre-closing verbal verification of employment.

FLCBank accepts this update effective immediately.

Option for Correspondent Lenders to use Fannie Mae's "new" Income Calculator tool for Self-Employed Borrower available through Fannie Mae's authorized technology service providers so long all requirements are met:

- The information submitted to the income calculator must be accurate and complete,
- The amount of income used for qualifying cannot be more than the amount calculated by the tool, and
- The final copy of the Findings Report must be included in the loan file.

Important: This option is not available for Non-Delegated/Broker originations.

## Freddie Mac

FLC Bank accepts the following Freddie Mac updates published in [Bulletin 2023-24](#) as follows:

- **Restricting Non-Occupying Borrowers on Cash Out Refinances:** All Borrowers must occupy the property being refinanced as a cash out refinance transaction. This requirement is effective for new loan submitted/locked on or after February 6, 2024. Locked loans in the pipeline submitted before February 6, 2024, where the cash out refinance has a non-occupying co-borrower must close on or before February 20, 2024.
- **Acceptable Data Sources to be used by Appraisers:** When determining if adjustments for changes in market conditions over time are acceptable. In addition to comparable listings and pending or closed sales, appraisers may utilize Home Price Indices, Multiple Listing Service, Public Records, Commercial Services, models and data while describing their market analysis on the appraisal report.  
FLC Bank accepts this update effective immediately.
- **Alternative for the 10-Day Pre-Closing Verification of Employment:** Introduction of the use of a paystub showing YTD earnings that is from the pay period immediately preceding the Note Date and has a paid through date no more than 15 business days preceding the Note Date as an alternative option for lenders to meet the pre-closing verbal verification of employment.  
FLC Bank accepts this update effective immediately.

For more information, please access FLC Bank's Fannie Mae and Freddie Mac guidelines posted in our resource center.

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