

# Guideline Update Summary Document

February 8, 2023

## Documents Updated in this Release:

- Quick Reference Guide
- Conforming Agency Overlay Guide
- Jumbo Underwriting Guidelines
- Non-QM Underwriting Guidelines
- Seller's Guide

## Quick Reference Guide

New document available on [www.corebridgefinancial.com/correspondentlending](http://www.corebridgefinancial.com/correspondentlending)

## Conforming Agency Overlay Guide

- Loan Limits have been increased to align with Agency.(update)
- Escrow holdback restrictions have been updated to reflect alignment with Agency.(update)
- Form 4506C requirements have been updated to require the most current version of the form. (update)
- Insurance requirements have been revised. (update)
- Removed from Ineligible Income Types (update):
  - Loans using assets as a basis for qualification.
- Removed from the Ineligible Loan Attributes (update):
  - Gap Coverage.
  - Loans aged more than 30 days from closing.
  - Loans closing in a Living/Inter Vivos Revocable Trust.
  - Properties in the state of Massachusetts with septic systems requiring repair.
  - Properties with resale deed restrictions other than those restrictions related to age.
  - Purchase transactions with re-negotiated purchase prices, which result in an increased purchase price.
- Removed from Ineligible Property Locations and Types (update):
  - PUDs with appraisals that indicate marketability, condition, or structural concerns.
- Removed the Mortgage Credit Certificates overlay to reflect alignment with Agency.(update)
- The Mortgage Insurance section has been revised.(update)
- Non-Arms-Length overlays have been removed to reflect alignment with Agency. (update)
- Uniform Closing Data Set has been revised. (update)

## Jumbo Underwriting Guidelines

### Matrix Section—Product Matrix (updates)

- Minimum loan amount has been updated to one dollar over Fannie Mae's maximum conforming loan limit.
- Maximum loan amount was increased to \$2,500,000.
- Minimum credit score was lowered to 680 up to \$1,000,000 with 6 months reserves.
- Minimum credit score was lowered to 680 up to \$2,000,000 with 12 months reserves.
- Cash-out Refinance is available up to \$2,000,000.
- Multi-unit properties up to 4 units are eligible for both primary and investment property.

### **Matrix Section—First Time Homebuyer (update)**

The overlays for first time homebuyer have been updated to include:

- Previous ownership must be based on ownership of property located in the United States.
- Maximum loan amount has been increased to \$2M.

### **Matrix Section—Appraisal Requirements (update)**

The loan-to-value must be reduced by 5% when the subject property is located in a declining market as determined by appraiser.

### **Matrix Section—Cash-out and Rate & Term Refinance Transactions (update)**

- Maximum cash-out has been increased from \$250,000 to \$500,000.
- Cash-out transactions are ineligible when the subject property is located in a declining market as determined by appraiser.

### **Section 2.04 (B)(c) Two-Close Construction to Permanent Mortgage Loan (update)**

Maximum loan amount has been increased to \$2,000,000.

### **Section 3.05 Hazard and Flood Insurance Requirements (clarification)**

Loans must have hazard and flood insurance (when applicable) policies in force at the time of purchase.

### **Section 6.02—Self-Employed Borrower Documentation Requirements (update)**

The most current version of the IRS Form 4506C must be included in the loan file.

### **Section 7.02 Overlays to Fannie Mae (clarification)**

The credit report used in underwriting must be referenced on the final DU findings.

## **Non-QM Underwriting Guidelines**

### **Matrix Section-Product Matrix (update)**

- Minimum loan amount has been lowered to \$100,000.
- Maximum loan amount has been increased to \$2,000,000.

### **Matrix Section-Reserve Requirements (update)**

Reserve requirements for loan amounts exceeding \$500,000 are now six months.

### **Matrix Section-First Time Home Buyer (update)**

- One-unit primary residence.
- 12-month rental history with no late payments.
- A borrower is considered a first-time home buyer if they have not owned a property located in the United States at any time in the previous three years.
- First time homebuyer overlays remaining are: First time home buyers with significant derogatory credit will require 7 years seasoning from the completion of the event.

### **Matrix Section—Gift Fund Eligibility (update)**

- Gift funds are now eligible on second home transactions.
- Aligning with Fannie Mae for eligible gift donors.

### **Matrix Section—Appraisal Requirements**

Maximum Loan-to-value for the loan product must be reduced by 5% when subject property is located in a declining market as determined by the appraiser.

### **Matrix Section—Cash-out and Rate & Term Refinance Transactions (update)**

Cash-out transactions are ineligible when the appraiser determines the subject property is located in a declining market as determined by the appraiser.

### **Matrix Section—Ineligible Transaction Types and Loan Attributes (update)**

Non-Arm's Length transactions are ineligible with the exception of transactions involving unrelated tenant/landlord relationships.

### **Section 3.05 Hazard and Flood Insurance Requirements (clarification)**

Loans must have hazard and flood insurance (when applicable) policies in force at the time of purchase.

### **Section 4.03 Appraisal Report Requirements (update)**

A Collateral Underwriter (CU) score of 2.5 or lower will be acceptable in place of a secondary valuation report. See section for further guidance.

### **Section 5.03 (B)(b) Citizenship Requirements (update)**

Remaining Overlays for Non-Permanent Resident:

- Valid Social Security Number required.
- Two full uninterrupted years of residence and employment in the United States are required for all borrowers whose income is being considered in qualifying.

### **Section 6.01 Full Income Documentation Standards (update)**

- The section related to PPP loans has been removed from the guide.
- A 4506C is required for all borrowers qualifying with full income documentation. When Full Income documentation is combined with Alternative Income documentation, the 4506C is required for W2 or 1099 transcripts only (if applicable).

### **Section 6.03 Employment Gaps and New Employment (update)**

This section has been updated as follows:

- Borrowers with an absence or gap in employment which exceeds 120 days must provide evidence of return to work for a minimum 30 days.
- Borrower's new employment must be documented with a paystub(s) covering the 30-day period or Written Verification of Employment.
- Verbal verification of employment dated within ten business days of the consummation date.
- The borrower must document a 2-year work history prior to the absence or gap from employment.
- It is acceptable to measure the length of employment from the date a borrower began or returned to work to the date of closing or loan consummation.

### **Section 6.04 Projected Income from New Job (Executed Employment Contracts and Fully Executed Offer Letters) (update)**

- Projected income is acceptable for qualifying purposes for a borrower scheduled to start a new job within 60 calendar days of loan consummation or prior to loan purchase whichever is less.
- File must contain the following:
  - An executed copy of the borrower's offer or employment contract for future employment and anticipated income.
  - A paystub from the borrower that includes sufficient information to support the income used to qualify the borrower based on the offer or employment contract. Must be provided prior to loan purchase.
- The creditor must verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment. Examples of this type of scenario are teachers whose contracts begin with the new school year, or a physician beginning a residency after the loan closes.

### **Section 6.06 Full Income Documentation Standards (update)**

**Follow Sections B3-3.1-01 through B3-3.4-04 of the Fannie Mae Selling Guide Manual Underwriting:**

- Automobile Allowances
- Disability Income (Long-Term)
- Employer Differential Payments
- Foster Care Income
- Government Annuity/Pension Income
- Housing or Parsonage Allowances
- Military Income
- Mortgage Credit Certificates
- Non-taxable Income
- Notes Receivable Income

- Public Assistance
- Royalty Payment Income
- Social Security Income
- Temporary Leave and Short-term Disability Income
- Tip and Gratuity Income
- Trust Income

### **Section 6.07 Unacceptable Income Sources (update)**

Income from Cryptocurrency has been added as ineligible.

### **Section 6.08 Alternative Income Documentation-Bank Statements (update)**

**Below are some highlighted updates to this section of the guide:**

- Borrower's receiving 1099 income are eligible.
- The name of the business on the 1003 must match the business name noted as the account holder.
- All borrowers qualified with alternative income documentation are required to be account holders throughout the 12 or 24 months being used to qualify.
- Borrowers must have a minimum of 50% ownership of the business, individually or combined with a coborrower.
- Borrowers with less than 100% ownership must provide access letters from the additional owners.
- Bank statement loans are limited to a maximum 4 businesses per loan file.
- Secondary or supplemental earnings for the self-employed borrower may be eligible provided it does not exceed 50% of the total qualifying income.
- Borrowed, gift and/or cash deposits are ineligible.
- A maximum of 4 NSF's in a 12-month period are allowed and rolling or multiple NSF's from one occurrence will be counted as one NSF as long as they can be identified as such.
- Supplemental Rental income is eligible for use in qualifying (see table).
- Wage earner income not permitted from the same business as the borrower's self-employment income.
- Borrowers with no separate business accounts or comingled personal and business accounts, must calculate qualifying income with the uniform expense ratio method located in the business bank statement section.
- DBA (Doing Business As) accounts must be considered as business accounts and must be qualified using any one of the calculation methods in the Business Bank Statement section below.
- Joint accounts shared with non-borrowing individuals or co-borrowers are eligible when the other individual's deposits are backed out and a full access letter is provided.
- Personal liabilities paid by the borrower's business must be evidenced in the most recent 12 months of business bank statements to exclude the debt from the DTI.
- Installment debts or auto leases with a history of being paid by the business, and have since been paid in full and replaced with similar/new debt may only be excluded if the new liability payment is less than or equal to the previous/original payment
- Business accounts with non-borrowing-partners or other parties will require access letters.
- The minimum expense ratio is 25%, regardless of the CPA determination.
- In the event that 12 months of bank statements are utilized to determine the borrower's income, variances from month to month are likely to occur however a consistent pattern of declining deposits on a monthly basis or evidence of a decline in earnings will require sufficient satisfactory justification/explanation from the borrower and the income should be carefully considered for qualifying.

### **Section 6.09 Asset Depletion Income (update)**

The following are additions to the restricted list qualifying with an Asset Depletion loan:

- Unseasoned Foreign Assets.
- Proceeds from sale of real estate which is not seasoned for a minimum of 6 months.
- Privately traded or restricted / non-vested stocks
- Assets which produce income already included in the income calculation.

### **Section 7.20 Debts Paid by a Business (Self-Employed Borrowers) (update)**

The following bullet points have been added to this section:

- Installment debts or auto leases with a history of being paid by the business, and which have since been paid in full and replaced with similar/new debt, may only be excluded if the new liability payment is less than or equal to the previous/original payment.
- Loans qualifying with Alternative Income documentation see Section 6.08.

### **Section 8.07 Business Assets (update)**

#### **This section has been updated:**

Business assets are eligible for the borrower's down payment, closing costs, and reserves. The percentage of business assets used in the transaction or considered for reserves may not exceed borrower's percentage of ownership in their business. Large deposits must be sourced and documented if funds are being considered for down payment, closing costs, and/or reserves.

Evidence of the following must be included in the file regardless of income documentation type:

- Evidence supporting the borrower has full access to their percentage of the funds.
- A cash-flow analysis or CPA letter stating the withdrawal of said funds will not negatively impact the business.

Business assets are ineligible when using Alternative Income documentation (Asset Depletion) to qualify.

### **Section 8.08 Foreign Assets (update)**

The following bullet point has been added:

- Funds originally sourced from foreign accounts must be seasoned in US Bank accounts for a minimum 90 days from application date to be considered in subject transaction.

### **Section 8.17 Acceptable Assets (update)**

The sale of personal property such as gold or jewelry has been added as ineligible.

## **Seller's Guide**

### **Section 2.04-Jumbo Third Party Origination Eligibility Requirements (update)**

TPO Correspondent Adjusted net worth has been updated to reflect \$100,000,000.

### **Section 8.06-Obligations of the Seller Prior to the Servicing Transfer Date (update)**

The current Tax Service Fee has been included in this section.