



# Seller Guide Update



SEL-2022-051: Portfolio Underwriting Guideline and Income Analysis Worksheet Updates

September 6, 2022

- Correspondent Lending
- Housing Finance Agency (HFA)

## Portfolio Underwriting Guideline Updates

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input type="checkbox"/>	HFA Delegated
<input type="checkbox"/>	HFA Non-Delegated
Products	
<input type="checkbox"/>	Conv. (Freddie)
<input type="checkbox"/>	Conv. (Fannie)
<input checked="" type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

**Effective Date:** Effective with new loan registrations on and after **September 6, 2022**.

The following Portfolio Underwriting guidelines will be updated to reflect the changes outlined below. For ease of reviewing these changes once published, the updated sections are listed below and updated content in AllRegs will be in **green**.

### 714.1.5.1 Credit

- Added bankruptcy language from that policy that aligns with existing approval requirements for escalation to CED for any bankruptcy.

### 714.1.9 Property

- Added criteria to the Second Home/Vacation definition for determining when a home is a second home/vacation versus a primary residence.

### 714.2.2.2 Portfolio Income

- Added a threshold at \$10,000 of annual capital gains for determining if the capital gains are to be considered as effective income. Income Analysis Worksheet has been updated to include this change.

### 714.2.3 Liabilities

- Renamed section to “Liabilities” and combined all liabilities sections into one (714.2.3.3 Borrower Liabilities – Contingent Liabilities and 714.2.3.2 Borrower Liabilities - Projected Obligations and Obligations not Considered Debt have been removed)
- Eliminated the table containing the requirements for the minimum payment to be used for debt qualification when a debt balance (amount) is reported on the Credit Bureau Report and a corresponding payment amount is not reported and moved content to new sections in policy.
- Added new section titled Unsecured Revolving Account, Revolving Line of Credit or Open-Ended Commitment and requirement for minimum debt qualification based on aggregate commitments. The qualifying payment to be used for non-credit card unsecured revolving debt to use 2% of the commitment amount when total non-credit card unsecured commitments are more than \$100,000. Required that accounts that exceed the aggregate commitment amount must have a payment included in the debt payment calculation, according to the respective account type, even if paid to \$0/zero.
- Added new section titled Liquid Asset Secured Lines and requirement for minimum debt qualification based on aggregate commitments. Aggregate commitments up to \$1 million the payment amount factored into their debt payment calculation uses 0.65% of the current balance. With aggregate commitments more than \$1 million the payment amount factored into their debt payment calculation uses 0.65% of the commitment. Required that accounts that exceed the aggregate commitment amount must have a payment included in the debt payment calculation, even if paid to \$0/zero.



## Portfolio Underwriting Guideline Updates, continued

- Modified the minimum payment to be used for debt qualification with a Mortgage Trade when a debt balance (amount) is reported on the Credit Bureau Report and a corresponding payment amount is not reported to be 0.75% of the original loan amount. The option remains to calculate the payment based on documentation provided by the lender.
- Modified the qualifying payment to be used for an existing Home Equity Line of Credit (HELOC.) Added requirement for minimum debt qualification based on aggregate commitments. Aggregate commitments up to \$1 million the payment amount factored into their debt payment calculation uses 0.65% of the current balance. With aggregate commitments more than \$1 million the payment amount factored into their debt payment calculation uses 0.65% of the commitment. Required that accounts that exceed the aggregate commitment amount must have a payment included in the debt payment calculation, even if paid to \$0/zero.

### Clarification Language

The following sections will be updated with clarifications: 714.1.5.1 Credit, 714.1.4 Borrower and Occupancy, 714.1.6 Assets/Funds to Close, 714.1.10 Appraisals, 714.1.14 Definitions, 714.2.3 Liabilities, 719.2 Subordination Policy – External

## Income Analysis Worksheet Updates

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input checked="" type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input checked="" type="checkbox"/>	Conv. (Freddie)
<input checked="" type="checkbox"/>	Conv. (Fannie)
<input checked="" type="checkbox"/>	Conv. (Portfolio)
<input checked="" type="checkbox"/>	FHA
<input checked="" type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

**Effective Date:** Effective with new loan registrations on and after **September 6, 2022.**

The following changes have been made to the Income Analysis Worksheet:

### Other Income Borrower/Co-Borrower

- Updated the FHA gross up calculation to use the greater of the borrower's tax rate or 15%.
- Updated verbiage in the gross-up section of the manual for Agency, FHA, and USDA loans.
- Updated line numbers from tax returns in the SSI section
- Limited Capital Gains income to a maximum of \$10,000 annually for Portfolio Loans. Added an alert regarding the cap as well as instructions in the manual.

### Rental – not filed

- Removed cap at PITIA when borrower does not have 1-year landlord experience for Agency loans. Added an alert that positive net rental income must be justified in the comments section when borrower does not have 1-year documented landlord experience.

### RSU

- Changed "Issue Frequency" to "Award Frequency" and "Grant Date" to "Award Date".

**Guide Updates:** Updates will be published to AllRegs on September 6, 2022, including: Income Analysis Worksheet, Income Analysis Worksheet Manual

## Questions



**Correspondent:** Please contact your Account Executive or the Client Support Area at 800.200.5881, option 1.

**HFA:** Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.