

## CUSTOMER ANNOUNCEMENT

CA 2018-05 | October 17, 2018

### ► Freddie Mac Bulletins 2018-15 and 2018-16 – Selling Guide Updates

The following represents the position of Arch Mortgage Insurance Company (Arch MI) on the topics covered in Freddie Mac Bulletins 2018-15 and 2018-16 – Selling Updates. All positions stated are effective immediately. See Freddie Mac’s bulletins for complete details of its changes.

#### Freddie Mac Bulletin 2018-15

##### Authorized User Accounts

Arch MI **aligns** with the following changes when the loan meets our EZ Decisioning<sup>SM</sup> underwriting requirements.

Freddie Mac will only require additional requirements to be met when a borrower is listed as an authorized user on a trade line if the Loan Product Advisor<sup>®</sup> Feedback Certificate contains a feedback message instructing them to do so.

Previously the lender had to review all borrower credit reports to determine whether there were any trade lines where the borrower was listed as an authorized user, and if so, the Loan Product Advisor decision was only valid if additional requirements were met.

##### Self-Employment Income

Arch MI **aligns** with the following changes when the loan meets either our EZ Decisioning or Standard underwriting requirements.

Lenders are no longer required to obtain any additional documentation or evaluate the income or loss from self-employment when self-employment income is disclosed in the loan file if:

- The self-employment income is not used to qualify the borrower; and
- The borrower has a primary source of income, other than self-employment that is used to qualify the borrower; and
- The self-employment income is a secondary source of income.

##### Special Borrower Eligibility – Mortgage Premises Occupied by the Borrower’s Parent or Disabled Child

Arch MI **aligns** with the following changes when the loan meets either our EZ Decisioning or Standard underwriting requirements.

A borrower may be considered an occupying borrower if the property is occupied as a primary residence by an individual(s) who:

- Is the borrower’s parent(s), or
- Is the borrower’s child who has a physical or developmental disability.

#### Freddie Mac Bulletin 2018-16

##### Community Land Trust Mortgages

Arch MI **aligns** with the following changes when the loan meets our EZ Decisioning underwriting requirements.

Freddie Mac has developed new requirements for Community Land Trust Mortgages. See the Freddie Mac bulletin for complete details.

Arch MI **has removed** the overlay in our Standard underwriting requirements that requires the loan-to-value (LTV) for a purchase transaction to be based on the lower of the purchase price or the appraised value when the property has a resale restriction that does not survive foreclosure. We have aligned to use the appraised value only to determine the LTV in these transactions. The Arch MI Underwriting Manual (the UW Manual) will be updated upon the next release. However, you may underwrite to the requirements in this announcement until that time.

### **Properties Subject to Resale Restrictions**

Arch MI **aligns** with the following changes when the loan meets our EZ Decisioning underwriting requirements.

Freddie Mac has revised its requirements for properties with resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure. See the Freddie Mac bulletin for complete details.

Arch MI **has removed** the overlay in our Standard underwriting requirements that requires the loan-to-value (LTV) for a purchase transaction to be based on the lower of the purchase price or the appraised value when the property has a resale restriction that does not survive foreclosure. We have aligned to use the appraised value to determine the LTV in these transactions. The UW Manual will be updated upon the next release. However, you may underwrite to the requirements in this announcement until that time.

### **Sweat Equity Requirements for Home Possible Mortgages**

Arch MI **will not align** with this Freddie Mac change in either our EZ Decisioning or Standard underwriting requirements.

Freddie Mac has changed its requirements for the use of sweat equity as a source of funds for Home Possible Mortgages, including but not limited to:

- Allowing sweat equity as a source of funds to cover the entire amount of down payment and/or closing costs, up to a maximum LTV/CLTV of 97%/105%.

See the Freddie Mac bulletins for complete details.

For our EZ Decisioning underwriting requirements, we will continue to allow sweat equity as an eligible source of funds as follows:

- Maximum 95% LTV.
- The loan must be a HomeReady® or Home Possible® loan.
- The borrower must contribute a minimum of 3% of their own funds towards the down payment (gifts/grants may not satisfy this amount).
- Sweat equity may not exceed 2% of the purchase price.

Sweat equity **remains ineligible** under our Standard underwriting requirements.

The UW Manual will be updated upon the next release. However, you must underwrite to the requirements for sweat equity in this announcement until that time.

For more information, please contact your **Arch MI Account Manager**.