



## **MFM Bulletin: 016-2021**

**Date:** July 29, 2021

**Subject:** Miscellaneous Selling Guide Updates

Freddie Mac has made the following updates to the Selling Guide. All updates are effective immediately.

### **GIFT FUNDS USED TO PAY BORROWER'S EARNEST MONEY DEPOSIT**

Previously, Freddie Mac required that in all instances gift funds be transferred directly from the donor's account in a financial institution to the Borrower's account or to the settlement or closing agent. Freddie will now permit a gift donor to pay the Borrower's earnest money deposit (EMD) directly to the builder or real estate agent. Documentation evidencing the transfer of funds from the donor's account in a financial institution to the earnest money deposit holder is required.

**For any Mortgage where the source of the Borrower's EMD is gift funds, the Seller must enter the EMD amount as gift funds in Loan Product Advisor, and not as EMD.**

### **ADDITIONAL PARCELS**

Freddie has updated their additional parcel requirements to allow for an exception when multiple parcels, which would normally be adjoined, are separated by a road. This exception is only for specific scenarios, such as a lakefront property where an access road separates the parcels of land, allowing the Borrower access to the water.

### **SEASONING REQUIREMENTS FOR NO CASH OUT REFINANCES**

Freddie has added a 30-day seasoning requirement for refinance Mortgages to be paid off using the proceeds of a "no cash-out" refinance Mortgage. The refinance Mortgage being paid off must have a Note Date no less than thirty days prior to the Note Date of the "no cash-out" refinance Mortgage, as documented in the Mortgage file (e.g., on the credit report or the title commitment).

### **EXCEPTION FOR CASH OUT REFS WHERE NONE OF THE BORROWERS HAVE BEEN ON TITLE FOR AT LEAST SIX (6) MONTHS**

Freddie has updated requirements for cash-out refinance Mortgages when the property title has been held by a limited liability company (LLC) or limited partnership (LP). In these instances, the requirement that at least one Borrower must have been on the title to the subject property for a minimum of six months prior to the Note Date may be satisfied by the time the property was titled in the name of the LLC or LP, provided that:

- The Borrower is a majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP
- ***Title is transferred into the Borrower's name prior to the Note Date***



### **FUTURE LONG-TERM DISABILITY INCOME**

Previously, newly established long-term disability income was eligible for qualifying the Borrower only when the income was to start prior to or on the first Mortgage payment Due Date. Freddie has updated their requirements to permit the use of future long-term disability income that will commence after the first Mortgage payment Due Date provided that:

- The Borrower is currently receiving short-term disability benefits that will subsequently convert to long-term benefits,
- The Borrower is qualified on the lesser amount of either the long-term or short-term disability payments, and the documentation requirements are met

### **PRORATED REAL ESTATE CREDITS**

Freddie is updating their guide requirements related to the treatment of prorated real estate tax credits contributed by the property seller in areas where real estate taxes are paid in arrears. The CD may include these credits subject to the following:

- Prorated tax credits are not considered interested party contributions and therefore are not subject to financing concession limits, and
- Prorated tax credits cannot be considered when determining if the Borrower has sufficient funds for the Mortgage transaction

### **RETIREMENT ACCOUNTS USED AS INCOME FOR QUALIFYING**

Freddie has updated requirements to provide greater flexibility when retirement account distributions are used as income to qualify the Borrower. If the retirement account from which the Borrower is currently taking distributions is projected to be depleted within three years, we may consider the borrower's additional eligible retirement accounts when determining continuance of distributions. We must document the Borrower has sufficient eligible retirement assets in aggregate to support the amount of qualifying income for at least three years after the Note Date.

### **DOCUMENTATION OF FUNDS TO CLOSE ON A REFINANCE**

Freddie will no longer require documentation of funds to close on refinance transactions under the following circumstances:

**Required borrower funds are \$500 or less, and:**

- No reserves are required on the LPA findings, and
- The AUS findings are risk class Approved/Accept