



## DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-04

March 5, 2020

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# Guideline Update

The following agency changes are accepted by First Community Mortgage, but they do not impact the Quick Product Guides.

### *RD*

#### **1.05.04 Conditional Commitment**

On a purchase transaction, the loan must close within 90 days of the issuance of the conditional commitment. There is an opportunity for one 90-day extension from RD. The extension must be requested prior to the expiration date of the conditional commitment.

#### **1.06 Credit**

##### **1.06.06 Trade Line Requirements/Credit Score Validation**

Effective now, do not need to validate credit scores of GUS Accepts, therefore it is not necessary to downgrade GUS Accept files.

##### **1.06.08 Inquiries**

Effective now, do not need to manually downgrade GUS Accept files when liabilities have to be manually entered.

### *CONV*

#### **1.05.04 Salaried or Hourly Wage Earner**

**1.05.04.02 Variable Pay/Fluctuating Hourly Pay (Freddie Mac has extended the requirement date to 7/2/2020. FCM will require this effective with loans closed on or after 4/1/2020)**

#### **LPA requirement for Fluctuating Hours:**

Under no circumstances may the employment history be less than 12 months if the borrower's income is derived from fluctuating hours.



For the purpose of income calculation, the Borrower must have a documented history of working the same number of hours with the same employer for a minimum of six months for it to be considered not fluctuating income. “Fluctuating hourly employment earnings” are considered to be wages that are based on an hourly rate of pay and where the number of hours fluctuate each pay period. The calculation is based on whether the income trend is determined to be consistent, increasing or declining. Additional analysis is required when income fluctuation between the prior year and year to date exceeds 10%.

#### **1.05.07 Rental Income**

##### **1.05.07.08 Calculating Monthly Qualifying Rental Income (or Loss)**

FNMA has added when determining the amount of rental income from the subject property that can be used for qualifying purposes, the guidelines apply to both purchases and refinances. (previously did not have refinances listed)

#### **1.09.02 Title Commitment:**

On December 4, 2019, FNMA updated the Selling Guide to clarify that lenders are required to use a reasonable estimate of the real estate taxes based on the market value of the land and completed improvements for all purchase and new construction transactions. The updated policy applied to the monthly tax payment used for loan qualification purposes and for establishing the payment for the escrow account.

FNMA is delaying the original March 1, 2020 effective date of this policy until further notice.

#### **DU release notes:**

The DU validation service will be updated to calculate the close-by date for employment validation using *10 business days*, rather than 10 calendar days.