



WHOLESALE ANNOUNCEMENT 2022-49

September 23, 2022

Freddie Mac
Guideline Updates

Effective Date

Effective immediately

Guideline Updates:

Freddie Mac

Graduation Gifts

In support of expanding access to credit for First-Time Homebuyers, Freddie Mac has updated their requirements to permit graduation gifts from a related or unrelated person(s) as an eligible source of funds for a purchase of a Primary Residence. The following must be obtained:

- Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduation
- A verification of the gift funds in the Borrower's depository account. Gift funds must be deposited within 90 days of the date of graduation.

In addition, they have updated the requirements to allow gift letters to state the maximum amount of the gift funds or gift of equity or the actual amount. This change will eliminate the need to obtain a corrected gift letter, should the actual amount of the gift be less than the amount stated on the gift letter. As a reminder, this flexibility does not eliminate the requirements for resubmission to Loan Product Advisor® per Section 5101.6.

Loan Product Advisor feedback messages will be updated at a later date to reflect these changes.

Effective Date

Effective for Mortgages with Settlement Dates on and after January 7, 2023

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Employment/Income Characteristics

Currently, the Guide provides limited guidance for treating income received on IRS Form 1099 for services performed and reported on IRS Schedule C as non-self-employed income. This pay structure is often referred to in terms such as "contractor" or "contingent worker."

Freddie Mac is updating the Guide to specify that for this income characteristic, Sellers must use either:

- The requirements and guidance for self-employed income in Guide Chapter 5304, or
- The requirements and guidance in Section 5303.2 (d), as summarized below



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The updated requirements include, but are not limited to, the following:

- The Mortgage file must include:
 - IRS Form 1099(s) for services performed for most recent two calendar years
 - Tax return (pages one and two and applicable schedules) for the most recent year (Updated)
 - YTD income documentation (Updated)
 - A two-year history of receipt is required. However, in certain instances, a shorter history of no less than 12 months documented on the tax returns may be considered stable if the Seller provides a written analysis and sufficient supporting documentation. (Updated)
 - IRS Schedule C must evidence the following: (New) > Gross receipts or sales are equal to the total amount(s) reported on IRS Form 1099(s)
 - Total expenses are \leq 5% of gross receipts or sales after deducting non-cash expenses (e.g., depreciation)
 - Cost of goods sold = \$0
 - 12-month history of 1099 income and reported expenses

Freddie Mac Guideline link is posted on the **Wholesale Knowledge Center**

**Should you have any questions, please reach out to your
Account Executive or Client Manager**