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WHOLESALE ANNOUNCEMENT 2024-21
March 1, 2024
Freddie Mac
Update

Effective Date

Effective with all new locks on or after March 15, 2024

Update/Summary

Employed Income History, Earning Types, and Income Calculation Specificity

- Freddie Mac is expanding certain requirements and providing additional specificity and guidance related to determining the appropriate income calculation and analysis when underwriting a Borrower with employed income. These updates do not represent a tightening of the existing requirements.
    - Employment history requirements (primary employment – minimum 12-month history)
      They are expanding the 12-month minimum employment history requirement for fluctuating hourly earnings to permit prior salaried employment in a similar industry or job type that had an income level consistent with the current income level based on the income trend analysis.
    - Determining the earnings type
      They are providing additional specificity, including updated descriptions and examples, to aid in determining the Borrower's earnings type so the appropriate income analysis and calculation are used to qualify the Borrower. Employed income calculation – general requirements and guidance
    - They are providing additional guidance on general underwriting topics related to income calculation, including:
        - Pay frequency
        - Documented income breakdowns to include the purpose and verification method
        - Verification of pay raises to include the purpose and verification method, as well as how and when to use the calculation method that applies the current pay rate to the average number of hours worked during the prior and current year
    - Fluctuating employment earnings – income calculation method and trend analysis
        - For income trend analysis, they are making the following updates based on the degree of income fluctuation:
            - Degree of fluctuation ≤ 10%: Emphasizing that no additional analysis or documentation is required
            - Degree of fluctuation > 10% – ≤ 30%: Expanding requirements to state that no additional analysis or documentation is required when the increase is supported by the documented income breakdown and/or verification of pay raise

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

EQUAL HOUSING LENDER
NMLS# 629700