

CUSTOMER ANNOUNCEMENT

CUA 2018-04 | September 21, 2018

► Freddie Mac Bulletin 2018-13 and Fannie Mae Announcement SEL-2018-07 – Selling Guide Updates

The following is the position of Arch Mortgage Insurance Company (Arch MI) on the topics covered in Freddie Mac Bulletin 2018-13 – Selling Updates and Fannie Mae Announcement SEL-2018-07 – Selling Guide Updates.

Freddie Mac Bulletin 2018-13

Home Possible Mortgage Loans

Freddie Mac now allows the following for Home Possible® Mortgages. Effective immediately, Arch MI **will align** with the changes for both EZ DecisioningSM and Standard underwriting requirements:

- Non-occupant borrowers.
- Members with ownership of other properties.
- Permitting standard secondary financing including home equity lines of credit (HELOCs) for loans with combined loan-to-value (CLTV) ratios up to 97%.
- Rental income from the subject 1-unit property when received for at least 9 of the last 12 months when averaged over 12 months.
- Maximum debt-to-income ratio of 45%.

Freddie Mac allows Super Conforming Mortgages under its Home Possible Mortgage program for a 1-unit primary residence up to a maximum 95%/105% LTV/CLTV when receiving a Loan Product Advisor® Accept/Eligible recommendation.

- Effective immediately, these loans **will be eligible** for insurance under Arch MI's EZ Decisioning underwriting requirements when all other EZ Decisioning underwriting requirements are met. For our Standard underwriting requirements, the maximum LTV/CLTV for all loan amounts higher than \$453,100 **will remain the same**.
- Arch MI's Underwriting Manual will reflect this change upon the next update.

Student Loan Qualifying Payment

Freddie Mac changed its requirement for calculating the qualifying payment of a student loan (regardless

of whether the student loan is in repayment, deferment or forbearance) as follows:

- If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation; or
- If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding balance, as reported on the credit report.

Arch MI **will align** with Freddie Mac's new requirements for calculating the student loan qualifying payment when meeting our EZ Decisioning underwriting requirements.

Arch MI's calculation of the student loan qualifying payment for our Standard underwriting requirements

will remain the same:

- When the required monthly payment for a student loan is not listed on the credit report, the monthly payment may be determined by:
 - Requiring copies of the loan documentation; or
 - Using 1% of the outstanding balance of the student loan.

Cash Back Requirements for Rate/Term Refinance Mortgages

Freddie Mac changed its requirement for the amount of cash back to the borrower for a rate/term refinance. Previously, the maximum cash back to the borrower could not exceed the lesser of 2% of the new refinance loan amount, or \$2,000, for a rate/term refinance. The new requirement permits that the maximum cash back to the borrower to be the **greater** of 1% of the loan amount or \$2,000.

Arch MI **will align** with Freddie Mac's new requirement for the maximum cash back to a borrower for a rate/term refinance when meeting our EZ Decisioning underwriting requirements.

Arch MI's maximum cash back to the borrower for a rate/term refinance for our Standard underwriting requirements **will remain the same**. The cash back may not exceed the lesser of 2% of the new refinance loan amount, or \$2,000.

Arch MI's Credit Union Underwriting Manual is currently silent on the amount of cash back allowed for a rate/term refinance in our Standard Underwriting Requirements section since we previously aligned with the Agencies. Due to this Freddie Mac change, we will include Arch MI's requirement for the maximum amount of cash back to the member in our Standard Underwriting Requirements section of the Credit Union Underwriting Manual upon the next update.

Other Freddie Mac Changes

Arch MI **will align** with the following additional Freddie Mac changes announced in Bulletin 2018-13 for both our EZ Decisioning and Standard underwriting requirements:

- Inquiries on the Credit Report.
- Income Commencing After the Note Date.
- Extensions of Effective Date for Rental Income Requirements Announced in Bulletins 2017-12 and 2018-1.
- Form 71, Market Conditions Addendum to the Appraisal Report – No longer required.
- Condominium Project Insurance.
- Functions Performed by Third-Party Originators.
- Multiple Contracts Used to Determine the Purchase Price.
- General Requirements for Verifying Documents – Use of a picture of a document may be provided by the member to provide verification of income, employment and assets.

Fannie Mae SEL-2018-07

Renaming of Property Inspection Waiver (PIW)

Fannie Mae announced it will change the name of its PIW to Appraisal Waiver. Arch MI will reflect this change within our documents upon their next updates.

Co-op Single-Entity Ownership

Fannie Mae updated the Selling Guide to reflect the increase in single-entity ownership for co-ops from 10% to 20% as previously announced. Arch MI will align with this change for both our EZ Decisioning and Standard underwriting requirements.

Rural High-Needs Appraisal Waiver

Arch MI **will not align** with this Fannie Mae change in either our EZ Decisioning or Standard underwriting requirements. Fannie Mae introduced the allowance of appraisal waivers for certain home purchase transactions in designated rural high-needs areas. The rural high-needs appraisal waivers will be offered for certain purchase transactions in rural areas for 1-unit primary residences with a maximum 97%/105% LTV/CLTV. These loans **will not** be eligible for insurance with Arch MI.

Arch MI will continue to allow appraisal waivers when offered by Fannie Mae and exercised by the credit union subject to the following:

- Rate/term refinance transactions.
- 1-unit primary residence or second homes.
- Maximum 90%/90% LTV/CLTV.
- All other Fannie Mae appraisal waiver requirements are met.

This will be clarified in our Credit Union Underwriting Manual upon the next update.

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