

Loan Prospector® Processing Reminders for Mortgages with Submission Dates prior to December 14, 2009



The October 9, 2009, *Single-Family Seller/Service Guide* (Guide) announced revised effective dates for the changes to our underwriting requirements published in the July 10 Guide Bulletin 2009-18. As a reminder, the July 10 Guide Bulletin 2009-18 revised our underwriting requirements with respect to borrower income, assets, creditworthiness and required documentation in order to assist you in determining borrower creditworthiness (acceptable credit reputation and capacity) which is key to strengthening the quality of mortgages that you deliver to Freddie Mac.

These changes **will now be effective for all mortgages with application dates on or after December 14, 2009, and Freddie Mac settlement dates on or after April 1, 2010.** Loan Prospector feedback messages related to supporting these changes will be implemented in the system on December 13, 2009.

We encourage you to use this tool to help underwrite to the new requirements until Loan Prospector feedback messages are updated. The following tables provide a list of messages impacted by these changes and the required actions you must take to be in compliance with the new requirements. Messages are organized by [income](#), [asset](#) and [liability](#) messages. This document also includes:

- [Additional Actions Required for Certain Types of Income](#)
- [Additional Actions Required for Certain Types of Assets](#)
- [General Reminders](#)

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Income			
Employed documentation Streamlined Accept documentation level	Documentation Guidelines AS	Obtain most recent YTD paystub documenting 1 full month earnings to verify current employment for ~EmplBorr~.	Streamlined employed documentation now includes: <ul style="list-style-type: none"> • Most recent YTD paystub reflecting at least 30 days of income, • W-2(s) covering the most recent year and • Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date OR <ul style="list-style-type: none"> • Written VOE covering 12 full months and • Verbal VOE not more than 10 calendar days prior to the Note Date For borrowers who earn income from the military, in lieu of a verbal VOE, an LES dated no more than 30 days prior to the Note Date may be provided for military income. Refer to Guide Sections 37.13 and 37.22.
	Doc Checklist	Paystub: Most recent YTD documenting 1 full month earnings for ~EmplBorr~.	
	Documentation Guidelines CV	Obtain most recent tax year W-2(s) to verify current and previous employment for ~EmplBorr~.	
	Doc Checklist	W-2: Most recent tax year for ~EmplBorr~.	
	Loan Processing Remarks CW	W-2(s) are not required if current employer confirms 1 year history and only base pay is used to qualify.	
	Doc Checklist	W2s: Not required if current employer confirms 1-year history and only base pay is used to qualify.	

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Income			
<p>Employed documentation</p> <p>Standard Accept documentation level</p>	<p>Documentation Guidelines CZ</p> <p>Doc Checklist</p> <p>Documentation Guidelines DL</p> <p>Doc Checklist</p>	<p>Obtain most recent YTD paystub documenting 1 full month earnings and either a verbal VOE or second paystub from same employer dated after application to verify current employment for ~EmplBorr~.</p> <p>Paystub: Most recent YTD documenting 1 full month earnings and either a verbal VOE or second paystub from same employer dated after application for ~EmplBorr~.</p> <p>Obtain most recent 2 years W-2(s) to verify current and previous employment for ~EmplBorr~.</p> <p>W-2s: Most recent 2 years for ~EmplBorr~.</p>	<p>Standard employed documentation now includes:</p> <ul style="list-style-type: none"> • Most recent YTD paystub reflecting at least 30 days of income, • W-2(s) covering the most recent 2 years and • Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date <p>OR</p> <ul style="list-style-type: none"> • Written VOE covering the most recent 2 years and • Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date <p>For borrowers who earn income from the military, in lieu of a verbal VOE, an LES dated no more than 30 days prior to the Note Date may be provided for military income.</p> <p>Refer to Guide Sections 37.13 and 37.23.</p>
<p>Self-employed documentation</p> <p>Streamlined Accept documentation level</p>	<p>Documentation Guidelines 4R</p> <p>Doc Checklist</p> <p>Documentation Guidelines CY</p> <p>Doc Checklist</p>	<p>If any borrower is self-employed, most recent 1 year complete individual federal tax returns are required to determine what effect the business income or loss has on other types of income, even if self-employed income is not being used to qualify the borrower.</p> <p>Signed Individual Tax Returns: If any borrower is self-employed, most recent 1 year complete individual federal tax returns are required to determine what effect the business income or loss has on other types of income, even if self-employed income is not being used to qualify the borrower.</p> <p>Obtain most recent signed individual federal income tax return for self-employed borrower, ~SifEmpBorr~.</p> <p>Signed Individual Tax Return: Most recent for ~SifEmpBorr~.</p>	<p>If using borrower's self-employed income to qualify, Streamlined self-employed documentation now includes:</p> <ul style="list-style-type: none"> • Complete signed individual federal income tax returns for the most recent year • Complete business tax returns for the most recent year and a signed 8821, 4506 or 4506-T • Verification of existence of the business through a third party source not more than 30 calendar days prior to the closing • Completed Form 91 - Income Analysis Form, or comparable form <p>If not using the borrower's self-employed income to qualify, analyze the borrower's individual federal tax returns.</p> <p>If a business loss is reported on the borrower's individual federal tax returns, the Seller may need to obtain additional documentation in order to fully evaluate the impact of a business loss on the income used for qualifying.</p> <p>Refer to Guide Sections 37.13 and 37.22.</p>

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Income			
<p>Self-employed documentation</p> <p>Standard Accept documentation level</p>	<p>Documentation Guidelines 5C</p> <p>Doc Checklist</p> <p>Documentation Guidelines DN</p> <p>Documentation Guidelines DP</p> <p>Doc Checklist</p> <p>Loan Processing Remarks AM</p>	<p>If any borrower is self-employed, most recent 2 year complete individual federal tax returns are required to determine what effect the business income or loss has on other types of income, even if self-employed income is not being used to qualify the borrower.</p> <p>Signed Individual Tax Returns: If any borrower is self-employed, most recent 2 year complete individual federal tax returns are required to determine what effect the business income or loss has on other types of income, even if self-employed income is not being used to qualify the borrower.</p> <p>Obtain most recent 2 years signed individual federal income tax returns for self-employed borrower, ~SfEmpBorr~.</p> <p>If self-employed income to borrower from an individual business is used for qualifying, obtain most recent 2 years signed federal business tax return(s) for each business providing income to self-employed borrower, ~SfEmpBorr~.</p> <p>Signed Business Tax Returns: Most recent 2 years for each business providing income to ~SfEmpBorr~, if income is used for qualifying.</p> <p>If individual federal income tax returns for self-employed borrower show increasing self-employed income for past 2 years and the file includes documentation stating (a) funds required to close do not come from business accounts and (b) the borrower has been self-employed in the same business for at least 5 years, no business tax returns are required.</p>	<p>If using borrower's self-employed income to qualify, standard self-employed documentation now includes:</p> <ul style="list-style-type: none"> • Complete signed individual federal income tax returns for the most recent 2-year period • Complete business tax returns for the most recent 2-year period and a signed 8821, 4506 or 4506-T • Verification of existence of the business through a third party source not more than 30 calendar days prior to the closing • Completed Form 91 - Income Analysis Form, or comparable form <p>If not using the borrower's self-employed income to qualify, analyze the borrower's individual federal tax returns.</p> <p>If a business loss is reported on the borrower's individual federal tax returns, the Seller may need to obtain additional documentation in order to fully evaluate the impact of a business loss on the income used for qualifying.</p> <p>Refer to Guide Sections 37.13 and 37.23.</p>

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Income			
<p>Additional types of income</p> <p>Streamlined Accept documentation level</p>	<p>Documentation Guidelines CX</p> <p>Doc Checklist</p>	<p>For an employed borrower who receives commission income, income on a per-job basis or contract basis, or is employed by the property seller, real estate broker or a closely held family business, obtain most recent year signed individual complete federal income tax returns.</p> <p>Income: Obtain the most recent year signed complete federal individual tax returns if the borrower receives commission income, income on a per-job or contract basis, or is employed by property seller, real estate broker or a closely held family business.</p>	<ul style="list-style-type: none"> • Disregard message if employed borrower is receiving commission income. In addition to obtaining the most recent complete signed individual federal tax return, obtain a signed 8821, 4506 or 4506-T and one of the following to verify employment and income: <ul style="list-style-type: none"> - W-2(s) for the most recent year, a YTD paystub documenting 1 full month - Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date OR - Written VOE covering 1 year - Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date <ul style="list-style-type: none"> • For borrower(s) who receive income from commissions obtain: <ul style="list-style-type: none"> - Signed complete individual federal income tax returns for the most recent 2-year period and a signed Form 8821, 4506 or 4506-T, - Most recent YTD paystub reflecting at least 30 days of income and - Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date to verify employment and income. • For borrowers who receive income from bonus, overtime, tips, second or additional jobs, seasonal employment, dividends and interest, foster care, automobile allowance, and/or capital gains, verify receipt of income for the most recent 2 years. • For borrower(s) who receive income from notes receivable, royalty payments or housing/parsonage income, verify receipt of the income for the most recent 12 months. • Also, see section below titled "Additional Actions Required for Certain Types of Income". <p>Refer to Guide Sections 37.13 and 37.22.</p>

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Income			
<p>Additional types of income</p> <p>Standard Accept documentation level</p>	<p>Documentation Guidelines DM</p> <p>Doc Checklist</p>	<p>For an employed borrower who receives commission income, income on a per-job or contract basis, or is employed by the property seller, real estate broker or a closely held family business, obtain most recent two years signed individual federal income tax returns.</p> <p>Income: Obtain the most recent 2 years signed complete individual tax returns if the borrower receives commission income, income on a per-job or contract basis, or is employed by property seller, real estate broker or a closely held family business.</p>	<ul style="list-style-type: none"> • Disregard message if employed borrower is receiving commission income. In addition to obtaining signed individual complete federal tax return for the most recent 2-year period, obtain a signed 8821, 4506 or 4506-T and one of the following to verify employment and income: <ul style="list-style-type: none"> - W-2s for the most recent 2 years, a YTD paystub documenting 1 full month - Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date OR - Written VOE covering the most recent 2 years - Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date <ul style="list-style-type: none"> • For borrower(s) who receive income from commissions obtain: <ul style="list-style-type: none"> - Signed complete individual federal income tax returns for the most recent 2-year period and a signed Form 8821, 4506 or 4506-T, - Most recent YTD paystub reflecting at least 30 days of income and - Verbal VOE, using Form 90 or comparable form, not more than 10 calendar days prior to the Note Date to verify employment and income. • For borrowers who receive income from bonus, overtime, tips, second or additional jobs, seasonal employment, dividends and interest, foster care, automobile allowance, and/or capital gains, verify receipt of income for the most recent 2 years • For borrower(s) who receive income from notes receivable, royalty payments or housing/parsonage income, verify receipt of the income for the most recent 12 months. • Also, see section below titled "Additional Actions Required for Certain Types of Income". <p>Refer to Guide Sections 37.13 and 37.23.</p>

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Income			
<p>Alimony/Child Support</p> <p>Streamlined Accept and Standard Accept documentation levels</p>	<p>Documentation Guidelines 4V</p> <p>Doc Checklist</p>	<p>If using alimony/child support income to qualify, obtain most recent 3 months bank statements showing deposits, 3 months' canceled checks, or proof of receipt for the most recent three months through evidence from court, and evidence of 3-year continuance by providing selected pages including those identifying the parties from the separation agreement or divorce decree.</p> <p>Alimony/Child Support Income: If using alimony/child support income to qualify, obtain most recent 3 months bank statements showing deposits, 3 months' canceled checks, or proof of receipt for the most recent three months through evidence from court, and evidence of 3-year continuance by providing selected pages including those identifying the parties from the separation agreement or divorce decree.</p>	<p>In addition to documenting 3 months of receipt of the income, obtain a copy of the court order to show payor was obligated for the most recent 12 months:</p> <ul style="list-style-type: none"> If the court order shows that payor was obligated for <12 months but not <6 months, the income may be considered for qualifying as long as it does not exceed 30% of the borrower's qualifying income. For those instances when payments have been received for <6 months, are not for the full amount or not received on a consistent basis, the income cannot be considered for qualifying. <p>Refer to Guide Sections 37.13, 37.22 and 37.23.</p>
<p>IRS Form 8821/4506</p> <p>Streamlined Accept and Standard Accept documentation levels</p>	<p>Documentation Guidelines 1K</p> <p>Doc Checklist</p> <p>Documentation Guidelines 9C</p> <p>Doc Checklist</p> <p>Documentation Guidelines CM</p> <p>Doc Checklist</p>	<p>If tax returns are used to document source of income or to verify income, obtain signed IRS Form 8821/4506 covering most recent year from borrower.</p> <p>Signed 8821/4506: If tax returns are used to document income.</p> <p>All borrowers are required to sign IRS Form 4506 or 8821 at application, and at closing if Seller has not sent form to IRS prior to the note date.</p> <p>Signed 4506/8821: All borrowers are required to sign at application, and at closing if Seller has not sent form to IRS prior to the note date.</p> <p>If tax returns are used to document source of income or to verify income, obtain signed IRS Form 8821/4506 covering 2 years from borrower.</p> <p>2 Years Signed 8821/4506: If tax returns are used to document income.</p>	<p>If tax returns are used to document source of income or to verify income, obtain signed IRS Form 8821, 4506 or 4506-T at application.</p> <p>Refer to Guide Sections 37.13, 37.22 and 37.23.</p>

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Income			
Employment verification	Documentation Guidelines 9A	Verification of income source is recommended.	Disregard message. Verification of employment/income source(s) is required.
Streamlined Accept and Standard Accept documentation levels	Doc Checklist	Income: A verbal verification of employment is recommended.	Refer to Guide Section 37.13

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Assets			
Depository, Stock and/or Bond accounts	Documentation Guidelines CN	Depository, Stock and/or Bond Accounts: Obtain most recent statement(s) for each account to verify sufficient funds for closing and for amount reserves submitted to LP. No proof of liquidation required for stocks and bonds.	In addition, if the depository, stock and or bond assets are needed for the down payment, closing costs, financing costs, and prepaids/escrows, proof of liquidation is required.
Streamlined Accept documentation level	Doc Checklist	Depository and/or Stock/Bond Statements: Most recent for each account to verify funds to close.	Refer to Guide Sections 26.and 37.22.
Verification of Assets: Depository, Stock and/or Bond accounts	Documentation Guidelines DS	Depository, Stock and/or Bond Accounts: Obtain most recent 2 months statements for each account to verify sufficient funds for closing and for amount of reserves submitted to LP. No proof of liquidation required for stocks and bonds.	In addition, if the depository, stock and or bond assets are needed for the down payment, closing costs, financing costs, and prepaids/escrows, proof of liquidation is required.
Standard Accept documentation level	Doc Checklist	Depository and/or Stock/Bond Statements: Most recent 2 months for each account to verify funds to close.	Refer to Guide Sections 26.and 37.23

Topic	Message Category & Code	Existing Feedback Message(s)	Revised Requirements
Liabilities			
Revolving or open-end accounts Streamlined Accept and Standard Accept documentation level	Loan Processing Remarks 4U Doc Checklist	Revolving or open-end accounts: When the required monthly payment does not appear on the credit report, you may use five percent of the outstanding balance for qualifying or provide documentation from another source. Revolving or open-end accounts: When the required monthly payment does not appear on the credit report, you may use five percent of the outstanding balance for qualifying or provide documentation from another source.	<ul style="list-style-type: none"> In the absence of a stated payment on revolving or open-ended accounts, regardless of the balance, you must use 5% of the outstanding balance as the required monthly payment. Open-end accounts do not have to be included in the monthly debt payment if the file contains proof that the borrower has sufficient funds to pay off the outstanding account balance. Refer to Guide Sections 37.15, 35.16, 37.22 and 37.23

Additional Actions Required for Certain Types of Income

The following types of income are not included under [Additional types of income](#) in the income table above and require additional documentation requirements:

- Mortgage differential
- Public assistance
- Retirement or pension income
- Section 8 home ownership assistance payments
- Social security
- Tax-exempt income
- Trust income

For complete documentation requirements, refer to:

- Guide Section 37.13 (Stable Monthly Income),
- Guide Section 37.20 (General Requirements for verifying documents),
- Guide Section 37.22 (a) (Streamlined Accept documentation requirements) and
- Guide Section 37.23 (a) (Standard Accept documentation requirements)

Additional Actions Required for Certain Types of Assets

The following types of assets require additional documentation requirements:

- A cash deposit toward the purchase, from an acceptable source of funds
- Cash value life Insurance
- For purchase transactions, proceeds from an unsecured loan that is an Employer Assisted Homeownership (EAH) Benefit
- Funds disbursed from a trust
- Funds on deposit in a Community Savings System that are deposited by the borrower
- Funds on deposit in an Individual Development Account (IDA)
- Pooled funds on deposit from Related Persons who reside with the borrower
- Proceeds of a loan fully secured by the borrower's owned assets

- The amount charged by a borrower on a credit card to pay fees associated with the Mortgage application, credit report and appraisals, or a cash advance taken by the borrower on a revolving credit card account or an unsecured line of credit to pay these fees
- U.S. Savings Bonds

For complete documentation requirements, refer to:

- Guide Section 37.20 (General Requirements for verifying documents),
- Guide Section 37.22 (b) (Streamlined Accept documentation requirements) and
- Guide Section 37.23 (b) (Standard Accept documentation requirements)

General Reminders

- Ensure all tax returns obtained are signed and complete, including all schedules.
- Only verified income can be used for qualification. Include a written analysis of how the income was calculated in the Mortgage file (For self-employed and commission, use Form 91, Income Analysis Form, or a comparable form)
- A verbal verification of employment (VOE), not more than 10 days prior to the Note Date, is now required for all employed borrowers. For your convenience, use Form 90, Verbal Verification of Employment, or a comparable form, and place in the Mortgage file as written documentation.
- Income must meet requirements of stable monthly income in Guide Section 37.13. Analyze any significant increase or decrease in the current level of income from the previous level of earnings.
- Trailing co-borrower income is no longer eligible.