

# Eagle Funding

## **BROKER MEMO**

Date: July 10, 2009

Subject: Fannie Mae changes

Due to market conditions Fannie Mae has updated their underwriting, eligibility and property requirements...**EFFECTIVE for ALL LOAN SUBMISSIONS as of SEPTEMBER 1, 2009.**

### **Age of Credit Documents**

The maximum age of credit documents is reduced from 120 days to 90 days for existing construction and from 180 days to 120 days for new construction. Credit documents include credit reports and employment, income, and asset documentation.

### **Home Equity Lines of Credit (HELOCs)**

HELOCs (drawn or undrawn) are now permissible as secondary financing with the Flexible mortgage and MyCommunityMortgage® (MCM®) products. The HCLTV limit will mirror the LTV and CLTV limits available on these products.

### **IRS Form 4506-T**

Due to ongoing concern with fraud and misrepresentation, Fannie Mae is updating requirements that pertain to the use of IRS Forms 4506, 4506-T, and 8821. Fannie Mae now requires the lender to obtain a completed and signed Form 4506-T from all borrowers at both application and closing. Whenever the 4506-T is executed by the IRS (i.e., the transcript is received back from the IRS), the transcript information and any subsequent explanation or documentation of discrepancies must be retained in the loan file.

### **Tip Income**

Tip income may be used to qualify the borrower if the lender verifies that the borrower has received it for the last two years and the employer indicates that the tip income will in all probability continue. The lender must develop an average of the past two years' tip income to determine the amount of income that may be considered in qualifying the borrower.

### **Trailing Secondary Wage Earner Income**

Because trailing secondary wage earner income is based on projected employment and income that a borrower may earn in the future (but is not currently earning), Fannie Mae is eliminating the trailing secondary wage earner income policy from the *Selling Guide*.

### **Verbal Verification of Employment**

Due to the current economic instability and ongoing concern with fraud and misrepresentation, Fannie Mae is updating the employment verification policy.

#### **Verbal VOE requirements for hourly, salary, and commission income:**

The lender must independently obtain a phone number and, if possible, an address for the borrower's employer. This can be accomplished by using a telephone book, the internet, or directory assistance, or by contacting the applicable licensing bureau.

The lender must contact the employer, verbally or in writing, and confirm the borrower's current employment status within 10 days prior to the closing date.

If the contact is made verbally, the conversation must be documented. It should include the name and title of the person who confirmed the employment, the date of the call, and the source of the phone number. The written documentation should also include the name and title of the person who performed the verification for the lender.

Note: If a borrower is in the military, a military Leave and Earnings Statement (LES) dated within 30 days of closing is acceptable in lieu of a verbal or written VOE.

#### **Verbal VOE requirements for self-employed income:**

The lender must verify the existence of the borrower's business within 30 days prior to the note date from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; and by verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance.

If the contact is made verbally, the lender must document the source of the information obtained and the name and title of the lender's employee who obtained the information

### **Verification of Stocks, Bonds, Mutual Funds, and Retirement Accounts**

Due to recent market volatility, Fannie Mae is changing policy with regard to determining the value of investments and retirement accounts as assets for reserves.

#### **Determining the value of the asset when used for reserves:**

Stocks, bonds, and mutual funds: 70 percent of the value may be used as reserves (reduced from 100 percent).

Retirement accounts: 60 percent of the vested value may be used as reserves (reduced from 70 percent).

In addition, stock options and non-vested restricted stock are no longer eligible for use as reserves.

As a reminder, the lender must verify the ownership of the accounts, and verify the borrower's actual receipt of the funds realized from the sale or liquidation of the assets if needed to complete the transaction.

For questions, please contact your Account Executive. Thank you for your business.

David Baker

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