

# Loan Product Advisor<sup>®</sup> Documentation Matrix

Use the following information as a reference for documenting your Loan Product Advisor<sup>®</sup> (LPA<sup>SM</sup>) loans. For complete documentation information and specific program eligibility requirements, refer to the [Freddie Mac Single-Family Seller/Servicer Guide \(Guide\)](#). We recommend bookmarking the Guide link (<https://guide.freddiemac.com/app/guide/>) for easy access.

## What Has Changed in this Reference?

This reference is updated to coincide with new and significant changes to documentation requirements announced in Guide Bulletins. Recent changes based on Effective Date, include:

Topic	Change	Effective Date	Bulletin Announcement
Multiple topics	-Updated age of tax return requirements -Updated direct account verifications -Retain 4506-C in the mortgage file	February 7, 2024	<a href="#">February 7, 2024 Bulletin 2024-1</a>
<a href="#">10-day Pre-Closing Verification (PCV)</a>	Expanded the 10-day PCV to include a year-to-date paystub if certain requirements are met.	December 6, 2023	<a href="#">December 6, 2023 Bulletin 2023-24</a>
<a href="#">Income updates</a>	Updates to employed income history, earnings types and income calculation.	Effective for mortgages with Settlement Dates on or after May 1, 2024, but sellers are encouraged to implement immediately.	<a href="#">November 1, 2023 Bulletin</a>
<a href="#">Timeshare loans</a>	Update to address that timeshare related obligations are considered installment debts.	November 1, 2023	<a href="#">November 1, 2023 Bulletin</a>
<a href="#">Student loan payment</a>	Updates to the amount included in the monthly debt payment-to-income ratio for all student loans.	September 6, 2023	<a href="#">September 6, 2023 Bulletin</a>
	New requirements for student loans in income-driven repayment plans.	Effective for mortgages with Settlement Dates on or after January 4, 2024	
<a href="#">Alimony, child support and separate maintenance income documentation</a>	Providing greater specificity to our documentation requirements for alimony, child support and separate maintenance.	Effective for mortgages with Settlement Dates on or after November 30, 2023, but Sellers are encouraged to implement immediately.	<a href="#">August 2, 2023 Bulletin</a>
<a href="#">Applications for IRS installment agreements</a>	Updating our requirements for when a borrower has applied for an IRS installment agreement and it is pending IRS approval.	Effective for mortgages with Settlement Dates on or after November 30, 2023, but Sellers are encouraged to implement immediately.	<a href="#">August 2, 2023 Bulletin</a>

**Note:** Vertical revision bars " | " are also used in the margin of this reference to highlight these new requirements and significant changes.

This information is not a replacement or substitute for the requirements in the Freddie Mac *Single-Family Seller/Servicer Guide* or any other contractual agreements. This information does not constitute an agreement between Freddie Mac and any other party.

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Freddie Mac's asset and income modeler (AIM) offers many ways to automate a borrower's financials for a simpler underwriting process. AIM taps into third-party service provider data such as account data, tax returns, tax transcripts, employment verification and more. This resource provides a list of job aids, clips, reference tools and webinars to guide you through getting started with AIM, how to submit to LPA and interpret the results in understanding representation and warranty relief eligibility. The resources in this training catalog support AIM for assets, AIM for income using employment data, AIM for income using direct deposits, AIM for income using tax data, as well as, the automation of the 10-day Pre-Closing Verification (PCV).



## INCOME AND EMPLOYMENT DOCUMENTATION

The analysis, verification, calculation, and determination of the stable monthly income amount is integral to the overall qualification of the borrower and determination of the borrower's capacity to repay the mortgage and other monthly obligations. Refer to Guide Topic [5300](#) for complete requirements and guidance for the analysis, stability, history, continuance and documentation for all stable monthly income and asset qualification types.

Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<p>General requirements for stable monthly income (Guide Section <a href="#">5301.1</a>)</p>	<p>Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable types that can reasonably be expected to continue for at least the next three years. For each income type used to qualify the borrower, the Seller must determine that both the type and the amount of the income are stable, with a consistent level of earnings.</p> <p>Regardless of the underwriting path, the income qualification types used to qualify the borrower (whether or not specifically addressed in Topic 5300) and the documentation in the mortgage file must be evaluated for stable monthly income qualification requirements and must meet the requirements of Topic 5300. Income qualification types that do not meet these requirements or are not calculated correctly may invalidate the Loan Product Advisor Risk Class on the Feedback Certificate.</p> <p>Refer to Guide Section <a href="#">5301.1</a> for more requirements and guidance on:</p> <ul style="list-style-type: none"> <li>▪ Analysis of stable monthly income amount</li> <li>▪ General requirements for all stable monthly income</li> <li>▪ Income stability and history</li> <li>▪ Income continuance (including charts listing income and earning types and respective documentation requirements, if applicable)</li> </ul> <p><b>Note:</b> Income paid to the borrower in cryptocurrency may not be used to qualify for the mortgage.</p> <p><b>Written Analysis</b></p> <p>The Seller must include a written analysis of the income qualification types and amount in the mortgage file. <b>A written analysis includes topics such as:</b></p> <ul style="list-style-type: none"> <li>▪ The calculation used to determine the qualifying income, unless it can be clearly derived from documentation in the mortgage file (e.g., Social Security pre-determined payment amounts, annual salary); and</li> <li>▪ The rationale for determining that the source and the amount of the income are stable, including any rationale applicable to the stability, history, calculation and continuance of the income.</li> </ul> <p>In addition, all documentation used to establish stable monthly income must be retained in the mortgage file.</p> <p><b>Income stability and history requirements:</b> The Seller must consider the length of income history and whether the earnings have been consistent. When evaluating stability of income based upon historical receipt, additional layering of risk may be present depending upon the degree of income fluctuation. As a result, the Seller must determine when additional documentation (e.g., an additional year of earnings history) is necessary to support income stability.</p>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<p>General requirements for stable monthly income (cont'd) (Guide Section <a href="#">5301.1</a>)</p>	<p><b>Continuance (5301.1(d))</b></p> <p>For all income used to qualify the borrower, the Seller must determine whether the income is reasonably expected to continue. This determination must focus on the Borrower's past employment/self-employment history, history of receipt of other income and the probability of continued consistent receipt of the income used to qualify the borrower. <i>At a minimum, the Seller must base the determination on the requirements of <a href="#">Topic 5300</a>, and any other documentation contained in the mortgage file.</i> Additional documentation may be required, as described in <a href="#">Section 5302.1</a>.</p> <p>The Seller may consider all income for qualifying the borrower, <i>provided the Seller does not have knowledge, information or documentation that contradicts a reasonable expectation of continuance or probability of consistent receipt over at least the next three years.</i></p>
<p>General requirements for documentation used to verify employment and income (Guide Chapter <a href="#">5302</a>)</p>	<p>Employed income documentation and verification requirements</p> <ul style="list-style-type: none"> <li>▪ YTD Paystubs</li> <li>▪ W-2 Forms</li> <li>▪ Written VOEs</li> </ul> <p>10-day Pre-Closing Verification (10-day PCV), refer to Guide Section <a href="#">5302.2(d)</a>* and <a href="#">FAQs</a>. <i>Effective December 6, 2023 expanded 10-day PCV to include a year-to-date paystub from the pay period immediately preceding the Note Date, with the "paid through" date no more than 15 business days before the Note Date.</i></p> <p><i>Note:</i> AIM offers automated solutions to satisfy the 10-day PCV requirement. Refer to <a href="#">AIM: 10-day PCV at a Glance</a> job aid.</p> <ul style="list-style-type: none"> <li>▪ Third-party Verification Service Providers</li> </ul> <p>Tax return requirements**</p> <ul style="list-style-type: none"> <li>▪ Complete tax return requirements (and alternatives to signatures)</li> <li>▪ Age of tax return requirements (<a href="#">FAQ</a>)</li> <li>▪ IRS Transcripts</li> <li>▪ When tax returns are required</li> <li>▪ Unreimbursed employee expenses</li> </ul> <p>**Also refer to <a href="#">Age of tax return requirements</a>.</p>
<p>Employed income calculation guidance and requirements (Guide Section <a href="#">5303.4</a>)</p>	<p><b>Employed income calculation guidance and requirements</b></p> <p>For all income, the Seller must determine how the borrower is paid to accurately analyze and calculate the stable monthly income used for qualifying. The documentation in the mortgage file must support the Seller's income analysis and calculation. If the documentation does not support the income used for qualifying purposes, further analysis is required, and additional documentation may be necessary to support the stability of the income and the amount of income used to qualify.</p> <ul style="list-style-type: none"> <li>▪ For the calculation of base non-fluctuating employment earnings, refer to Guide Section <a href="#">5303.4(a)</a>.</li> <li>▪ For the calculation fluctuating employment earnings, refer to Guide Section <a href="#">5303.4(b)</a>.</li> </ul> <p>Also refer to the <a href="#">Employed Income FAQ</a>.</p>



Topics	Documentation Requirements (Streamlined and Standard Documentation Levels) Employed Income	
Employed income calculation guidance and requirements (cont'd) (Guide Section <a href="#">5303.4</a> )	<b>Effective for mortgages with Settlement Dates on or after May 1, 2024, but Sellers are encouraged to implement immediately:</b>	
	<p style="text-align: center;"><b>Overview of general employment and income requirements (Guide Section <a href="#">5303.4</a>)</b></p> <ul style="list-style-type: none"> <li>▪ The income calculation used to qualify the Borrower depends on multiple loan level factors, the primary of which are the employment and income history, earnings type, employment characteristics and income documentation. The following table provides an overview of general employment and income requirements.</li> </ul>	
	Written income analysis	A written analysis of the income used to qualify the borrower must be retained in the mortgage file. Refer to Section 5301.1(b).
	Income documentation	All documentation in the mortgage file must support the Seller's income analysis and calculation.
	Employment history requirements	In most instances, the borrower should have at least a two-year history of primary employment. Refer to Guide Section 5303.2(a) for employment history requirements.
	Income stability and history requirements	<p>The Seller must consider the length of income history and whether the earnings have been consistent. When evaluating stability of income based upon historical receipt, additional layering of risk may be present depending upon the degree of income fluctuation. As a result, the Seller must determine when additional documentation (e.g., an additional year of earnings history) is necessary to support income stability.</p> <p>Refer to Sections 5301.1(c), 5303.2(a) and 5303.3(b) for income stability and history requirements.</p>
	<b>General underwriting for income calculation – requirements and guidance</b>	
Refer to the Guide Sections below for the requirements and guidance for income calculation: <ul style="list-style-type: none"> <li>▪ For general factors to consider when determining the income calculation, refer to Guide Section <a href="#">5303.4(b)</a>.</li> <li>▪ For the calculation of base non-fluctuating employment earnings, refer to Guide Section <a href="#">5303.4(c)</a>.</li> <li>▪ For the calculation of fluctuating employment earnings, refer to Guide Section <a href="#">5303.4(d)</a>.</li> </ul>		



Topics	Documentation Requirements (Streamlined and Standard Documentation Levels) Employed Income (continued)
<p>Primary and Secondary Employment: Determining earnings types - requirements and guidance (Guide Section <a href="#">5303.2(b)</a> and <a href="#">5303.4(c)</a>)</p>	<p><b>Base non-fluctuating employment earnings</b></p> <p>Base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon rate of pay and number of hours worked each pay period.</p> <ul style="list-style-type: none"> <li>▪ The pay rate and number of hours worked must be reflected on an ongoing consistent basis for each pay period and be fully supported by the year-to-date income. In addition, if the annual salary is reported on the income verification documentation, that may be considered additional confirmation of base non-fluctuating earnings.</li> <li>▪ Base non-fluctuating earnings may include: <ul style="list-style-type: none"> <li>– Both exempt (salaried) and non-exempt (hourly) earnings; however, the pay rate and number of hours worked must not fluctuate between pay periods. Note: All income documentation must support base non-fluctuating earnings. <b>Example:</b> The borrower is a non-exempt (hourly) employee and receives overtime income. The written VOE includes a breakdown of base pay and overtime pay over the prior year and YTD, which supports consistent base hours of 37.5 per pay period.</li> <li>– Military base (basic) pay. For members of the United States Armed Forces, active-duty pay is considered base non-fluctuating earnings.</li> <li>– Part-time earnings, provided the number of hours worked each pay period are pre-determined and the same, as outlined above.</li> </ul> </li> </ul> <p>Base non-fluctuating earnings do not include additional employed income (e.g., bonus, overtime, tips). Refer to <a href="#">Additional Employed Income</a> section or to Guide Section <a href="#">5303.3</a> for complete requirements and guidance.</p> <p><b>Fluctuating hourly employment earnings</b></p> <p><b>Updated effective for Mortgages with Settlement Dates on or after May 1, 2024, but Sellers are encouraged to implement immediately.</b></p> <p>Fluctuating hourly employment earnings are considered to be earnings that are based on a pre-determined and agreed upon hourly rate of pay. The hours worked are not pre-determined and may fluctuate each pay period. Fluctuating hourly earnings are typically representative of non-exempt earnings.</p> <p>The determination of whether the hours fluctuate is based on the review of the YTD and prior year income documentation, including the reported number of hours worked and YTD earnings in relation to base hours worked.</p> <p>Example 1: The pay frequency is bi-weekly. The current YTD paystub shows 77 hours worked. The prior pay period YTD paystub shows 74 hours worked. The earnings are fluctuating hourly.</p> <p>Example 2: The pay frequency is weekly. The paystub reflects six months of YTD income showing 37 hours worked at a pay rate of \$30.00 per hour. If the Borrower worked 37 hours every week, the YTD earnings are approximately \$28,860. However, the YTD base earnings on the paystub are \$20,240. This income documentation shows fluctuating hourly earnings and additional documentation is necessary to determine otherwise.</p> <p>Fluctuating hourly earnings do not include additional employed income (e.g., bonus, overtime, tips). Refer to <a href="#">Additional Employed Income</a> section or to Guide Section <a href="#">5303.3</a> for complete requirements and guidance.</p>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Employed Income (continued)</b>	
<p>Primary employment earnings:</p> <ul style="list-style-type: none"> <li>▪ Base non-fluctuating earnings, and</li> <li>▪ Fluctuating hourly earnings</li> </ul> <p>(Guide Sections 5303.2(a)(i) and (c))</p>	<p><b>Primary employment earnings – documentation requirements:</b></p> <p><b>Obtain all the following:</b></p> <ul style="list-style-type: none"> <li>▪ Year-to-date (YTD) paystub(s) documenting all YTD earnings, W-2 form(s) for the most recent calendar year, and a <a href="#">10-day pre-closing</a> verification (10-day PCV). Refer to Guide Section <a href="#">5302.2(d)</a>. Note: AIM offers automated solutions to satisfy the 10-day PCV requirement. Refer to <a href="#">AIM: 10-day PCV at a Glance</a> job aid.</li> </ul> <p><b>OR, all the following:</b></p> <ul style="list-style-type: none"> <li>▪ Written verification of employment (VOE) documenting all YTD earnings and the earnings for the most recent calendar year, and a <a href="#">10-day PCV</a>. Refer to Guide Section <a href="#">5302.2(d)</a>.</li> </ul> <p><b>Primary employment - history requirements</b></p> <p>In most instances, the borrower should have at least a two-year history of primary employment documented on Form 65, Uniform Residential Loan Application and verified in accordance with Topic 5300.</p> <p>For borrowers who are active-duty members of the United States Armed Forces, a history of military employment is not required for the employment to be considered stable.</p> <p>The tenure of the borrower’s employment with the same employer or in the same or similar industry lends support to the analysis of employment stability.</p> <p>When a Borrower has less than a two-year history of primary employment, the Seller must provide its justification for determining that the employment is stable. When making this determination, the Seller must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the Borrower's demonstrated ability to repay obligations. Examples that may support less than a two-year history of primary employment include, but are not limited to, the following:</p> <p style="padding-left: 20px;">For a borrower:</p> <ul style="list-style-type: none"> <li>▪ Returning to the workforce after a period of extended absence, for any reason, documentation is provided to support a stable employment history that directly preceded the extended absence.</li> <li>▪ New to the workforce, provide documentation supporting the borrower’s recent attendance at school or in a training program prior to their current employment.</li> <li>▪ Who experienced recent employment gaps (e.g., 30 days), although a letter of explanation is not required, the Seller remains responsible for establishing the employment is stable, which may require analysis of recent employment gaps.</li> </ul> <p>Refer to Guide Section 5303.2(a)(i) for complete requirements and guidance.</p> <p><b>Effective for mortgages with Settlement Dates on or after May 1, 2024, but Sellers are encouraged to implement immediately:</b></p> <p>When the borrower’s income is derived from <b>fluctuating hourly earnings</b>, the borrower must have at least a 12-month history of employment. The required minimum 12-month history must be derived from either:</p> <ul style="list-style-type: none"> <li>▪ The borrower’s current fluctuating hourly employment, or</li> <li>▪ A combination of current and prior fluctuating hourly employment, or</li> <li>▪ A combination of current fluctuating hourly employment and 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 (refer to Section 5303.4(d)).</li> </ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Employed Income (continued)</b>	
<p>Secondary employment earnings:</p> <ul style="list-style-type: none"> <li>▪ Base non-fluctuating earnings and</li> <li>▪ Fluctuating hourly earnings</li> </ul> <p>(Guide Sections <a href="#">5303.2(a)(ii)</a> and (c))</p>	<p><b>Secondary employment earnings – documentation requirements:</b></p> <p>All the following:</p> <ul style="list-style-type: none"> <li>▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV. Refer to Guide Section <a href="#">5302.2(d)</a>. Note: AIM offers automated solutions to satisfy the 10-day PCV requirement. Refer to <a href="#">AIM: 10-day PCV at a Glance</a> job aid.</li> </ul> <p><b>OR</b>, all the following:</p> <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV. Refer to Guide Section <a href="#">5302.2(d)</a>.</li> </ul>
<p>Secondary employment - history requirements</p> <p>(Guide Sections <a href="#">5303.2(a)(ii)</a> and (c))</p>	<p><b>Secondary employment - history requirements</b></p> <p>In most instances, the borrower should have at least a two-year history of secondary employment for the employment to be considered stable.</p> <p>Under certain circumstances, when a borrower has less than a two-year secondary employment history but has at least a 12-month history, the Seller may be able to justify and determine the employment is stable.</p> <p>Refer to Guide Section <a href="#">5303.2(a)(ii)</a> for complete requirements and guidance.</p>
<p>W-2 Forms: Alternative documentation</p> <p>Guide Section <a href="#">5302.2(b)</a></p>	<ul style="list-style-type: none"> <li>▪ <b>Year-end YTD Paystubs:</b> The year-end YTD paystub(s) or military Leave and Earnings Statement may be used in lieu of the W-2 form(s) provided the documentation reflects the complete income earned in the previous calendar year;</li> </ul> <p><b>OR</b>,</p> <ul style="list-style-type: none"> <li>▪ <b>W-2 Transcripts:</b> The W-2 transcript(s) may be used in lieu of the W-2 form(s) provided the transcript reflects the complete income earned in the previous calendar year.</li> </ul>
<p>Employment/Income Characteristics</p> <p>Guide Section <a href="#">5303.2(d)</a></p>	<p>For certain employment and income characteristics, additional documentation and/or analysis may be needed. Refer to Guide Section <a href="#">5303.2(d)</a> for complete requirements and guidance.</p> <ul style="list-style-type: none"> <li>▪ Full-time and part-time employment</li> <li>▪ Seasonal employment</li> <li>▪ Union members</li> <li>▪ Borrower employed by a family member or interested party to the transaction</li> <li>▪ Employed income from a foreign source</li> <li>▪ Employment contracts (educational and other industries)</li> <li>▪ Temporary help services (W-2 income from contract and/or temporary staffing firms)</li> <li>▪ Income reported on IRS Form 1099 for services performed. You may treat this income either as self-employed income (refer to Chapter 5304) or non-self-employed income if certain requirements are met (refer to Guide Section <a href="#">5303.2(d)</a>). Refer to <a href="#">FAQ</a>.</li> <li>▪ Borrowers with business ownership interest(s) less than 25%. You may treat this income either as self-employment income (refer to Guide Chapter 5304), or use the new requirements and guidance outlined in Guide Section <a href="#">5303.2(d)</a>.</li> </ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Additional Employed Income</b>	
Additional Employed Income – History and Stability Guide Section <a href="#">5303.3(b)</a>	<p><b>Income history and stability - requirements and guidance</b></p> <p>Many additional employed income types are fluctuating income. The stability of fluctuating income is determined based primarily upon historical earnings, so it is imperative that a sufficient income history has been established. For this reason, most income types that fluctuate have a history requirement of two years. In certain instances, a shorter history may still be considered stable if Seller provides a written analysis, and sufficient supporting documentation, justifying the determination of stability. When making this determination, the Seller must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the borrower’s demonstrated ability to repay obligations. In no event may the history be less than 12 months. <b>Effective for mortgages with Settlement Dates on or after May 1, 2024, but Sellers are encouraged to implement immediately: The income history must be at least 12 months.</b></p> <p>Refer to Guide Section <a href="#">5303.4</a> for information with respect to employed income calculation requirements and guidance.</p>
Additional Employed Income – Earnings types (Guide Section <a href="#">5303.3(c)</a> )	<p><b>Fixed earnings:</b> For the purposes of determining stable monthly income, fixed additional employed income earnings are considered to be earnings that are based on a pre-determined and agreed upon fixed amount of pay that is fully documented, such as an automobile allowance, mortgage differential or military entitlement(s).</p> <p><b>Fluctuating earnings:</b> For the purposes of determining stable monthly income, fluctuating additional employed income earnings are considered to be earnings that fluctuate on a regular basis, often based on factors such as hours worked, job type and performance. Fluctuating earnings may include, but are not limited to, income types such as commissions, overtime, bonus, tips, Reserve and National Guard, and unemployment compensation associated with seasonal employment.</p> <p>Refer to Section <a href="#">5303.4</a> for information with respect to employed income calculation requirements and guidance.</p>
<b>Note: Below information includes the stable monthly income and documentation requirements for additional employed income. Additional documentation may be required to determine the stable monthly income amount.</b>	
Commission income (Guide Section <a href="#">5303.3(d)</a> )	<p><b>History of receipt:</b> Two years, consecutive.</p> <p><b>Continuance:</b> Must be likely to continue for at least the next three years.</p> <p><b>Calculation:</b> Refer to Guide Section <a href="#">5303.4(d)</a> for calculation guidance and requirements.</p> <p><b>Documentation:</b></p> <p>All the following:</p> <ul style="list-style-type: none"> <li>▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>). Note: AIM offers automated solutions to satisfy the 10-day PCV requirement. Refer to <a href="#">AIM: 10-day PCV at a Glance</a> job aid.</li> </ul> <p><b>OR,</b> all the following:</p> <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>).</li> </ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Additional Employed Income (continued)</b>	
Bonus income and overtime income (Guide Section <a href="#">5303.3(d)</a> )	<p><b>History of receipt:</b> Two years, consecutive.</p> <p><b>Continuance:</b> Must be likely to continue for at least the next three years.</p> <p><b>Calculation:</b> Refer to Guide Section 5303.4(d) for calculation guidance and requirements.</p> <p><b>Documentation:</b> All the following:</p> <ul style="list-style-type: none"> <li>▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>). Note: AIM offers automated solutions to satisfy the 10-day PCV requirement. Refer to <a href="#">AIM: 10-day PCV at a Glance</a> job aid.</li> </ul> <p><b>OR</b>, all the following:</p> <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>).</li> </ul>
Tip Income (Guide Section <a href="#">5303.3(d)</a> )	<p><b>History of receipt:</b> Two years, consecutive.</p> <p><b>Continuance:</b> Must be likely to continue for at least the next three years.</p> <p><b>Calculation:</b> Refer to Guide Section 5303.4(d) for calculation guidance and requirements.</p> <p><b>Tip income reported by the employer:</b></p> <p><b>Documentation:</b> All the following:</p> <ul style="list-style-type: none"> <li>▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>). Note: AIM offers automated solutions to satisfy the 10-day PCV requirement. Refer to <a href="#">AIM: 10-day PCV at a Glance</a> job aid.</li> </ul> <p><b>OR</b>, all the following:</p> <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>).</li> </ul> <p><b>Tip income - Cash and charge tips reported on IRS Form 4137:</b></p> <p><b>Documentation:</b> All the following:</p> <ul style="list-style-type: none"> <li>▪ IRS Form 4137 for the most recent two years.</li> <li>▪ Complete federal individual income tax returns covering the most recent two-year period (Refer to <a href="#">Age of Tax return requirements</a>).</li> <li>▪ 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>).</li> </ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Additional Employed Income (continued)</b>	
<p>Restricted stock (RS) and restricted stock units (RSU) subject to performance-based vesting provisions</p> <p>(Guide Section <a href="#">5303.3(d)</a>)</p>	<p><b>History of receipt:</b></p> <ul style="list-style-type: none"> <li>▪ Two years, consecutive.</li> <li>▪ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction.</li> </ul> <p><b>Continuance:</b> Must be likely to continue for at least the next three years.</p> <p><b>Calculation:</b> Refer to Guide Section <a href="#">5303.4(e)</a> for calculation guidance and requirements.</p> <p><b>Documentation:</b></p> <p>All the following:</p> <ul style="list-style-type: none"> <li>▪ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU, W-2 forms for the most recent two calendar years and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>).</li> </ul> <p><b>OR</b>, all the following:</p> <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>). Employment and income verifications obtained through a third-party verification service provider as described in Guide Section 5302.3 are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSU.</li> </ul> <p><b>Additional documentation requirements applicable to all documentation levels:</b></p> <p>The mortgage file must contain:</p> <ul style="list-style-type: none"> <li>▪ Evidence the stock is publicly traded.</li> <li>▪ Documentation verifying that the vesting provisions are performance-based (e.g., RS and/or RSU agreement, offer letter).</li> <li>▪ Vesting schedule(s) currently in effect detailing past and future vesting.</li> <li>▪ Evidence of receipt of previous year(s) payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax).</li> </ul>
<p>RS and RSU subject to time-based vesting</p> <p>(Guide Section <a href="#">5303.3(d)</a>)</p>	<p><b>History of receipt:</b></p> <ul style="list-style-type: none"> <li>▪ One year.</li> <li>▪ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the borrower from their current employer, without restriction.</li> </ul> <p><b>Continuance:</b> Must continue for at least the next three years.</p> <p><b>Calculation:</b> Refer to Guide Section <a href="#">5303.4(e)</a> for calculation guidance and requirements.</p> <p><b>Documentation:</b></p> <p>All the following:</p> <ul style="list-style-type: none"> <li>▪ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU, W-2 form for the most recent calendar year and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>).</li> </ul> <p><b>OR</b>, all the following:</p> <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent calendar year, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>). Employment and income verifications obtained through a third-party verification service provider as described in Guide Section 5302.3 are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSU.</li> </ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Additional Employed Income (continued)</b>	
RS and RSU subject to time-based vesting <b>(continued)</b> (Guide Section <a href="#">5303.3(d)</a> )	<p><b>Additional documentation requirements applicable to all documentation levels:</b></p> <p>The Mortgage file must contain:</p> <ul style="list-style-type: none"> <li>▪ Evidence the stock is publicly traded.</li> <li>▪ Documentation verifying that the vesting provisions are time-based (e.g., RS and/or RSU agreement, offer letter).</li> <li>▪ Vesting schedule(s) currently in effect detailing past and future vesting.</li> <li>▪ Evidence of receipt of previous year’s payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares (or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax).</li> </ul>
Automobile allowance (Guide Section <a href="#">5303.3(d)</a> )	<p><b>History of receipt:</b> Two years, consecutive.</p> <p><b>Continuance:</b> Must be likely to continue for at least the next three years.</p> <p><b>Calculation:</b> The Seller may add the full amount of the allowance to the borrower’s qualifying income, and when calculating the borrower’s debt payment-to-income (DTI) ratio, the Seller must include the full amount of the monthly automobile financing expense in the calculation of the borrower’s monthly debt payment (refer to Guide Section 5401.2). The Seller may not subtract the automobile allowance from the monthly automobile financing expense.</p> <p><b>Documentation:</b> All the following:</p> <ul style="list-style-type: none"> <li>▪ YTD paystub(s) documenting all YTD earnings, W-2 forms for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>).</li> </ul> <p><b>OR</b>, all the following:</p> <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years, and a 10-day PCV (refer to Guide Section <a href="#">5302.2(d)</a>).</li> </ul>
Mortgage differential (Guide Section <a href="#">5303.3(d)</a> )	<p><b>Overview:</b> Payments from the borrower’s employer for all or part of the housing payment differential between the borrower’s present and proposed mortgage payment. The employer must not be an interested party to the transaction.</p> <p><b>History of receipt:</b> A history of receipt is not required for the income to be considered stable</p> <p><b>Continuance:</b> Must continue for at least the next three years.</p> <p><b>Calculation:</b> The Seller may add the mortgage differential payments to the borrower’s income. The payments may not be used to offset the monthly housing payment amount used for qualification.</p> <p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>▪ Agreement from the employer stating the terms, including but not limited to, the scheduled amount and duration of the payments.</li> <li>▪ The documentation must show that the payments are pursuant to an established, ongoing, and documented employer program.</li> </ul>
Unemployment compensation associated with seasonal employment (Guide Section <a href="#">5303.3(d)</a> )	<p><b>History of receipt:</b> Two years, consecutive .</p> <p><b>Continuance:</b> Must be likely to continue for at least the next three years.</p> <p><b>Calculation:</b> Refer to Guide <a href="#">Section 5303.4(b)</a> for calculation guidance and requirements.</p> <p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>▪ Proof of receipt of unemployment compensation for the most recent two-year period (e.g., IRS Form 1099-G(s) and/or equivalent documentation).</li> </ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Military Income</b>	
<p>Military base (basic) pay (Guide Sections <a href="#">5303.2(a)</a> and (c))</p>	<p><b>Primary employment earnings – Military base (basic) pay:</b>  <b>History of receipt:</b> For borrowers who are active-duty members of the United States Armed Forces, a history of military employment is not required for the employment to be considered stable.  <b>Documentation:</b>            All the following:  <ul style="list-style-type: none"> <li>▪ YTD Military Leave and Earnings Statement, W-2 form(s) for the most recent calendar year, and a 10-day PCV.</li> </ul> <b>OR</b>, all the following:  <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings and the earnings for the most recent calendar year, and a 10-day PCV.</li> </ul>   <b>Note:</b> A military Leave and Earnings Statement dated no more than 120 days prior to the Note Date is acceptable documentation for the 10-day PCV.</p>
<p>Military entitlements (e.g., as flight or hazard duty, rations, clothing, or quarters allowances) (Guide Section <a href="#">5303.3(d)</a>)</p>	<p><b>Additional Employed Income – Military entitlements</b>  <b>History of receipt:</b> A history of receipt is not required for the income to be considered stable.  <b>Continuance:</b> Must be likely to continue for at least the next three years.  <b>Calculation:</b> Current fixed monthly amount.  <b>Documentation:</b>            Obtain all the following:  <ul style="list-style-type: none"> <li>▪ YTD Leave and Earnings Statement, W-2 form for the most recent calendar year, and a 10-day PCV.</li> </ul> <b>OR</b>, all the following:  <ul style="list-style-type: none"> <li>▪ Written VOE documenting the current monthly fixed entitlement amount(s) and type(s) and the earnings for the most recent calendar year, and a 10-day PCV.</li> </ul> </p>
<p>Military Reserve and National Guard income (Guide Section <a href="#">5303.3(d)</a>)</p>	<p><b>Additional Employed Income – Military Reserve and National Guard income</b>  <b>History of receipt:</b> One year.  <b>Continuance:</b> Must be likely to continue for at least the next three years.  <b>Calculation:</b> 12-month average.  <b>Documentation:</b>            Obtain all the following:  <ul style="list-style-type: none"> <li>▪ YTD Military Leave and Earnings Statement, W-2 form for the most recent calendar year, and a <a href="#">10-day PCV</a>.</li> </ul> <b>OR</b>, all the following:  <ul style="list-style-type: none"> <li>▪ Written VOE documenting all YTD earnings and the earnings for the most recent calendar year, and a <a href="#">10-day PCV</a>.</li> </ul> </p>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)	
<b>Employed Income: Income Commencing After the Note Date (Guide Section 5303.2(e))</b>		
<p>For borrowers starting new employment or receiving a future salary increase from their current employer, income commencing after the Note Date may be considered a stable type of qualifying income, provided that either all requirements for option one, or all requirements for option two in the following table are met.</p>		
Subject	Option one	Option two
Start date of the new employment or future salary increase	<ul style="list-style-type: none"> <li>▪ Must be no later than 90 days after the Note Date.</li> <li>▪ May be before or after the Delivery Date.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No limit on the number of days after the Note Date.</li> <li>▪ Must be before the Delivery Date.</li> </ul>
Eligible employment and earnings type	<p>Employment and income must meet the following requirements:</p> <ul style="list-style-type: none"> <li>▪ Income must be from new primary employment or a future salary increase with the current primary employer</li> <li>▪ Income must be non-fluctuating and salaried earnings (e.g., hourly earnings are not permitted), and</li> <li>▪ The borrower’s employer must not be a family member or an interested party to the real estate or mortgage transaction.</li> </ul>	<p>Employment and income must meet the following requirements:</p> <ul style="list-style-type: none"> <li>▪ Income must be from new primary employment.</li> <li>▪ Earnings must be non-fluctuating and salaried (e.g., hourly earnings are not permitted) and</li> <li>▪ The borrower’s employer must not be a family member or an interested party to the real estate or mortgage transaction.</li> <li>▪ As of the Delivery Date, the income must be no less than that used to qualify the borrower for the mortgage.</li> </ul>
Eligible loan purpose	<p>The mortgage must be originated for one of the following purposes:</p> <ul style="list-style-type: none"> <li>▪ Purchase transaction</li> <li>▪ “No cash-out” refinance</li> </ul>	<p>The mortgage must be originated for one of the following purposes:</p> <ul style="list-style-type: none"> <li>▪ Purchase transaction</li> <li>▪ “No cash-out” refinance</li> <li>▪ Cash-out refinance</li> </ul>
Eligible Mortgaged Premises	<p>The mortgaged premises must be a 1-unit Primary Residence.</p>	<p>The mortgaged premises must be one of the following:</p> <ul style="list-style-type: none"> <li>▪ 1- to 4-unit Primary Residence</li> <li>▪ Second home</li> <li>▪ 1- to 4-unit Investment Property</li> </ul>
Verification of additional funds	<p>In addition to funds required to be paid by the borrower and borrower reserves, you must verify additional funds in the borrower’s depository and/or securities account(s) that equal no less than the sum of the monthly housing expense, as described in Guide Section 5401.1, and other monthly liabilities, as described in Guide Section 5401.2, multiplied by the number of months between the Note Date* and the start date of the new employment/future salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation.</p> <p>The amount of the required additional funds, as described above, may be reduced by the amount of verified gross income that any borrower on the mortgage is expected to receive between the Note Date and the start date of the new employment, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment/future salary increase.</p> <p><b>Note:</b> For option two, the above requirements apply when there are more than 15 calendar days between the Note Date and the start date of the new employment.</p>	



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)																									
Employed Income: Income Commencing After the Note Date (Guide Section 5303.2(e))																										
Subject	Option one	Option two																								
Verification of additional funds (continued)	<p>Sellers may use the following worksheet to assist with the additional funds' calculation:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="background-color: #D3D3D3;">Calculation for Verification of Additional Funds Worksheet</th> </tr> </thead> <tbody> <tr> <td style="width: 5%; text-align: center;">1</td> <td style="width: 65%;">Total monthly housing expense (Section 5401.1)</td> <td style="width: 30%;">\$ _____</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Monthly debt payment (Section 5401.2)</td> <td>\$ _____</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Line 1 + Line 2</td> <td>\$ _____</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Number of months between Note Date and start date of new employment/future salary increase (a partial month = 1 month) + 1 month</td> <td>_____</td> </tr> <tr> <td style="text-align: center;">5</td> <td>(Line 3) x (Line 4)</td> <td>\$ _____</td> </tr> <tr> <td style="text-align: center;">6</td> <td>Borrower's verified gross income expected between Note Date and start date of new employment</td> <td>\$ _____</td> </tr> <tr> <td style="text-align: center;">7</td> <td>Line 5 – Line 6</td> <td>\$ _____ (This is the amount of additional funds the Seller must verify)</td> </tr> </tbody> </table>		Calculation for Verification of Additional Funds Worksheet			1	Total monthly housing expense (Section 5401.1)	\$ _____	2	Monthly debt payment (Section 5401.2)	\$ _____	3	Line 1 + Line 2	\$ _____	4	Number of months between Note Date and start date of new employment/future salary increase (a partial month = 1 month) + 1 month	_____	5	(Line 3) x (Line 4)	\$ _____	6	Borrower's verified gross income expected between Note Date and start date of new employment	\$ _____	7	Line 5 – Line 6	\$ _____ (This is the amount of additional funds the Seller must verify)
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Required Documentation	<p><b>Option one</b></p> <p>The following documentation is required:</p> <ul style="list-style-type: none"> <li>▪ Copy of the employment offer letter, employment contract or other evidence of the future salary increase that:               <ul style="list-style-type: none"> <li>– Is fully executed and accepted by the borrower.</li> <li>– Is non-contingent or provides documentation, such as a letter or an e-mail from the employer verifying all contingencies have been cleared.</li> <li>– Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings.</li> </ul> </li> <li>▪ For a future salary increase provided by the borrower's current employer, the above documentation must indicate that the increase is fully approved and is explicitly granted to the borrower.</li> <li>▪ A 10-day pre-closing verification (PCV) verifying the terms of the employment offer letter, contract or salary increase have not changed (refer to Guide Section 5302.2(d)).</li> <li>▪ Documentation of additional funds, as required above.</li> </ul>	<p><b>Option two</b></p> <p>The following documentation is required:</p> <ul style="list-style-type: none"> <li>▪ Copy of the employment offer letter or employment contract that:               <ul style="list-style-type: none"> <li>– Is fully executed and accepted by the borrower.</li> <li>– Includes the terms of employment, including but not limited to, employment start date and annual income based on non-fluctuating earnings.</li> </ul> </li> <li>▪ Paystub, written verification of employment (VOE) or a third-party employment verification supporting the income used for qualifying the Borrower</li> <li>▪ Documentation of additional funds, as required above.</li> </ul>																								



Documentation Requirements (Streamlined and Standard Documentation Levels)	
<b>Employed Income: Income while on Temporary Leave</b>	
Income while on temporary leave (Guide Section <a href="#">5303.5</a> )	For requirements and guidance for underwriting borrowers on temporary leave from their current employer, refer to Guide Section 5303.5.
<b>Self-employed Income</b>	
Self-employment indicator (Guide Section <a href="#">5304.1</a> )	<p>A borrower who has an ownership interest of 25% or more in a Partnership, S Corporation and/or Corporation is considered to be self-employed. A borrower who is a sole-proprietor is considered to be a self-employed borrower.</p> <p>The Seller must indicate to Loan Product Advisor that a borrower is self-employed when the borrower meets Freddie Mac's definition of self-employed as stated above. This is required in all cases where the self-employment income and/or loss is used to determine the borrower's stable monthly income for qualifying.</p>
Business income and analysis (Guide Section <a href="#">5304.1(d)</a> )	<p>Refer to Guide Section 5304.1 for requirements and guidance pertaining to the business and income analysis:</p> <ul style="list-style-type: none"> <li>▪ Business and income analysis:               <ul style="list-style-type: none"> <li>- Business review and analysis</li> <li>- Use of business income reported on the borrower's personal returns</li> <li>- Use of business income not reported on the borrower's personal returns</li> <li>- Access to business income</li> <li>- Income calculation</li> <li>- Income fluctuation</li> </ul> </li> <li>▪ Business financial statements</li> <li>▪ Income analysis – adjustments (e.g., mortgages and notes payable in less than a year)</li> <li>▪ Borrower debt paid by business (refer to Guide Section <a href="#">5401.2(b)(ii)</a>)</li> <li>▪ IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation</li> </ul>
Documentation Requirements (Guide Section <a href="#">5304.1(h)</a> )	<p>The Seller must establish and calculate the stable monthly qualifying income using at least the following required documentation. Additional documentation may be warranted to support income stability.</p> <ul style="list-style-type: none"> <li>▪ Freddie Mac <a href="#">Form 91</a>, Income Analysis Form, or an alternative form that provides the same information. Verification of the current existence of the business as described in Guide Section <a href="#">5304.1(g)</a>.</li> <li>▪ Federal income tax returns, including all applicable schedules and forms must reflect at least 12 months of self-employed income.</li> <li>▪ Verification of how long the business has been in existence:               <ul style="list-style-type: none"> <li>- For partnerships, S corporations and corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence.</li> <li>- For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as documented on <a href="#">Uniform Residential Loan Application</a>.</li> </ul> </li> </ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)			
<b>Self-Employed (continued)</b>				
Documentation Requirements (Guide Section <a href="#">5304.1(h)</a> ) (continued)			Business in existence ≥ 5 years <sup>1</sup>	Business in existence < 5 years
	Sole proprietorship	Obtain complete signed federal individual (Form 1040) income tax return for the most recent year.	Obtain complete signed federal individual (Form 1040) income tax returns for the most recent two years.	
	Partnership	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.	
	S Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-s(s) if applicable, for the most recent two years.	
	Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent two years.	
<p><sup>1</sup> The Borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years.</p> <ul style="list-style-type: none"> <li>▪ Refer to the <a href="#">Tax return requirements and age of tax returns</a> section for the minimum documentation requirements based on the Application Received Date and the Note Date for the Mortgage.</li> <li>▪ Refer to Chapter 5304 for complete requirements and guidance.</li> </ul>				



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Self-Employed (continued)</b>	
Self-employment disclosed on Form 65, Uniform Residential Loan Application (or other documentation), but not used to qualify (Guide Section <a href="#">5304.1(e)</a> )	<p>The Seller is not required to obtain any additional documentation or evaluate the income or loss from the self-employment for each borrower on the mortgage who:</p> <ul style="list-style-type: none"><li>▪ Has a primary type of income, other than self-employment, used for qualifying the mortgage (e.g., salaried income from regular employment), and</li><li>▪ Is self-employed and self-employment income is a secondary type of income.</li></ul> <p>For each borrower on the mortgage who is self-employed and does not have another type of income that is used in qualifying the mortgage, the following requirements apply:</p> <ul style="list-style-type: none"><li>▪ The seller must obtain pages 1 and 2 of the borrower’s federal individual tax returns, and the applicable schedules (e.g., Schedule C, Schedule E) to determine if there is a business loss that may have an impact on the stable monthly income. Refer to Guide Section 5302.4(b) for information about using IRS tax transcripts to meet certain portions of this requirement.<ul style="list-style-type: none"><li>– <b>If a business loss is reported and the borrower qualifies with the loss</b>, then the Seller is not required to obtain any additional documentation relating to the business loss.</li><li>– <b>If a business loss is reported and the borrower does not qualify with the loss</b>, then the Seller must perform a business and income analysis to determine whether depreciation adjustments or other factors such as business closure or evidence of a one-time non-recurring event justify a reduction of the reported loss when calculating the stable monthly income. The Seller must obtain additional documentation needed to fully evaluate the loss and support the analysis (e.g. business tax returns (final or otherwise), evidence of a one-time non-recurring event).</li></ul></li><li>▪ If the tax returns or other documentation in the mortgage file (e.g., IRS tax transcripts, additional Schedule K-1s) reflect positive income from self-employment but that income is not used to qualify, additional documentation (e.g., complete business or federal individual income tax return(s)) is not required.</li></ul> <p>The Loan Product Advisor self-employed indicator is not required when self-employed income is not used to qualify.</p>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)		
<b>Self-Employed (continued)</b>			
Verification of current existence of the business (Guide Section <a href="#">5304.1(g)</a> )	Verification of the current existence of the business is required when positive income from the business is used as stable monthly income.		
	<table border="1"> <tr> <td data-bbox="407 415 639 888">           Acceptable third-party sources         </td> <td data-bbox="643 415 1511 888">           Acceptable third-party sources include, but are not limited to:           <ul style="list-style-type: none"> <li>▪ Regulatory agency</li> <li>▪ Phone directory</li> <li>▪ Internet source (e.g., Better Business Bureau)</li> <li>▪ Directory assistance</li> <li>▪ Applicable licensing bureau</li> </ul>           Verification of current existence of the business obtained verbally from an acceptable third-party source must be documented and include all the following:           <ul style="list-style-type: none"> <li>▪ Name and address of the business</li> <li>▪ Name of individual and entity contacted to obtain the verification</li> <li>▪ Date information verified</li> <li>▪ Name and title of the individual who completed the verification for the Seller</li> </ul> </td> </tr> </table>	Acceptable third-party sources	Acceptable third-party sources include, but are not limited to: <ul style="list-style-type: none"> <li>▪ Regulatory agency</li> <li>▪ Phone directory</li> <li>▪ Internet source (e.g., Better Business Bureau)</li> <li>▪ Directory assistance</li> <li>▪ Applicable licensing bureau</li> </ul> Verification of current existence of the business obtained verbally from an acceptable third-party source must be documented and include all the following: <ul style="list-style-type: none"> <li>▪ Name and address of the business</li> <li>▪ Name of individual and entity contacted to obtain the verification</li> <li>▪ Date information verified</li> <li>▪ Name and title of the individual who completed the verification for the Seller</li> </ul>
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	Alternative sources	The Seller may consider alternative sources if the above are not available, such as: <ul style="list-style-type: none"> <li>▪ Preparer of the tax returns for the business (e.g., accountant), provided the preparer has an arm's length relationship with the borrower.</li> <li>▪ At least one months' business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns.</li> </ul>	
Date requirements	The verification must be completed prior to the Delivery Date, but no more than 120 days prior to the Note Date.		



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Other Income (non-employment / non-self-employment)</b>	
Other Income general requirements (Guide Section <a href="#">5305.1</a> )	<p>The Seller must evaluate the stability and consistency of receipt of all other non-employment/non-self-employment income in accordance with the requirements of Topic 5300.</p> <p>For general requirements with respect to income history, stability, and continuance, refer to Guide Section 5301.1.</p> <p>Factors that must be considered in determining the likelihood of continued consistent receipt of all other non-employment/non-self-employment income below include, but are not limited to, the following:</p> <ul style="list-style-type: none"><li>▪ Whether the payments are received pursuant to a written agreement, court decree, government program, law and/or regulation.</li><li>▪ The length of time the payments have been received.</li><li>▪ The regularity of receipt of the income.</li><li>▪ The consistency of the amount of income.</li><li>▪ The availability of procedures to compel payment.</li><li>▪ Whether full or partial payments have been made.</li><li>▪ The age of each child for which support and/or benefit payments are made (if applicable).</li><li>▪ Applicable eligibility criteria governing the continued receipt of the income.</li></ul>
Alimony, child support or separate maintenance income (Guide Section <a href="#">5305.2</a> )	<p><b>History of receipt:</b> Most recent six months.</p> <p>If the payor has been obligated to make payments for less than six months, if the payments are not for the full amount or are not received on a consistent basis, the income must not be considered for qualifying.</p> <p><b>Continuance:</b> Document and verify the payor is obligated to make payment to the borrower for at least the next three years.</p> <p><b>Calculation:</b> Use the documented fixed monthly payment amount.</p> <p><b>Documentation:</b> Obtain the following (<b>updated requirements see below</b>):</p> <ul style="list-style-type: none"><li>▪ Documentation to evidence receipt of the alimony child support and/or separate maintenance payment amount for the most recent six months,</li></ul> <p><b>AND,</b></p> <ul style="list-style-type: none"><li>▪ Copy of signed court order, legally binding separation agreement and/or final divorce decree verifying the payor's obligation for the previous six months, including the amount and the duration of the obligation,</li></ul> <p><b>AND</b></p> <ul style="list-style-type: none"><li>▪ For child support income, proof of the ages of the children for which child support is received.</li></ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)
<b>Other Income (non-employment / non-self-employment)</b>	
<p>Alimony, child support or separate maintenance income (Guide Section 5305.2)</p> <p><b>UPDATED Requirements</b></p>	<p><b>Updated Documentation Requirements</b></p> <p><b>Effective for mortgages with Freddie Mac Settlement Dates on or after November 30, 2023 (Sellers may implement with the August 2, 2023 Bulletin)</b></p> <ul style="list-style-type: none"> <li>• The payor's obligation must be verified with legally binding documentation, which may include a signed court order, final divorce decree, legally binding separation agreement, legally binding child support agreement or other legally binding documentation for the previous six months, including the amount and the duration of the obligation.</li> <li>• For child support income, evidence of the ages of the children for which child support is received.</li> <li>• Documentation to evidence receipt of the alimony, child support and/or separate maintenance payments for the most recent six months.               <ul style="list-style-type: none"> <li>○ Evidence the payments were cashed or deposited into the borrower's depository account at a financial institution, or</li> <li>○ Evidence that the payments were transferred into the borrower's account maintained by a third-party money transfer application account owned by the borrower, or</li> <li>○ A statement from a government agency (i.e., child support agency) reflecting the borrower's name as the recipient and the amounts paid.</li> </ul> </li> </ul>
<p>Tax exempt income (Guide Section 5305.2)</p>	<p><b>History of receipt:</b> A history of receipt is not required.</p> <p><b>Continuance:</b> Must be likely to continue to remain tax exempt.</p> <p><b>Calculation:</b> To determine the amount to adjust (i.e., "gross-up") the borrower's income, use:</p> <ul style="list-style-type: none"> <li>▪ 25%* of the tax-exempt portion of the income, or</li> <li>▪ The current federal and state income tax withholding tables.</li> </ul> <p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>▪ Copy of complete individual federal tax returns for the most recent one-year period, (Refer to <a href="#">Age of Tax return requirements</a>).</li> </ul> <p><b>OR,</b></p> <ul style="list-style-type: none"> <li>▪ Other documentation evidencing that the income, or a portion of the income, is tax exempt.</li> </ul> <p><b>*Note:</b> For Social Security income (i.e. retirement income, disability benefits, survivor benefits and Supplemental Security Income): 15% of the tax-exempt portion of the income may be used <b>without</b> obtaining additional documentation. (To gross up beyond the 15%, additional documentation must be obtained, as stated above).</p>
<p>Dividend and interest (Guide Section 5305.2)</p>	<p><b>History of receipt:</b> Most recent two years.</p> <p><b>Continuance:</b> Document that sufficient assets, may not be in the form of cryptocurrency, remain after closing to support continuance of the dividend and interest income, at the level used for qualifying, for at least the next three years,</p> <p><b>Calculation:</b> 24-month average.</p> <p><b>Documentation:</b></p> <ul style="list-style-type: none"> <li>▪ Complete federal individual income tax returns for the most recent two-year period(Refer to <a href="#">Age of Tax return requirements</a>), or</li> <li>▪ Year-end asset account statements for the most recent two years evidencing all dividend and interest income for each year for the income producing asset(s), <b>AND,</b></li> <li>▪ Evidence of sufficient assets to support the qualifying income.</li> </ul>



Topic	Documentation Requirements (Streamlined and Standard Documentation Levels)	
<b>Other Income (non-employment / non-self-employment)</b>		
Retirement income (Guide Section <a href="#">5305.2</a> )	<b>Existing and established retirement income</b>	
	<p>For Retirement Income (e.g., Social Security, pension, annuity, other similar benefits), evidence of the type, source, pre-determined payment amount, payment frequency and current receipt must be obtained. These requirements do not include retirement account distributions as income.</p>	
	<p><b>History of receipt:</b> A history of receipt is not required for the income to be considered stable.</p> <p><b>Continuance:</b> Must be likely to continue for at least the next three years.</p> <p><b>Calculation:</b> Use the documented fixed monthly payment amount.</p>	<ul style="list-style-type: none"> <li>▪ Document income type, source, payment frequency, pre-determined payment amount and current receipt with one or more of the following documents, as needed: a copy of a benefit verification letter, award letter, pay statement, 1099, bank statement(s) or other equivalent documentation.</li> <li>▪ Age of documentation requirements as described in Guide Section 5102.4 do not have to be met for verification of income type, source, payment frequency or predetermined payment amount.</li> <li>▪ For Social Security retirement benefits, the Seller must obtain either: (i) a copy of the Social Security Administration benefit verification letter or (ii) documentation evidencing current receipt but is not required to obtain both.</li> </ul>
	<b>Newly established retirement income</b>	
<p>Verification of current receipt <b>is not required</b>; however, the finalized terms of the new income must be documented.</p> <p>The income must commence prior to or on the first mortgage payment due date.</p> <p>The terms that must be verified include, but are not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first mortgage payment due date.</p>	<p>Document the finalized terms of the newly established income including, but not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payor that provides and establishes these terms.</p> <p>The income must commence prior to or on the first mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required.</p>	
<p><b>Note:</b> Evidence of sufficient remaining assets to establish likely continuance may not include cryptocurrency.</p>		



Documentation Requirements (Streamlined and Standard Documentation Levels)	
<b>Other Income (non-employment / non-self-employment) (continued)</b>	
<p>Additional Types of Other Income (Guide Section <a href="#">5305.2</a>)</p>	<p>Refer to Guide Section 5305.2 for history of receipt, continuance, calculation, and documentation requirements for these types of other income:</p> <ul style="list-style-type: none"> <li>▪ Notes receivable</li> <li>▪ Trust income</li> <li>▪ Capital gains</li> <li>▪ Royalty payments</li> <li>▪ Retirement account distributions as income</li> <li>▪ Survivor and dependent benefit income</li> <li>▪ Long-term disability income</li> <li>▪ Social Security Supplemental Security Income (SSI)</li> <li>▪ Public assistance income</li> <li>▪ Homeownership Voucher Program</li> <li>▪ Mortgage Credit Certificate (MCC)</li> <li>▪ Income from a foreign source</li> <li>▪ Foster-care income</li> </ul>
<p>Rental income (Guide Section <a href="#">5306.1</a>)</p>	<ul style="list-style-type: none"> <li>▪ Refer to Guide Section 5306.1 for the requirements and guidance for the use of rental income.</li> <li>▪ See our <a href="#">Rental Income Matrix</a>.</li> <li>▪ Refer to Guide Section 5306.3 for the requirements and guidance for rental income generated from an accessory dwelling unit (ADU) on a subject 1-unit primary residence. Also see our <a href="#">ADU training resources</a>.</li> </ul>

Asset Qualification Types	
<p>Assets as a basis for repayment of obligations (Guide Section <a href="#">5307.1</a>)</p>	<p>Assets that will be used by the borrower for the repayment of their obligations may be used to qualify. Refer to Guide Section 5307.1 for requirements.</p> <p><b>Note:</b> Cryptocurrency may not be included in the calculation of assets as a basis for repayment of obligations.</p>



## ASSET DOCUMENTATION

Topic	Documentation Requirements
<p>Required funds (Guide Section <a href="#">5103.1</a> and Guide Section <a href="#">5501.1</a>, <a href="#">5501.3</a>)</p>	<p>All funds used to qualify the borrower for the mortgage transaction (i.e., any funds required to be paid by the borrower and borrower reserves) must come from eligible sources described in the next section (from Guide Section 5501.3).</p> <ul style="list-style-type: none"> <li>▪ For purchases, document the borrower has sufficient funds verified and from eligible sources to qualify for the mortgage transaction.</li> </ul> <p>For refinances, verification of funds to close on refinance transactions is not required if the total funds to be verified are \$500 or less, and reserves are not required and the mortgage receives an LPA Risk Class of Accept.</p> <ul style="list-style-type: none"> <li>▪ For non-occupant co-borrower transactions, funds may come from the occupant and/or non-occupant borrower.</li> </ul> <p>Asset documentation must be maintained in the mortgage file and must also meet the general requirements for verifying documents (5102.3), age of documentation (5102.4) and asset eligibility and documentation requirements (5501.3). In addition:</p> <p>Deposits requiring verification:</p> <ul style="list-style-type: none"> <li>▪ For <b>purchase transactions</b>, document the source of funds for any large deposit when the deposit is needed to qualify the borrower for the mortgage transaction, <ul style="list-style-type: none"> <li>– A large deposit is any single deposit that exceeds 50% of the sum of: <ul style="list-style-type: none"> <li>○ The total monthly qualifying income for the mortgage.</li> <li>○ The amount derived from the asset calculation for establishing the DTI ratio in accordance with the requirements of Guide Section 5307.1, if applicable.</li> </ul> </li> </ul> </li> <li>▪ When a large deposit is not verified and is not needed to qualify the borrower for the mortgage transaction:</li> <li>▪ Reduce the funds used for qualifying purposes by the amount of the unverified deposit.</li> <li>▪ For Loan Product Advisor mortgages, enter the reduced amount of the asset into Loan Product Advisor.</li> <li>▪ When a single deposit consists of both verified and unverified funds, use just the unverified amount when determining whether the deposit is a large deposit.</li> <li>▪ When the source of funds can clearly be identified (e.g., direct payroll deposits or tax refund), additional documentation is not required.</li> <li>▪ You must consider any liabilities resulting from all borrowed funds.</li> <li>▪ Direct account verification (i.e. VOD) for <b>purchase transactions</b>: Effective June 3, 2021, however, Sellers are encouraged to implement updates as soon as possible: if using a VOD, you must include documentation of the source of funds when an account was opened within 90 days of verification and/or when the current balance in an account exceeds the average balance by more than 50% of the sum of: <ul style="list-style-type: none"> <li>– The total monthly qualifying income for the mortgage.</li> <li>– The amount derived from the asset calculation for establishing the DTI ratio in accordance with the requirements of Guide Section 5307.1, if applicable.</li> </ul> </li> </ul> <p><b>Note:</b> In areas where real estate taxes are paid in arrears. Prorated real estate tax credits contributed by the property seller may not be considered when determining the funds required to be verified for the loan transaction, except when the Settlement/Closing Disclosure Statement indicates that an Escrow account is established and includes the portion of real estate taxes owned by the property seller for the period they owned the property. In such cases, a prorated tax credit from the property seller offsets that portion of the charge for the establishment of the Escrow account.</p> <p>Additional resources available are <a href="#">Understanding Loan Product Advisor's Determination of Cash-to-Close</a>.</p>



Topic	Documentation Requirements
<b>Eligible Asset Types</b>	
Depository accounts (Guide Section <a href="#">5501.3(b)</a> )	Obtain: <ul style="list-style-type: none"> <li>▪ Depository account statements covering a <b>one</b>-month period (for Streamlined Accept Documentation) or <b>two</b>-month period (for Standard Documentation), <b>or</b></li> <li>▪ A direct account verification (i.e., VOD).</li> </ul>
Securities (Guide Section <a href="#">5501.3(b)</a> )	Provide one of the following: <ul style="list-style-type: none"> <li>▪ An account statement covering a <b>one</b>-month period (for Streamlined Accept Documentation) or <b>two</b>-month period (for Standard Documentation), or</li> <li>▪ A direct account verification (i.e., VOD).</li> </ul> If the borrower does not receive a stock/security account statement: <ul style="list-style-type: none"> <li>▪ Provide evidence the security is owned by the borrower, and</li> <li>▪ Verify value using current stock prices from a financial publication or website</li> </ul> Value must not include margin accounts. Stock with limitations on its accessibility (e.g., restricted stock which has not vested and been distributed to the recipient) is not eligible. * See below Topic: "Evidence of Liquidation" for requirements.
Retirement accounts (Guide Section <a href="#">5501.3(b)</a> )	Provide the following: <ul style="list-style-type: none"> <li>▪ Account statements covering a <b>one</b>-month (for Streamlined Accept Documentation) or <b>two</b>-month period (for Standard Documentation), <b>or</b></li> <li>▪ A direct account verification (i.e., VOD).</li> </ul> When evidence of liquidation is not obtained: <ul style="list-style-type: none"> <li>▪ To use the vested amount of an IRS-qualified employer requirement account to qualify the borrower for the mortgage transaction, the mortgage file must include documentation confirming the borrower is permitted to make withdrawals, and severance from the borrower's current employment is not required.</li> </ul> * See below Topic: "Evidence of Liquidation" for requirements.
Government bonds (federal, state, or municipal) (Guide Section <a href="#">5501.3(b)</a> )	Provide documentation verifying the ownership and the value. Note, the value must be based on the lower of the purchase price or current redeemable value. * See below Topic: "Evidence of Liquidation" for requirements.
Proceeds from a loan fully secured by the borrower's assets other than real property (Guide Section <a href="#">5501.3(b)</a> )	Provide the following: <ul style="list-style-type: none"> <li>▪ Documentation verifying the value and ownership of the asset used to secure the loan as well as the amount and terms of the loan.</li> <li>▪ Evidence of receipt of the loan proceeds.</li> </ul>



Topic	Documentation Requirements
<b>Eligible Asset Types</b>	
Proceeds from the sale or refinance of the borrower's real property or proceeds from a loan secured by the borrower's real property (including a 1031 exchange, a Home Equity Line of Credit (HELOC), or a bridge loan) (Guide Section <a href="#">5501.3(b)</a> )	Provide the following: <ul style="list-style-type: none"> <li>▪ The Settlement/Closing Disclosure Statement, or an alternative form required by law verifying the proceeds from the sale or refinance of the borrower's real property, and/or</li> <li>▪ An executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding mortgage(s).</li> </ul> Note: Refinances: any cash back received on the subject transaction are not eligible sources of funds for reserves.  For HELOCs, provide the following: <ul style="list-style-type: none"> <li>▪ Evidence the HELOC is secured by the borrower's real property, and</li> <li>▪ Evidence of the borrower's receipt of the disbursed HELOC proceeds.</li> </ul>
Proceeds from the sale of the borrower's assets other than real property or exchange-traded securities (Guide Section <a href="#">5501.3(b)</a> )	Provide the following: <ul style="list-style-type: none"> <li>▪ A signed bill of sale documenting the asset and transfer of ownership</li> <li>▪ Evidence of receipt of the proceeds.</li> </ul> Note: The purchaser of the borrower's asset must not be an interested party to the real estate or Mortgage transaction.
Borrower's real estate commission (Guide Section <a href="#">5501.3(b)</a> )	The Settlement/Closing Disclosure Statement must reflect the commission earned by the borrower and credited toward the mortgage transaction (for instances when the borrower is a licensed real estate agent that is due to receive a sales commission from the purchase of the subject property).
Funds from a trust (Guide Section <a href="#">5501.3(b)</a> )	Provide a copy of the trust agreement or a signed statement from the trustee or trust manager that documents the following: <ul style="list-style-type: none"> <li>▪ Identifies the borrower as the beneficiary.</li> <li>▪ Confirms the borrower has access to all or a certain specific amount of the funds.</li> <li>▪ Confirms the trust has sufficient assets to disburse funds needed by the borrower.</li> <li>▪ When trust funds are needed for closing, evidence of receipt of the disbursed funds from the trust is required.</li> </ul>
Individual Development Accounts (IDA) – Agency matching funds not subject to Recapture (Guide Section <a href="#">5501.3(b)</a> )	Provide documentation of the IDA program verifying: <ul style="list-style-type: none"> <li>▪ The matching funds <b>are not</b> subject to recapture.</li> <li>▪ The ratio of matching funds by the agency (maximum of a four-to-one match permitted).</li> <li>▪ Regular payments made to the IDA by the borrower and the matching organization.</li> <li>▪ The vested balance or the percentage of vesting.</li> </ul>
Community Savings System accounts – Borrower contributions (Guide Section <a href="#">5501.3(b)</a> )	Provide Community Savings Systems account statements <b>or</b> a direct account verification which: <ul style="list-style-type: none"> <li>▪ Identifies the nonprofit community organization as the administrator, <b>and</b></li> <li>▪ Shows all borrower contributions.</li> </ul>



Topic	Documentation Requirements
<b>Eligible Asset Types</b>	
Pooled funds on deposit from Related Persons who reside with the borrower (Guide Section <a href="#">5501.3(b)</a> )	Provide the following: <ul style="list-style-type: none"> <li>▪ Evidence that the borrower and the related person have resided together for at least one year.</li> <li>▪ Documentation verifying the pooled funds per the requirements for the applicable asset type.</li> <li>▪ A written statement by the borrower executed at application meeting the requirements of Guide Section 5501.3(b).</li> </ul>
Borrower's revolving credit card (charges/cash advances) or unsecured line of credit (used to pay fees associated with the Mortgage application process) (Guide Section <a href="#">5501.3(b)</a> )	Provide the following: <ul style="list-style-type: none"> <li>▪ A copy of the account statement or receipt showing the amount charged or advanced; <b>and</b></li> <li>▪ Verification of sufficient funds to pay the amount charged or advanced <b>if</b> the amount charged or advanced is not included in the monthly DTI ratio.</li> </ul> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>▪ The maximum amount charged or advanced may not exceed the greater of 2% of the mortgage amount or \$1,500,</li> </ul> <p><b>AND,</b></p> <ul style="list-style-type: none"> <li>▪ The borrower must have sufficient verified funds to pay these fees (in addition to the funds needed for the mortgage transaction; however, the borrower is not required to pay off these charges at closing;</li> </ul> <p><b>OR,</b></p> <ul style="list-style-type: none"> <li>▪ The amount charged or advanced must be included in the borrower's total outstanding debt and the repayment of such amount must be included when determining the borrower's monthly DTI ratio as described in Guide Section 5401.2.</li> </ul>
Credit card reward points (Guide Section <a href="#">5501.3(b)</a> )	Provide the following for reward points that are <b>not yet deposited</b> in the borrower's account: <ul style="list-style-type: none"> <li>▪ Evidence of the Borrower's ownership of the reward points and their cash value, and</li> <li>▪ Evidence that the reward points are redeemed for cash prior to closing, which may include a direct transfer to the settlement or closing agent.</li> </ul> <p>For reward points redeemed for cash and <b>deposited</b> in the borrower's account, refer to Section 5501.3(a)(iii) "<a href="#">Deposits requiring verification</a>".</p>
Cash value of life insurance policy (not face value) (Guide Section <a href="#">5501.3(b)</a> )	Provide documentation from the life insurance company verifying the following information: <ul style="list-style-type: none"> <li>▪ Policy owner(s),</li> <li>▪ Period covered and current cash value, and</li> <li>▪ Any outstanding loans</li> </ul> <p>When the cash value of the life insurance policy is needed for closing, evidence of liquidation is required.</p>
Rent credits (Guide Section <a href="#">5501.3(b)</a> )	Provide the following: <ul style="list-style-type: none"> <li>▪ A copy of the rental/purchase agreement.</li> <li>▪ Evidence of rental payments (see Section 5202.2(b) for acceptable documentation for rental verification).</li> <li>▪ Appraiser's determination of the market rent for the subject property.</li> </ul>
Trade equity: Net proceeds of the trade-in of the borrower's previously owned residence (Guide Section <a href="#">5501.3(b)</a> )	Provide the following: <ul style="list-style-type: none"> <li>▪ The appraisal of the borrower's previously-owned residence.</li> <li>▪ A copy of the trade-in contract.</li> </ul> <p>The borrower's equity in the previously-owned residence is determined by subtracting any outstanding liens on the previously-owned residence, plus any transfer costs, from the lesser of the appraised value of the previously-owned residence or its trade-in price as shown in the trade-in contract.</p>



Topic	Documentation Requirements
<b>Eligible Asset Types</b>	
<p>Gift funds or a gift of equity (Guide Section <a href="#">55 01.3(c)</a>)</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>▪ A gift letter signed by the donor. Information provided in the gift letter must:               <ul style="list-style-type: none"> <li>– State the donor’s name and the funds are given by a related person*.</li> <li>– Include the donor’s mailing address and telephone number.</li> <li>– State the actual or the maximum* amount of the gift funds or gift of equity.</li> <li>– Establish the gift funds or gift of equity are a gift that does not have to be repaid.</li> </ul> </li> <li>*Refer to the <a href="#">Glossary</a> definition of “Related Person”.</li> <li>▪ Evidence of one of the following:               <ul style="list-style-type: none"> <li>– Transfer of funds from the donor’s account in a financial institution to the Borrower’s account. For example, copies of bank statements from both the donor and the Borrower’s accounts, a copy of a canceled gift check or a copy of a donor’s withdrawal slip and the Borrower’s deposit slip, or</li> <li>– Transfer of the funds from the donor’s account in a financial institution to the settlement or closing agent. For example, a copy of a cashier’s check or wire transfer confirmation.</li> <li>– Funds transferred using a third-party money transfer application or service are acceptable only when the documentation included in the loan file evidences that the funds were transferred using the application or service directly from the donor’s bank account to the borrower’s bank account or to the settlement or closing agent.</li> </ul> </li> </ul> <p>Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.</p> <p>Trust: a trust established by a related person and an estate of a related person are eligible donors of gifts funds and gifts of equity. The gift letter must be signed by the trustee or the authorized representative of the estate and indicate the gift funds or gift of equity were provided by a trust established by a related person or an estate of a related person and include the mailing address and telephone number of the trustee or authorized representative, as applicable.</p> <p>*If the actual gift amount is lower than the maximum amount provided refer to Loan Product Advisor resubmission requirements.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>▪ Investment Property Mortgages: Gift funds or gift of equity are not an eligible source of funds.</li> <li>▪ Second Home Mortgages with LTV/TLTV/HTLTV ratios greater than 80%: Minimum contribution from borrower personal funds must be 5% of value when gift funds or grants are used for the transaction.</li> </ul>
<p>Gift funds received as a wedding gift (Guide Section <a href="#">5501.3(c)</a>)</p>	<p>Provide the following:</p> <ul style="list-style-type: none"> <li>▪ A copy of the marriage license or certificate.</li> <li>▪ A verification of the gift funds in the borrower’s depository account.</li> </ul> <p><b>Note:</b> The gift funds must be on deposit in the borrower’s depository account within 90 days of the date of the marriage license or certificate.</p>
<p>Gift funds received as a graduation gift (Guide Section <a href="#">5501.3(c)</a>)</p>	<p>Must be a mortgage secured by a Primary Residence.</p> <p>Provide the following:</p> <ul style="list-style-type: none"> <li>▪ Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of completion.</li> <li>▪ A verification of the gift funds in the borrower’s depository account.</li> </ul> <p><b>Note:</b> The gift funds must be on deposit in the borrower’s depository account within 9- days of the date of graduation.</p>



Topic	Documentation Requirements
<b>Eligible Asset Types</b>	
A gift or grant from an agency (Guide Section <a href="#">5501.3(c)</a> )	Provide documentation supporting a gift or grant from an agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower. The documentation must: <ul style="list-style-type: none"> <li>▪ Establish that the funds were provided by an Agency.</li> <li>▪ Establish that the organization has an established gift or grant program.</li> <li>▪ Establish that the funds are a gift or grant that does not have to be repaid.</li> <li>▪ Provide evidence that the funds were received by the borrower or by the Seller on the borrower's behalf.</li> <li>▪ Identify the donor's mailing address.</li> </ul>
Individual Development Accounts (IDA) – Agency matching funds subject to Recapture (Guide Section <a href="#">5501.3(c)</a> )	Provide documentation of the IDA program verifying: <ul style="list-style-type: none"> <li>▪ The matching funds <b>are</b> subject to recapture.</li> <li>▪ The ratio of matching funds by the agency (maximum of three-to-one match permitted).</li> <li>▪ Regular payments made by the borrower and the matching organization.</li> <li>▪ The vested balance or the percentage of vesting.</li> </ul> Documentation of matching funds subject to a recapture provision must also meet the requirements for a gift or grant from an agency.
Employer Assisted Homeownership (EAH) Benefit (Guide Section <a href="#">5501.4(c)</a> )	In addition to the documentation requirements for specific benefit types, the following requirements must be met: <ul style="list-style-type: none"> <li>▪ EAH Benefits must be documented with a copy of the employer benefit program that provides the amount of the benefit and the terms of the program.</li> <li>▪ Evidence of receipt of the EAH Benefit must be provided (e.g., funds on deposit in borrower's account or funds reflected on the Settlement/Closing Disclosure Statement).</li> </ul>
Interested party contributions (Guide Section <a href="#">5501.5(e)</a> )	<ul style="list-style-type: none"> <li>▪ Document the amount and source of all interested party contributions in the mortgage file and show on the Settlement/Closing Disclosure Statement.</li> <li>▪ If financing concessions exceed Freddie Mac's limits (see Guide Section 5501.5(b)) and an unplanned buydown is involved, include a written analysis and documentation in the mortgage file evidencing the unplanned buydown met each of the conditions in Guide Section 5501.5(d).</li> </ul>
Earnest money deposit (Guide Section <a href="#">5501.1</a> )	The source of the earnest money deposit for a purchase transaction must be from an eligible source meeting the requirements of Guide Section 5501.3 and documented in accordance with the requirements for the applicable asset type. Account statement(s) or direct account verification must cover the period up to and including the date the earnest money deposit funds cleared the account. <b>Note:</b> Ensure the earnest money deposit is not counted twice in the evaluation of the mortgage (i.e., deducted from the funds to close and counted in assets).
Evidence of liquidation (Guide Section <a href="#">5501.3(b)</a> )	When assets that are invested in stocks, bonds, mutual funds, U.S. government Securities, retirement accounts or other securities are needed for closing, evidence of liquidation is required unless the combined value of the assets is at least 20% greater than the amount from these assets needed for closing.
Business assets (Guide Section <a href="#">5501.3(b)</a> )	Document according to the asset type. As described in Guide Section 5501.3(a)(iii), documentation of large deposits is not required provided the Seller: <ul style="list-style-type: none"> <li>▪ Reviews a minimum of the most recent two months of the business account statements, and</li> <li>▪ Determines the deposits are typical for the borrower's business.</li> </ul> Refer to Guide Section 5304.1(f) for additional requirements when self-employed income from the business is used for qualifying.



Topic	Documentation Requirements
<b>Eligible Asset Types</b>	
Source of funds from outside the United States and its territories (Guide Section <a href="#">5501.3(b)</a> )	<ul style="list-style-type: none"><li>▪ Funds must be transferred into a United States or State regulated financial institution and verified in U.S. dollars prior to the closing of the mortgage transaction, or</li><li>▪ Combined value of the assets must be at least 20% greater than the amount from these assets needed for closing.</li></ul> <p>Refer to Guide Section 5102.3(b) for additional requirements when funds from outside the United States and its territories are used to qualify the borrower for the mortgage transaction.</p>
Cryptocurrency	Must be exchanged for U.S. dollars if it will be needed for the mortgage transaction (i.e., any funds required to be paid by the borrower and borrower reserves).



## CREDIT AND LIABILITIES DOCUMENTATION

Topic	Documentation Requirements
Completing Liabilities Section of the Loan Application (Guide Sections <a href="#">4101.1(b)</a> and <a href="#">5401.2</a> )	Review the mortgage application, credit report, borrower's paystubs (if provided) and other file documentation for borrower liabilities. The liabilities portion of the application may be completed directly from the credit reports either manually or through an automated process. If the credit reports identify fewer than three open tradelines (except for Accept Mortgages), ask the borrower if any additional tradeline references exist. Additionally, must include other debts in monthly debt as detailed under the Monthly Debt Payment section below.
Credit data for Loan Product Advisor Mortgages (Guide Sections <a href="#">5201.1(c)(ii)</a> and <a href="#">5203.1(h)</a> and (i))	Obtain the same type of credit report for all borrowers from: <ul style="list-style-type: none"> <li>▪ Merged/joint merged obtained through Loan Product Advisor.</li> <li>▪ Infile(s), merged/joint merged, or RMCR obtained outside of Loan Product Advisor.</li> </ul> Once you have selected a type of credit report, review all reports of that type for all borrowers. All infiles for an individual borrower must be dated within 14 days of each other. Retain all credit reports in the file. All credit reports must be dated within 120 days before, as applicable, the Note Date, or for Construction and Renovation Mortgages, the Effective Date of Permanent Financing, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages, or the date of the assumption agreement. For mortgages with borrowers who do not have a usable credit score, see <a href="#">Mortgages for Borrowers Without Credit Scores</a> .
Credit report inquiries within previous 90 days (Guide Sections <a href="#">5201.1(e)</a> and <a href="#">5202.6</a> )	Determine if additional credit was granted. If additional credit was granted, verification of the debt must be obtained, and the debt must be considered when qualifying the borrower.
Verification of Housing Debt (mortgage debt or rental payments) (Guide Sections <a href="#">5201.1</a> , <a href="#">5202.1</a> , <a href="#">5202.2</a> , <a href="#">5401.1</a> , <a href="#">5401.2</a> and <a href="#">3401.18</a> )	Direct verification of mortgage debt, rental payments and other debts not shown on the credit reports are typically <b>not required</b> for Accept mortgages. Third-party documentation to verify the payment amount <b>is</b> required if the credit report does not contain a required monthly payment. Examples of acceptable third-party documentation include (but are not limited to) a Settlement/Closing Disclosure Statement (if recently purchased), billing coupons, tax statement, insurance statement and, if applicable, HOA/Condo statement. <b>Reminder:</b> When application indicates property owned free and clear, total monthly debt must include taxes, insurance, and HOA or Condo fees, as applicable. <b>Caution loans:</b> When the borrower has a housing payment history, verify both current and prior housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) in accordance with Section 5202.2(b) and payment amount for any debt (housing or other) not reported on the credit report. <b>Note:</b> LPA may include a first-time homebuyer rent payment history in its credit assessment. In order for a borrower's rent payment history to be considered in the LPA assessment, you must obtain a verification report, obtained from a Freddie Mac designated third-party service provider, of the depository account from which the borrower makes their rent payments. Submit the Report ID, Indicate "Y" rent and "Y" first-time homebuyer. For more information refer to the <a href="#">Rent Payment Assessment included in LPA</a> job aid.
Documentation of Liabilities (Guide Section <a href="#">5401.2</a> )	<ul style="list-style-type: none"> <li>▪ Documentation of all payment amounts included in the monthly DTI ratio, except as otherwise stated in Section 5401.2.</li> <li>▪ Documentation of the remaining term for installment loans omitted from the DTI ratio if there are 10 or fewer months of payments remaining.</li> </ul>



Topic	Documentation Requirements
<b>Credit and Liabilities (cont'd)</b>	
Direct verification of other debts not reported on the credit report (Guide Sections <a href="#">5201.1</a> (a), <a href="#">5202.2</a> and <a href="#">5401.2</a> )	Direct verification of payment history is not required if all borrowers have a usable credit score. Obtain documentation to <b>verify the payment amount</b> for any installment debt if the credit report does not contain a required monthly payment. <b>Caution:</b> Verify most recent 12-months' payment history for any significant debt (housing or other) not reported on the credit report. If credit report does not contain a required monthly installment payment amount, then verify the amount with third-party documentation. Accounts listed on the credit report as, "will rate by mail only" or "need written authorization" require separate verification.
Monthly debt payment (Guide Sections <a href="#">5401.1</a> and <a href="#">5401.2</a> )	<p><b>Must</b> include all the following, if applicable:</p> <ul style="list-style-type: none"> <li>▪ Monthly housing expense (refer to Guide Section 5401.1 on expenses that must be included).               <ul style="list-style-type: none"> <li>– Real estate taxes on the subject property: When there is a partial or complete tax abatement, or the borrower is exempt from real estate taxes, the Seller may use the reduced real estate tax amount in the monthly housing expense calculation or exclude the real estate tax amount from the monthly housing expense calculation, as applicable. Refer to Section 5401.1(a)(i) for documentation requirements.</li> <li>– In addition, if applicable, for mortgages secured by second homes, investment properties or with a non-occupying borrower and the borrower does not own, but rents, their principal domicile, you must include the monthly rental housing payment in the monthly housing expense-to-income ratio.</li> </ul> </li> <li>▪ Payments on installment debts with more than 10 months remaining, including debts that are in a period of deferment or forbearance.               <ul style="list-style-type: none"> <li>– For student loans (see Student Loans in this table).</li> <li>– Other installment debt (other than a student loan): If not reported on the credit report or is listed as deferred or in forbearance, you must obtain documentation verifying the monthly payment amount.</li> <li>– Payments on installment debts secured by financial assets made by a financial institution may be excluded for qualifying purposes; however, the payments must be included on the loan application.</li> </ul> </li> <li>▪ Child support payments with more than 10 months remaining.</li> <li>▪ Monthly payments on revolving accounts, regardless of the balance. In the absence of a stated payment on the credit report, and if there is no documentation in the mortgage file indicating the monthly payment amount, 5% of the outstanding balance will be considered to be the required monthly payment amount.</li> <li>▪ Monthly payments on open-end accounts (accounts which require the balance to be paid in full monthly, aka, 30-day accounts) the full outstanding account balance must be included in the debt payment-to-income ratio, or you must verify that the borrower has sufficient funds to pay off the outstanding account balance.</li> <li>▪ Monthly lease payments, regardless of number of payments remaining.</li> <li>▪ Aggregate net rental loss from all investment properties owned.</li> <li>▪ Monthly payment amounts for other properties, including principal and interest on the First Lien and any secondary financing, bridge loan payment, real estate taxes, property hazard insurance premiums and, when applicable, mortgage insurance premiums, leasehold payments, homeowner's association dues (excluding unit utility charges), special assessments with more than 10 monthly payments remaining and Maintenance Fees (excluding unit utility charges).</li> <li>▪ Monthly payments on debts secured by cryptocurrency must be included in the borrower's debt payment-to-income ratio and are not submit to the Guide provisions regarding installment debts secured by financial assets.</li> </ul> <p>This additional resource is available: <a href="#">Understanding Loan Product Advisor's Determination of Total Monthly Debt for Conventional Loans.</a></p>



Topic	Documentation Requirements					
<b>Credit and Liabilities (cont'd)</b>						
Child support (Guide Section <a href="#">5401.2</a> )	<ul style="list-style-type: none"> <li>The monthly payment amount <b>must</b> be documented in the Mortgage file with a copy of the signed court order, legally binding separation agreement and/or final divorce decree, or equivalent documentation.</li> <li>To omit child support from the debt payment-to-income ratio due to 10 or fewer months of payments remaining, the Mortgage file documentation <b>must</b> show that there are 10 or fewer months of payments remaining.</li> </ul>					
Alimony or Maintenance Payments (Guide Section <a href="#">5401.2</a> )	<p>When alimony or maintenance payments have more than 10 months of payments remaining, in lieu of including these payments in the calculation of the debt, the payments must be deducted from the Borrowers stable monthly income as determined in accordance with Section 5301.1. The reduced stable monthly income must be used to qualify the borrower.</p> <p>Documentation:</p> <ul style="list-style-type: none"> <li>The monthly payment amount <b>must</b> be documented in the Mortgage file with a copy of the signed court order, legally binding separation agreement and/or final divorce decree, or equivalent documentation.</li> <li>To omit alimony due to 10 or fewer months of payments remaining, the Mortgage file documentation <b>must</b> show that there are 10 or fewer months of payments remaining.</li> </ul>					
Student Loans (Guide Section <a href="#">5401.2</a> )	<table border="1"> <thead> <tr> <th data-bbox="412 884 667 926">Debt Type</th> <th data-bbox="667 884 1523 926">Eligibility and Documentation Requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="412 926 667 1724">           In deferment, forbearance, or repayment, including income-driven repayment plans         </td> <td data-bbox="667 926 1523 1724"> <p>In all cases, an <b>amount greater than zero</b> must be included in the monthly debt payment-to-income ratio for all student loans.</p> <ul style="list-style-type: none"> <li>If the monthly payment amount reported on the credit report is:               <ul style="list-style-type: none"> <li>Greater than zero, you must use the monthly payment amount reported on the credit report*, or</li> <li>Zero, you must use 0.5% of the outstanding loan balance, as reported on the credit report*.</li> </ul> </li> </ul> <p><i>*Unless other documentation in the mortgage file supports a different current payment amount, the verified payment amount must be greater than zero.</i></p> <p><b>Effective for Mortgages with Settlement Dates on or after January 4, 2024: Income-driven repayment plans:</b></p> <p>The monthly payment amount, as described above, may be used for qualifying, unless documentation in the mortgage file indicates the borrower must recertify their income and/or the borrower's payment will increase prior to or on the first mortgage payment due date.</p> <ul style="list-style-type: none"> <li>When documentation in the mortgage file indicates the borrower must recertify their income and/or that the borrower's payment will increase prior to or on the first mortgage payment due date, you must include in the monthly debt payment-to-income ratio:               <ul style="list-style-type: none"> <li>The greater of the current payment or 0.5% of the outstanding loan balance, or</li> <li>The documented future payment amount if greater than the current payment, or</li> <li>The future payment amount that is less than or equal to the current payment, provided that the mortgage file contains documentation that the borrower has recertified their income and the future payment amount has been approved.</li> </ul> </li> </ul> </td> </tr> </tbody> </table>	Debt Type	Eligibility and Documentation Requirements	In deferment, forbearance, or repayment, including income-driven repayment plans	<p>In all cases, an <b>amount greater than zero</b> must be included in the monthly debt payment-to-income ratio for all student loans.</p> <ul style="list-style-type: none"> <li>If the monthly payment amount reported on the credit report is:               <ul style="list-style-type: none"> <li>Greater than zero, you must use the monthly payment amount reported on the credit report*, or</li> <li>Zero, you must use 0.5% of the outstanding loan balance, as reported on the credit report*.</li> </ul> </li> </ul> <p><i>*Unless other documentation in the mortgage file supports a different current payment amount, the verified payment amount must be greater than zero.</i></p> <p><b>Effective for Mortgages with Settlement Dates on or after January 4, 2024: Income-driven repayment plans:</b></p> <p>The monthly payment amount, as described above, may be used for qualifying, unless documentation in the mortgage file indicates the borrower must recertify their income and/or the borrower's payment will increase prior to or on the first mortgage payment due date.</p> <ul style="list-style-type: none"> <li>When documentation in the mortgage file indicates the borrower must recertify their income and/or that the borrower's payment will increase prior to or on the first mortgage payment due date, you must include in the monthly debt payment-to-income ratio:               <ul style="list-style-type: none"> <li>The greater of the current payment or 0.5% of the outstanding loan balance, or</li> <li>The documented future payment amount if greater than the current payment, or</li> <li>The future payment amount that is less than or equal to the current payment, provided that the mortgage file contains documentation that the borrower has recertified their income and the future payment amount has been approved.</li> </ul> </li> </ul>	
Debt Type	Eligibility and Documentation Requirements					
In deferment, forbearance, or repayment, including income-driven repayment plans	<p>In all cases, an <b>amount greater than zero</b> must be included in the monthly debt payment-to-income ratio for all student loans.</p> <ul style="list-style-type: none"> <li>If the monthly payment amount reported on the credit report is:               <ul style="list-style-type: none"> <li>Greater than zero, you must use the monthly payment amount reported on the credit report*, or</li> <li>Zero, you must use 0.5% of the outstanding loan balance, as reported on the credit report*.</li> </ul> </li> </ul> <p><i>*Unless other documentation in the mortgage file supports a different current payment amount, the verified payment amount must be greater than zero.</i></p> <p><b>Effective for Mortgages with Settlement Dates on or after January 4, 2024: Income-driven repayment plans:</b></p> <p>The monthly payment amount, as described above, may be used for qualifying, unless documentation in the mortgage file indicates the borrower must recertify their income and/or the borrower's payment will increase prior to or on the first mortgage payment due date.</p> <ul style="list-style-type: none"> <li>When documentation in the mortgage file indicates the borrower must recertify their income and/or that the borrower's payment will increase prior to or on the first mortgage payment due date, you must include in the monthly debt payment-to-income ratio:               <ul style="list-style-type: none"> <li>The greater of the current payment or 0.5% of the outstanding loan balance, or</li> <li>The documented future payment amount if greater than the current payment, or</li> <li>The future payment amount that is less than or equal to the current payment, provided that the mortgage file contains documentation that the borrower has recertified their income and the future payment amount has been approved.</li> </ul> </li> </ul>					



Topic	Documentation Requirements	
<b>Credit and Liabilities (cont'd)</b>		
Student Loans (Guide Section <a href="#">5401.2</a> ) (cont'd)	In loan forgiveness, cancelation, discharge, and employment-contingent repayment programs	<p>The monthly payment amount may be <b>excluded</b> from the monthly DTI ratio provided the mortgage file contains documentation that indicates the following:</p> <ul style="list-style-type: none"> <li>▪ The student loan has 10 or fewer monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged, or paid, or</li> <li>▪ The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, cancelled, discharged, or paid at the end of the deferment or forbearance period,</li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>▪ The borrower is eligible or approved for the student loan forgiveness, cancelation, discharge, or employment-contingent repayment program. Evidence of eligibility or approval must come from the student loan program or the employer, as applicable.</li> </ul>
Internal Revenue Service (IRS) installment agreements (Guide Section <a href="#">5401.2(a)(2)(ii)</a> )	<p>Effective for Mortgages with Settlement Dates on or after August 1, 2023</p> <p>When the borrower is obligated on an installment agreement approved by the IRS for payment of past due federal taxes, the following requirements must be met:</p> <ul style="list-style-type: none"> <li>▪ If there are more than 10 months of payments remaining on the installment agreement, the monthly payment must be included in the borrower's debt payment-to-income ratio, and</li> <li>▪ The Seller must obtain and retain in the mortgage file a copy of the installment agreement approved by the IRS. The installment agreement must reflect the payment terms and verify the monthly payment amount and balance, and</li> <li>▪ The Seller must document in the mortgage file that the borrower is not past due under the terms of the installment agreement, and</li> <li>▪ There must be no indication, and the Seller must have no knowledge, that the IRS has filed a Note of Federal Tax Lien for the taxes owed under the installment agreement.</li> </ul> <p><b>Effective for Mortgages with Settlement Dates on or after November 30, 2023, but Sellers are encouraged to implement immediately:</b></p> <p>When a Borrower has applied for an installment agreements with the Internal Revenue Service (IRS) that is <b>pending</b> IRS approval, the following requirements must be met:</p> <ul style="list-style-type: none"> <li>▪ A copy of the application for the installment agreement reflecting the amount of taxes owed and requested payment terms must be documented in the Mortgage file,</li> <li>▪ The greater of the monthly payment amount requested by the borrower or the amount of taxes owed divided by 72 must be included in the borrower's debt payment-to-income ratio, and</li> <li>▪ There must be no indication, and the Seller must have no knowledge, that the IRS has filed a Notice of Federal Tax Lien for the taxes owed by the borrower.</li> </ul>	



Topic	Documentation Requirements
<b>Credit and Liabilities (cont'd)</b>	
Loans on financial assets (Guide Section <a href="#">5401.2</a> )	<p>Payments on loans secured by financial assets that may be repaid through liquidation of the asset may be excluded from the qualifying ratios provided the loan was made by a financial institution, and the asset is reduced by the outstanding balance of the loan when including it in the funds available to the borrower. You must document the monthly payment, value and ownership of the asset and provide documentation that the loan is secured by that same asset in the mortgage file.</p> <p>Exception: monthly payments on debts secured by cryptocurrency must be included in the borrower's debt payment-to-income ratio.</p>
Excluding contingent liabilities from monthly debt payment-to-income (DTI) ratio (Guide Sections <a href="#">5401.2</a> (a) and (b) and <a href="#">5102.4</a> )	<p>For installment, revolving and monthly lease payments, provide documentation that indicates:</p> <ul style="list-style-type: none"> <li>▪ A party other than the borrower has been making timely payments for the most recent 12 months</li> <li>▪ The party making the payments is not an interested party to the subject real estate or mortgage transaction. See Section 5501.5 for examples of an interested party.</li> </ul> <p>For mortgages to exclude the PI and property-related expenses (e.g., taxes, insurance, HOA/Condo fees, as applicable), provide documentation that indicates:</p> <ul style="list-style-type: none"> <li>▪ A party other than the borrower has been making timely payments for the most recent 12 months</li> <li>▪ The party making the payments is obligated on the Note for the mortgage being excluded</li> <li>▪ The party making the payments is not an interested party to the subject real estate or mortgage transaction. See Guide Section 5501.5 for examples of an interested party.</li> </ul> <p>For assumed mortgage:            May be excluded from the DTI ratio when the borrower is listed as the borrower on a mortgage that has been assumed by another party:</p> <ul style="list-style-type: none"> <li>▪ If the borrower has <b>not</b> been legally released from liability on the assumed mortgage by the servicer or owner of the mortgage, the monthly payment for the assumed mortgage may be excluded from DTI ratio when:               <ul style="list-style-type: none"> <li>– The mortgage file contains documentation of the property transfer, evidencing that the borrower no longer owns the property, AND</li> <li>– The assignee has made timely payments for at least the most recent 12 months, as documented by                   <ul style="list-style-type: none"> <li>▪ A copy of the fully executed mortgage assumption agreement, and</li> <li>▪ Evidence of timely payments on the assumed mortgage for the most recent 12 months, as documented on the borrower's credit report.</li> </ul> </li> </ul> </li> </ul> <p>For assigned debt:</p> <ul style="list-style-type: none"> <li>▪ A liability, including a mortgage, may be excluded if assigned to another by a court order, such as a divorce decree. Document the court order with, for example, appropriate pages from separation agreement or divorce decree.</li> </ul> <p>For self-employed borrower's debt paid by the borrower's business:</p> <ul style="list-style-type: none"> <li>▪ If debt has been paid for 12 months or longer, the monthly payment for the debt may be excluded from the monthly DTI ratio if the following requirements are met:               <ul style="list-style-type: none"> <li>– The mortgage file contains evidence that the debt has been paid timely by the borrower's business for no less than the most recent 12 months, and</li> <li>– The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business.</li> </ul> </li> </ul> <p><b>Reminder:</b> All borrower debt incurred through the Note Date must be considered when qualifying a borrower(s). The final Form 65, Uniform Residential Loan Application, and Form 65A, Statement of Assets and Liabilities, must reflect accurate and complete information as of the Note Date of the subject mortgage.</p>



Topic	Documentation Requirements
<b>Credit and Liabilities (cont'd)</b>	
Timeshare Loans (Guide Section <a href="#">5401.2(a)(iii)</a> )	<p>Timeshare loans are considered installment debts, regardless of how they are reported on the borrower's credit report. Maintenance fees associated with timeshares are not required to be included in the monthly debt payment-to-income ratio.</p>
Excluding Self-employed borrower debt paid by the business (Guide Section <a href="#">5401.2(b)</a> )	<p>When a self-employed borrower is obligated on a debt that has been paid by the borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly debt payment-to-income ratio if the following requirements are met:</p> <ul style="list-style-type: none"> <li>▪ The mortgage file contains evidence that the debt has been paid timely by the borrower's business for no less than the most recent 12 months, and</li> </ul> <p>The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business.</p>
Derogatory credit information (Guide Sections <a href="#">5201.1(a)</a> , <a href="#">5202.3</a> and <a href="#">5202.5(a)</a> )	<p>Accept:</p> <ul style="list-style-type: none"> <li>▪ No documentation required.</li> </ul> <p>Caution:</p> <ul style="list-style-type: none"> <li>▪ When a Seller has determined the derogatory information is significant, you must document the extenuating circumstances or conclude the difficulties were due to financial mismanagement.</li> </ul> <p>Refer to Guide Chapter 5202 and the Caution Reminders Quick Reference (<a href="https://sf.freddie.com/content/assets/resources/pdf/fact-sheet/caution_remind.pdf">https://sf.freddie.com/content/assets/resources/pdf/fact-sheet/caution_remind.pdf</a>) for documenting the recovery period and re-establishment of credit.</p> <p><b>Note:</b> Guide Bulletin <a href="#">2023-16</a>: For manually underwritten mortgages you may exclude medical collections from being considered adverse or derogatory credit information.</p> <p><b>Note:</b> Timeshare loans are considered installment debts, regardless of how they are reported on the borrower's credit report; therefore, payments on timeshare loans are not considered housing payments for purposes of evaluating late housing payments, refer to Guide Section <a href="#">5202.5(a)</a>. Additionally, the foreclosure recovery time periods for reestablishment of credit do not apply to timeshare loans in foreclosure, refer to Guide Section <a href="#">5202.5(a)</a>.</p>
Sale or Conversion of Primary Residence (Guide Section <a href="#">5401.2(a)</a> )	<p>Refer to Guide Section <a href="#">5401.2(a)</a> and the Freddie Mac Rental Income Matrix (<a href="http://www.FreddieMac.com/learn/pdfs/uw/rental.pdf">http://www.FreddieMac.com/learn/pdfs/uw/rental.pdf</a>), if either:</p> <ul style="list-style-type: none"> <li>▪ Pending sale of the primary residence and the sale will not close before the Mortgage Note Date, or for Construction Conversion or Renovation Mortgages, the Effective Date of Permanent Financing.</li> <li>▪ Converting the current primary residence to a second home or an Investment Property.</li> </ul>
Payoff of existing judgments and tax liens (Guide Section <a href="#">4201.2</a> )	<p>The mortgage must be a valid First Lien on the mortgaged premises. The mortgaged premises must be free and clear of all prior liens and encumbrances and no rights or condition may exist that could give rise to such liens, except for:</p> <ul style="list-style-type: none"> <li>▪ Liens for real estate taxes and special assessment not yet due and payable,</li> <li>▪ Rights and conditions specified in Guide Section <a href="#">4702.4</a>.</li> </ul>
Home equity line of credit (HELOC) payments (Guide Section <a href="#">5401.1</a> and <a href="#">5401.2</a> )	<p>HELOC payments must be included in the housing expense-to-income ratio when there is an outstanding balance on the account.</p> <p>When the HELOC monthly payment amount is not captured in the mortgage file documentation or in the credit report, use 1.5% of the outstanding HELOC balance.</p> <p>Note: Documentation of HELOC terms, including the monthly payment amount continues to be required for HELOCs originated concurrently with the First Lien Mortgage, as stated in Section <a href="#">4204.1</a>.</p>



## GENERAL UNDERWRITING REQUIREMENTS

### Eligibility (Guide Chapter [5101](#))

Loan Product Advisor assumes that the last information submitted to Loan Product Advisor is the same as the information that is verified and documented in the mortgage file delivered to Freddie Mac. If the information changes or an error is identified in a prior submission, the loan information must be resubmitted to Loan Product Advisor. See Guide Sections 5101.7 and 5101.7 for exceptions and requirements for resubmission to Loan Product Advisor after the Note Date, or for Construction Conversion and Renovation Mortgages, after the Effective Date of Permanent Financing. Incorrect information in Loan Product Advisor may invalidate the Loan Product Advisor Feedback Certificate. To qualify as a Loan Product Advisor mortgage, the mortgage must meet all the following criteria:

- Be submitted to Loan Product Advisor no more than 120 days before and no later than the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Have all credit reports (including Loan Product Advisor credit reports) dated no more than 120 days before and no later than on the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Receive a "Complete" AUS Status on the Feedback Certificate based on the last submission to Loan Product Advisor on or before the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- Comply with all requirements of Guide Chapter 5101 – Using Loan Product Advisor
- Have a Settlement Date that is not more than 6 months after the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing

For Accept Mortgages, Loan Product Advisor makes the determination that borrower capacity is acceptable so long as the amount of stable monthly income used by Loan Product Advisor is correct and meets the requirements in Guide Topic 5300 as verified under the applicable verification requirements of the Guide.

### Borrowers without usable credit scores (Guide Section [5201.1\(c\)](#))

Loan Product Advisor will allow the assessment of Mortgages when no borrower has a Credit Score. Refer to [Mortgages for Borrowers Without Credit Scores](#) job aid for details.

### Permanent and nonpermanent resident aliens (Guide Section [5103.2](#))

Permanent and nonpermanent resident aliens lawfully residing in the United States are eligible for mortgages on the same terms as U.S. citizens. When selling such mortgages to Freddie Mac, Sellers represent and warrant that the non-U.S. citizen borrower is lawfully resident in the United States. Freddie Mac does not specify the documentation required to establish lawful U.S. residency. You should consult your own counsel or other information sources to determine documentation that may be used to establish lawful residency.

### Financing concessions (Guide Section [5501.5 \(b\)](#))

- Financing concessions for primary residences and second homes must be within allowable percentages:
  - 9 percent of value for mortgages with LTV/TLTV ratios less than or equal to 75 percent
  - 6 percent of value for mortgages with LTV/TLTV ratios greater than 75 percent up to and including 90 percent
  - 3 percent of value for mortgages with LTV/TLTV ratios greater than 90 percent
- The maximum financing concession for investment properties is 2 percent regardless of the LTV ratio.
- Contributions in excess of the above limitations are considered sales concessions.

**Note:** Maximum financing concessions are based on the LTV ratio when there is no secondary financing and TLTV ratio when secondary financing is present.

**Note:** Transactions involving the sale of Freddie Mac REO properties. Financing concessions paid by Freddie Mac, as the property seller, are not subject to the maximum financing concessions limits. Requirements for acceptable use of financing concessions continue to apply.

- Sales concessions are deducted from the purchase price and LTV is calculated using the lower of the reduced purchase price or appraised value.
- Interested party contributions used to reimburse the borrower for payment of short sale fees must be considered and treated as a sales concession.



## General Underwriting Requirements (cont'd)

### Interested party contributions – abatements (Guide Sections [5501.5 \(a\)](#))

A payment of up to 12 months of homeowner's association dues by an interested party is not considered an abatement but is considered an interested party contribution and is subject to all requirements for interested party contributions and other conditions.

### Lender credit (Guide Sections [5501.6](#))

May be used provided it meets all of the following requirements:

- The amount of the lender credit must:
  - Be derived from an increase in the interest rate (i.e., premium pricing), or
  - Be funded directly by the Seller.
- The lender credit must not require repayment.
- The Seller must not use funds from a third party to provide a lender credit.
- Lender credit may only be used as a credit towards the borrower's closing costs. In the event the lender credit exceeds the amount of the borrower's closing costs, the following requirements apply:
  - The lender credit must be reduced so it does not exceed the amount of the borrower's closing costs, or
  - The amount of the lender credit that exceeds the borrower's closing costs must be applied as a principal curtailment to the mortgage and must be clearly reflected on the Settlement/Closing Disclosure Statement. (See Section 6302.32 for delivery requirements for Mortgages with principal curtailments.)
- Lender credit derived from an increase in the interest rate (i.e., premium pricing) must not be used as a credit towards funding a temporary subsidy buydown plan on a "no cash-out" refinance mortgage.

### Lender incentives (Guide Sections [5501.6](#))

The Seller may provide the Borrower with a cash or a cash-like (e.g., a gift card) incentive that is not lender credit toward the Mortgage transaction as described in Guide Section 5501.6(a), provided that:

- The amount of the incentive does not exceed \$500.00.
- No repayment is required, and
- The amount is documented in the Mortgage file.

The incentive is not considered cash out to the Borrower and does not have to be included in the calculation of the Mortgage proceeds, including the calculation of cash back to the Borrower. These requirements apply regardless of whether the incentive is provided before, at or after the Mortgage closing.

### Cash back on purchase transactions (Guide Section [4305.1](#))

The Borrower may receive cash back, or a principal curtailment may be made, only as a result of the following:

- Reimbursement for the overpayment of costs, fees and charges paid by the Borrower in connection with the purchase transaction Mortgage.
- In jurisdictions where real estate taxes are paid in arrears, receipt of funds from the property seller for real estate taxes that cover a period prior to the Note Date.
- Refunds mandated by federal laws or regulations.

The minimum Borrower contribution, if applicable, must be met at closing. If the projected cash back, as described above, results in the Borrower not meeting the minimum Borrower contribution at closing, the excess amount of the cash back must be applied as a principal curtailment.

Any cash back or principal curtailment must be reflected on the Settlement/Closing Disclosure Statement. In instances of reimbursement for the overpayment of costs, fees, and charges, and/or refunds mandated by federal law or regulation, the Mortgage file must include documentation supporting the amount and the reason for the reimbursement and/or refund.

### Mortgages including a non-occupying borrower

When a mortgage includes a non-occupying borrower, refer to Guide Section [5103.1](#).



## General Underwriting Requirements (cont'd)

### Property (Guide Chapters [5601](#), [5701](#) and [5703](#))

The Seller must ensure that the mortgage premises (collateral) are eligible for sale to Freddie Mac and that it supports the transaction; Loan Product Advisor's Property and Appraisal Messages section on the Feedback Certificate will advise the Seller of the type of appraisal report required. Refer to the [Automated Collateral Evaluation](#) job aid for more information regarding appraisal waivers and the [Desktop Appraisals: At-A-Glance, ACE+ PDR](#) job aids for additional appraisal options.

For units in Condominium Projects, the project must meet Freddie Mac eligibility criteria for the project (e.g., Existing, New, 2- to 4-Unit condominium projects, or Detached condominium projects, etc.). For details, refer to the [Condominium Unit Mortgages Job Aid](#) or Guide Chapter [5701](#).

Mortgages secured by a Manufactured Home (even if located within a condominium project) must be submitted to Loan Product Advisor and must identify the property as a single-wide or multi-wide Manufactured Home. In addition:

- An appraisal reported on Appraisal Form 70B, Manufactured Home Appraisal Report, is required for all Manufactured Homes.

If the property is a Manufactured Home located in a Condominium Project, the project must be approved through an acceptable reciprocal review process. For details, refer to Guide Chapter 5701. The project information section of Form 465, Individual Condominium Unit Appraisal Report, must also be completed and attached as an addendum to Form 70B.

For purchase transactions, verify the property seller is the Owner of Record. For refinance transactions, verify the borrower is an Owner of Record. For transactions involving the payoff of a land contract, verify the borrower is a vendee on the recorded land contract, and the property seller is the vendor and Owner of Record. Evidence verification with documentation in the file.

**No Cash-out refinance mortgages, refer to Guide Section 4301.4.**

**Cash-out refinance mortgages, refer to Guide Section 4301.5. Note:** When the mortgage is a cash-out refinance mortgage secured by a **primary residence** effective for mortgages with **Settlement Dates on or after March 6, 2024 we are updating the Guide to require that all borrowers must occupy the mortgaged premises.** Refer to Guide Bulletin [2023-24](#).

**Special purpose cash-out refinance mortgages, refer to Guide Section 4301.6.**

If Loan Product Advisor returns an excessive value message or a message notifying you of REO activity within the preceding 24 months, review the appraisal report carefully to ensure property value is supported.

Freddie Mac recommends the use of Loan Collateral Advisor, our web-based tool that analyzes appraisal reports and provides Freddie Mac's view of appraisal quality and risk. More information about Loan Collateral Advisor can be found on [Freddie Mac Learning](#).



**Date and verification requirements for Loan Product Advisor Results, Employment, Income, Source of Funds and Payment History (other than credit reports) (Guide Sections [5101.1\(b\)](#), [5101.7](#), [5102.4](#) and [5301.1](#))**

**Date Requirements**

- A mortgage that was processed through Loan Product Advisor and received a complete assessment (a Risk Class of Accept or Caution) on the Last Feedback Certificate must have a Settlement Date no more than 12 months after the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing.
- Loan Product Advisor results must be dated within 120 days prior to the Note Date. However, if the Seller determines after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages that the information entered into Loan Product Advisor was not true, complete, and accurate and does not match the terms of the mortgage to be delivered to Freddie Mac, the mortgage must be resubmitted to Loan Product Advisor after the Note Date or the Effective Date of Permanent Financing, as applicable, but prior to the Loan Product Advisor Assessment Expiration Date and Delivery Date, unless otherwise prohibited or not required by Guide Section 5101.7.
- Verifications of employment, income, current receipt of income, source of funds and payment history must be dated no more than 120 days before the Note Date and must be used in evaluating the creditworthiness of the Borrower. Any information verified more than 120 days before the Note Date must be reverified. Verifications made after the Note Date do not satisfy the requirements of Guide Section [5102.4](#). For eligible properties impacted by a disaster, certain age of documentation flexibilities may apply. Refer to Guide Sections [4407.2](#) and [4407.3](#) for additional information.

**Note:** YTD paystubs must be dated within 30 days prior to the Application Received Date.

**Verification Requirements (Guide Sections [5102.3](#), [5302.1](#) through [5302.5](#) and [5501.3](#))**

**General Requirements for Verifying Documents: VOE, VOD and Mortgage or Rental Verification Forms**

- For more information on automating the manual processes for income and/or asset verification, refer to [AIM](#).
- Written verifications:
  - Standard verification forms such as original verifications of employment (VOE), verification of deposit (VOD) and mortgage or rental verification forms must be sent directly from the originator to the borrower's employer, depository, creditor, or landlord and upon completion, returned directly from the entity to the originator.
  - Facsimile verification forms are acceptable if it is clear from the document that the information was sent by facsimile transmission directly from the source to the originator and are considered to be originals.
  - The original documents must not contain any alterations, erasures, correction fluid or correction tape.
  - The Seller's mortgage file contains legible copies of the originals.
  - The copies must have been made by the originator or the applicant directly from the originals. Copies provided by any other source, such as the applicant, agent, or builder, are not acceptable. A picture of a document may be provided by the borrower to provide verification of income, employment, and assets.
- Electronic verifications (VOE, VOD, VOM/R) are computer-generated documents, accessed and printed from an Intranet or Internet. This includes online bank statements, investment account statements and employment and/or income statements. The borrower may provide the electronic verification directly, or the originator may obtain it directly from the employer, depository, or other institution.
- The Borrower may provide verification of income, employment and assets in the form of a photocopy (including a picture of a document), facsimile or electronic verification. If the Borrower has provided electronic verifications, photocopies or facsimiles of other verifications, where the originator did not view and copy the original documents directly, the Seller is strongly encouraged to reverify the information through the quality control process.
- All documents must be in English or translated into English (Guide Section 1201.9)
- All foreign currency amounts must be converted to U.S. dollars.

**Verification Requirements: Income and asset qualification sources**

- IRS Form 4506-C ([Guide Section 5302.5](#)):
  - All Borrowers, whose income is used to qualify or whose assets are used as a basis for repayment of obligations in accordance with the requirements in Guide Section 5307.1, are required to sign, Internal Revenue Service (IRS) Form 4506-C (or an alternate form acceptable to the IRS that authorizes the release of comparable tax information). The Form 4506-C must be signed no later than the Note Date **and must be retained in the mortgage file.**



## Verification Requirements, *continued*

### Income and asset qualification sources (continued)

#### Employed Income Documentation and Verification Requirements (Guide Section [5302.2](#))

- Year-to-date (YTD) paystubs must:
  - Identify the employer’s name, the borrower as the employee and the date issued. Show the time period covered and both the current pay period dates and earnings, and complete YTD earnings.
  - Must be dated within 30 days of the Application Received Date, in addition, to no more than 120 days before the Note Date.

**Note:** When the YTD paystub does not contain the required information (e.g., paystubs that are handwritten or typed by the employer and do not contain YTD earnings), the Seller must verify the required information by obtaining additional documentation (e.g., written VOE, a review of payroll deposits on bank statements).

- W-2 forms must be the complete IRS Form W-2 distributed by the employer for the preceding tax year(s).  
**Note:** In lieu of the W-2 form you may obtain the year-end YTD paystub(s) or military Leave and Earnings Statement provided the documentation reflects the complete income earned in the previous calendar year; or the W-2 transcript(s) provided the transcript reflects the complete income earned in the previous calendar year.

- Written VOEs must contain:
  - A signature, printed name, title, and contact information of the authorized employer representative who verified the information and the date completed.
  - Borrower’s name and employer’s name and address.
  - Refer to Guide Section [5302.2](#) for additional written VOE requirements regarding employment and earnings.
- 10-day pre-closing verifications (10-day PCVs), when required, must be obtained no more than 10 business days prior to the Note Date, or after the Note Date but prior to the Delivery Date and meet Guide Section [5302.2\(d\)](#) requirements. Types may include:
  - Verbal VOE
  - E-mail VOE
  - Written VOE
  - **YTD paystub:** Effective December 6, 2023, a YTD paystub may be used that is from the pay period immediately preceding the Note Date, and has the “paid through” date no more than 15 business days before the Note Date. Refer to 10-day PCV [FAQs](#).
  - Military Leave and Earnings Statement
  - Third-party employment verification service provider-electronically generated. Refer to Guide Section [5302.3\(b\)](#).

**Note:** For employment commencing after the Note Date refer to Section 5303.2(e).

- Third-party verification service providers: Employment, income and 10-day pre-closing verifications obtained through third-party verification service providers are acceptable. The verifications must be received by the originator directly from the third-party verification service provider. A copy of the verification must be retained in the mortgage file and must meet the following requirements:
  - Sufficient information to determine stable monthly income in accordance with Topic 5300.
  - If verification is completed using employment and/or income information from an electronic database, the verification must evidence that the information in the database is no more than 35 days old.
  - 10-day PCVs for employment must meet Section [5302.3\(b\)](#) requirements.

**Note:** If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services, and the Seller must verify that all third-party service providers have procedures to comply with quality control requires for reverification from Freddie Mac, the Seller and/or Servicer.

**Note:** For requirements pertaining to third-party service providers and the verification reports when using AIM refer to Guide Section [5901.3](#) (AIM using employment data), or Guide Section [5904.3](#) (AIM using account data). AIM offers automated solutions to satisfy the 10-day PCV requirement. Refer to [AIM: 10-day PCV at a Glance](#) job aid.



**Verification Requirements, *continued***

**Tax return requirements and age of documentation**

- Tax returns must be the borrower’s signed copy of the complete U.S. federal income tax returns(s) that were most recently filed with the IRS, and include all schedules and forms required in Guide Topic 5300. Acceptable alternatives for the borrower’s signature on the tax return(s) include evidence the tax returns were filed electronically or tax transcripts that validate the information on the unsigned tax returns.
- IRS confirmation verifying transcripts are not yet available for the prior calendar year are always recommended, and in certain instances are required.
- Age of tax return requirements (Section [5302.4\(b\)](#)):
  - Most recent federal income tax return: Last return (individual and/or business) that was filed with the IRS by the borrower and, if applicable, the borrower’s business. Refer to the table below.
 Note: Sellers are encouraged to always confirm with the borrower that the tax returns provided are the tax returns most recently filed with the IRS.

Application Received Date	Note Date	Age of tax return and other documentation requirements
<b>Before:</b> April 15, 2024	<b>On or after:</b> November 1, 2023 <b>Before:</b> May 31, 2024	<ul style="list-style-type: none"> <li>▪ Most recent federal income tax return(s) filed with the IRS</li> <li>▪ The most recent tax return(s) must be no older than 2022</li> </ul>
<b>On or after:</b> April 15, 2024	<b>Before:</b> May 31, 2024	If the borrower has not filed the 2023 tax return(s) with the IRS: <ul style="list-style-type: none"> <li>▪ The most recent tax returns must be no older than 2022</li> </ul> The Seller must obtain:
<b>All</b>	<b>On or after</b> May 31, 2024 <b>Before:</b> November 1, 2024	<ul style="list-style-type: none"> <li>▪ IRS confirmation verifying tax transcript(s) are not yet available for the tax return(s) (individual, and business, if applicable) from the 2023 tax year<sup>1,2</sup>; and</li> <li>▪ Evidence of completed IRS tax filing extension(s) for the 2023 tax year (e.g., if using IRS tax extension forms to evidence tax filing extension, include IRS Form(s) 4868 and/or 7004, as applicable)<sup>3</sup></li> </ul>
<b>All</b>	<b>On or after:</b> November 1, 2024	<ul style="list-style-type: none"> <li>▪ The most recent tax return(s) must be no older than 2023, regardless of other factors, such as, tax filing extension status or IRS tax filing deadline relief status.</li> </ul>

<sup>1</sup> If the IRS extends the tax filing due date, the IRS confirmation is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date, or May 31, 2024, whichever occurs first; and Note Dates on or after the last day of the month following the IRS income tax filing due date, or June 30, 2024, whichever occurs first.

<sup>2</sup> Alternative documentation is acceptable in lieu of the IRS confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:

- Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2022 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2023 business return has not yet been filed; and
- Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(d) in the row labeled “Business and/or individual tax return(s) - most recent calendar year not yet available”.

<sup>3</sup> If the IRS extends the tax filing due date, the IRS extension form is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date and Note Dates on or after the last day of the month following the IRS income tax filing due date.

**Note:** The Seller must determine the stable monthly income which may require additional documentation and analysis. Refer to Section 5304(d) for additional guidance about self-employed income when the tax returns for the most recent calendar year are not yet available.

**For mortgages with Note Dates before November 1, 2023 and Settlement Dates on or after February 7, 2024**

Apply the age of tax return and other documentation requirements as shown in the table above, however, the prior calendar year may replace the calendar year shown in the table.



### Verification Requirements, *continued*

#### Asset account verifications (continued)

- For more information on automating the manual processes for asset verification, refer to [AIM](#).
- Direct account verifications (i.e., verification of deposit form (VOD)) must:
  - Identify the issuing financial institution, the account owner(s), the account number-which at a minimum must include the last four digits, the type of account, the account open date, the current account balance, the average balance for the previous two months, and any outstanding loans secured by the asset.
  - Include the title, signature and phone number of the depository representative who completed the verification, **unless the direct account verification is generated electronically by the financial institution.**
- Asset account statements must:
  - Identify the issuing financial institution, the account owner(s), and the account number, which at a minimum must include the last four digits.
  - Show all transactions, the period covered, ending balances, and any outstanding loans secured by the asset.
- A transaction history that is computer-generated and downloaded by the borrower from the Internet, or by a financial institution representative from the institution's system is acceptable. It must identify the name of the institution and the source, and includes the information required above for asset account statements, unless it is used in combination with other asset verifications containing the missing information, and it can clearly establish that the transaction history pertains to the same account.
- Third-party asset verifications
  - Asset verifications obtained through third-party verification service providers are acceptable.
  - Must be received by the originator directly from the third-party verification service provider.
  - Must contain the same information as required for direct account verifications or asset account statements above, except when verification is generated electronically and is not completed or provided by a representative of the employer or the depository institution, as applicable, the representative's information is not required. The verification may identify the account with a minimum of the last two digits of the account number.

**Note:** If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.

#### Minimum repository and date requirements for Credit Reports (Guide Section [5203.1](#))

All credit reports used in conjunction with Loan Product Advisor Mortgages must be dated within 120 days prior to the Note Date, refer to Guide Section 5203.1(j).

The credit report must include information from at least two national credit repositories. When a borrower has frozen credit, no more than one national credit repository can have frozen credit information.

#### Resubmission to Loan Product Advisor (Guide Sections [5101.6](#) and [5101.7](#))

If the information submitted changes or an error is identified in the prior submission, the mortgage must be resubmitted to Loan Product Advisor with new data. Refer to Guide Section 5101.7 for exceptions and requirements for resubmission to Loan Product Advisor after the Note Date, or for Construction Conversion and Renovation Mortgages, after the effective Date of Permanent Financing.

Resubmission of loan data to Loan Product Advisor is required **prior to the Delivery Date** if:

1. Information on the previous submission is not true, complete, or accurate. For example:
  - Information on the previous submission is inaccurate, invalid, or changes during the origination process.
  - Borrowers are added to or deleted from the loan application.
  - Property information changes, the property information included an inaccurate or incomplete property address, or an appraisal provides a different value for the property .
  - Credit Alert Interactive Voice Response System (CAIVRS) authorization shows a Federal Delinquency/Lien for any borrower (FHA or VA loan applications only).
  - You request a different mortgage product.
2. The loan has not closed and the most recent submission (including the date of the Loan Product Advisor credit report(s)) exceeds the date requirements in Guide Section 5203.1.



### Resubmission to Loan Product Advisor (Guide Sections [5101.6](#) and [5101.7](#)) (continued)

3. Any information used by Loan Product Advisor changes; however, a change from the previous submission involving the following does not require resubmission:

#### **Debts/income:**

- The monthly debt payment decreases (including monthly housing expense).
- The income for any borrower increases; however, if the income used to qualify borrowers increases for Home Possible® Mortgages, resubmission is required.
- The income for any borrower decreases and/or the monthly debt payment (including monthly housing expense) increases, and
  - o The total difference does not change the total DTI ratio by more than three percentage points, and
  - o The total DTI ratio on the previous submission did not exceed 45%.

#### **Assets/reserves:**

- The amount of verified assets increases.
- The amount of verified reserves increases.
- The amount of verified reserves decreases to an amount that is no less than the reserves required to be verified on the Feedback Certificate.

#### **Loan amount changes on refinance transactions:**

##### **Loan amount decreases**

- The loan amount decreases by no more than 5% on a refinance transaction and at the time of the most recent Loan Product Advisor submission mortgage insurance is not required on the mortgage, or
- The loan amount decreases by no more than 5% on a refinance transaction and at the time of the most recent Loan Product Advisor submission mortgage insurance on the mortgage is required, and
  - o The change does not impact the amount of the mortgage insurance coverage, and
  - o The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate, and
- For mortgages that qualify for an (ACE) appraisal waiver, or ACE+ PDR the Seller has not accepted the ACE appraisal waiver, or ACE+ PDR offer.

##### **Loan amount increases**

- For refinance transactions when the loan amount increases by no more than \$500 or up to 1% of the loan amount, whichever is less and based on the new loan amount at the time of the most recent Loan Product Advisor submission mortgage insurance is **not required** on the mortgage, or
- For refinance transactions when the loan amount increases by no more than \$500 or up to 1% of the loan amount, whichever is less and based on the new loan amount at the time of the most recent Loan Product Advisor submission mortgage insurance on the mortgage **is required**, and
  - o The change does not impact the amount of the mortgage insurance coverage, and
  - o The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate, and
- For Mortgages that qualify for an (ACE) appraisal waiver, or ACE+ PRD the Seller has not accepted the ACE appraisal waiver, or ACE+ PDR offer.
- The increase in the monthly debt payment results in a debt payment-to-income ratio that meets the requirements in Section 5101.6(b)(i) referenced above under #3 *Debts/income*.

Any other changes in the information submitted to Loan Product Advisor require resubmission.

If the Risk Class and/or Documentation Level changes as a result of the resubmission, the Seller must meet the new requirements.

Refer to Guide Section 4602.8(b) for Loan Product Advisor resubmission requirements for Construction Conversion and Renovation Mortgages.



### Resubmission to Loan Product Advisor After the Note Date (Guide Section [5101.7](#))

- If the Seller determines after the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages or the modification date for Seller-Owned Modified Mortgages that are Home Possible® Mortgages that the information entered into Loan Product Advisor was not true, complete, and accurate and does not match the terms of the mortgage to be delivered to Freddie Mac, except as otherwise permitted in [Section 5101.6](#) and unless otherwise prohibited below, the mortgage must be resubmitted to Loan Product Advisor after the Note Date or the Effective Date of Permanent Financing, as applicable, but prior to the Delivery Date.
- Select the appropriate Loan Processing Stage, which is Post Closing Quality Control. Once Post Closing Quality Control is selected, you must remain in that processing stage for the life of the loan.
- A mortgage **cannot be resubmitted** to Loan Product Advisor **after the Note Date or the Effective Date of Permanent Financing** for Construction Conversion and Renovation Mortgages **if**:
  - Resubmission is more than 120 days after the Loan Product Advisor Assessment Expiration Date displayed on the Feedback Certificate in effect as of the Note Date; or
  - A borrower is being added or deleted, or a change is being made to a borrower's last name or Social Security Number; **or**
  - A new credit report company needs to be selected; **or**
  - The single or joint merged credit report indicator changes; **or**
  - The order of borrowers' changes on a joint merged credit request; **or**
  - The merged credit report number does not match the merged credit report number from the most recent complete transaction.
  - If the mortgage cannot be resubmitted to Loan Product Advisor after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the mortgage must be manually underwritten and is considered a Non-Loan Product Advisor Mortgage.

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