

Updated June 2022

Frequently Asked Questions: Mortgage Origination, Underwriting and Eligibility

General – Stable Monthly Income

Q1: [REVISED 06.08.22] When fluctuating income is used to qualify the borrower, is it acceptable to exclude the period(s) of unpaid time or amount of lost revenue due to COVID-19 (e.g., temporary layoff, furlough, reduced hours, business closures) when calculating the qualifying income?

No. As the pandemic is ongoing, the income interruption/gap is not considered a one-time occurrence: therefore, the period of income interruption must be considered in the overall calculation.

Q2: [REVISED 05.05.20] Are borrowers who are temporarily furloughed or laid off due to the COVID-19 pandemic, with an expected return to work date, eligible to be underwritten using the requirements for Income while on temporary leave?

The requirements for Income while on temporary leave do not extend to employer-initiated actions, such as furloughs and layoffs regardless of whether there is an expected return to work date.

Self-Employed Income

Verification of Current Business Existence – Open and Operating

Q1: [NEW 03.11.21] Is it acceptable to use a business license to verify that the business is open and operating within 20 days of closing?

No, that is not acceptable as it does not verify the business is open or operating within the 20-day or less time frame prior to closing. Refer to Bulletin [2020-8](#) for examples of how to meet this requirement.

Evaluation of Monthly Obligations

Q1: [REVISED 07.29.20] Does Freddie Mac require monthly payments for liabilities (e.g., student loans, other installment debt, revolving accounts), that are deferred or placed in forbearance as a result of COVID-19 pandemic, to be included in the DTI ratio?

Yes. Even if a borrower's monthly payments are temporarily suspended due to COVID-19 pandemic, the Seller must consider the payment in the borrower's DTI ratio in qualifying for a mortgage loan. Refer to Topic [5400](#), *Evaluation of monthly obligations*.

Q2: [NEW 09.17.20] If the borrower has a federal student loan that is in a COVID-related automatic forbearance, can the monthly payment be excluded from the debt payment-to-income ratio if it has been paid by another party (i.e. the student loan is a contingent liability)?

According to Guide Section [5401.2](#), a contingent liability may be excluded from the monthly DTI ratio when documentation in the mortgage file indicates that a party other than the borrower has been making timely payments for the most recent 12 months and the party making the payments is not an interested party to the subject real estate or mortgage transaction.

Please continue to monitor the online FAQs as the PDF and the HTML FAQs may be updated on an ongoing basis.

Because the office of Federal Student Aid automatically suspended federal student loan payments due to the COVID-19 pandemic, monthly student loan payments can be considered a contingent liability that can be excluded from DTI even if the payments haven't been made during the period of automatic payment suspension, provided that:

- a party other than the borrower had been making timely payments for at least nine months prior to the automatic payment suspension;
- the missed payments are resolved by the same party other than the borrower prior to closing of the new mortgage;
- the mortgage file includes documentation evidencing that the student loan is a federal loan has been subject to the automatic suspension of payments due to COVID-19 and that all the missed payments have been paid; and
- all other requirements of Section 5401.2 are met.

Borrower Creditworthiness

Q1: [NEW 07.29.20] Is the Seller required to perform additional analysis of the borrower's credit reputation or obtain additional documentation if the Seller has knowledge that the borrower's consumer debt(s) other than a mortgage (e.g. student loan, car loan) is or was in COVID-19 related forbearance or deferral, and the mortgage is an Loan Product Advisor Accept Mortgage?

No, for Loan Product Advisor Accept mortgages, the Seller is not required to obtain any additional documentation or perform any additional analysis of non-mortgage consumer debt.

Q2: [NEW 07.29.20] If the seller has knowledge that the borrower's consumer debt is or was in COVID-19 related forbearance or deferral, is the Seller required to treat payments missed during that period as adverse or derogatory credit information when manually underwriting the mortgage?

For manually underwritten mortgages, the Seller is not required to treat a borrower's consumer debt in COVID-19 related forbearance or deferral as adverse or derogatory credit information.

Asset and Income Modeler (AIM)

Q1: [REVISED 06.08.22] Are there any remaining COVID requirements that apply to mortgages using asset and income modeler (AIM) with Loan Product Advisor®?

Yes, mortgages using asset and income modeler (AIM) for self-employed must continue to comply with the remaining temporary credit underwriting requirement that the business is open and operating within 20 business days prior to the note date.

Other

Q1: Do Freddie Mac's existing disaster policies in the Seller/Servicer Guide apply to the COVID-19 pandemic?

No, Freddie Mac's existing policies related to disasters do not apply to loans impacted by COVID-19. Any guidance specific to COVID-19 will be communicated through Bulletins and FAQ documents such as this.

Q2: [04.10.20] Is Freddie Mac considering changes to Loan Product Advisor's risk assessment models in light of COVID-19?

Freddie Mac continually reviews its policy and risk assessment models. When appropriate, changes may be made in order to better meet the needs of clients or to better manage risk.

Eligibility under the temporary provisions of Bulletin 2020-17

Existing mortgages in forbearance

Q1: [06.04.20] Is a mortgage eligible for sale to Freddie Mac if the borrower is obligated on an existing mortgage that is in a forbearance plan and the borrower has been making partial mortgage payments under the plan?

No, the mortgage is not eligible for sale. The existing mortgage is not considered current based on partial mortgage payments. In order for the new mortgage to be eligible, the borrower must resolve the amounts outstanding on the existing mortgage, meeting the applicable additional eligibility requirements in Guide Bulletin [2020-17](#) as of the note date.

Q2: [06.04.20] Can missed payments on an existing mortgage in forbearance be refinanced into the new mortgage?

No. Missed payments during a forbearance may not be refinanced into the new loan amount in a no cash-out or cash-out refinance transaction. However, per the temporary requirements in Bulletin 2020-17, if the existing mortgage is in a repayment plan, Payment Deferral, trial period plan or other loss mitigation program and the borrower has either successfully completed the loss mitigation program or made at least three consecutive timely payments, as applicable, the proceeds may be used to pay off the existing mortgage.

Q3: [06.04.20] If a borrower's existing mortgage is in forbearance, but the borrower has continued to make payments to keep the loan current, does the borrower need to exit forbearance to be eligible for a new mortgage to be sold to Freddie Mac?

No. If the borrower continued to make payments and is current on his or her existing mortgage(s), there is no requirement to exit forbearance.

Q4: [06.04.20] What responsibility does the Seller have if the borrower entered forbearance on an existing mortgage after applying for a new loan?

The Seller represents and warrants that as of the note date of the mortgage, each of the borrower's existing mortgages is current, or if any mortgage is in a loss mitigation program, the applicable requirements in Guide Bulletin [2020-17](#) are met. The Seller must perform additional due diligence to ensure all of the temporary requirements in Bulletin 2020-17 are met.

Q5: [06.04.20] In Guide Bulletin 2020-17, do requirements in the last row of the chart that address loss mitigation programs not mentioned in the rest of the chart apply to mortgages that are in forbearance as of the note date of the new mortgage?

No. If a borrower is obligated on a mortgage that is in forbearance, but that borrower has continued to make payments and the mortgage is current, then the new mortgage is eligible for sale to Freddie Mac without meeting the additional eligibility requirements in Guide Bulletin [2020-17](#).

If the borrower is obligated on a mortgage that is in forbearance and the mortgage is not current, then the new mortgage is not eligible for sale unless the amounts outstanding on the existing mortgage are resolved by meeting the applicable additional eligibility requirements in Guide Bulletin [2020-17](#).

Q6: [07.29.20] For construction conversion and renovation mortgages, do requirements of Bulletin 2020-17 for borrowers with existing mortgages apply to the borrower's interim construction financing?

Yes, the borrower's interim construction financing is subject to requirements of Bulletin 2020-17 for borrowers with existing mortgages.

Loss mitigation programs

Q1: [06.04.20] When a borrower refinances after a payment deferral, is the new mortgage considered a cash out refinance loan or a “no cash-out” refinance?

When a borrower refinances a mortgage that with a payment deferral and the amount of the deferred payments is included in the new mortgage, the new mortgage is eligible for sale to Freddie Mac as a “no cash-out” refinance if it otherwise meets all of the requirements for an “no cash-out” refinance in the *Single-Family Seller/Servicer Guide*. Funds applied to paying off the deferred portion are not considered cash out.

Q2: [06.04.20] If the borrower has entered into a repayment plan to resolve missed payments during a forbearance, must the repayment plan be completed before a new mortgage is eligible for sale to Freddie Mac?

No. If the borrower has entered into a repayment plan to resolve missed payments, the borrower’s new mortgage is eligible for sale to Freddie Mac if the borrower made 3 timely consecutive payments as of the note date of the new mortgage. Alternatively, if the repayment plan is completed in fewer than 3 payments, then the new mortgage is eligible if the borrower completed the repayment plan as of the note date of the new mortgage.

Q3: [06.04.20] If a mortgage on a non-subject property is in a repayment plan, should the borrower be qualified using the mortgage payment required under the note or the higher payment required under the repayment plan?

The borrower must be qualified with the currently required contractual payment, which is the payment required under the repayment plan.

Q4: [06.04.20] Is a mortgage eligible for sale to Freddie Mac if, as of the note date of the new mortgage, the borrower is obligated on an existing mortgage that is in a modification trial period plan and misses a payment due under the plan?

No, the mortgage is not eligible for sale. Guide Bulletin [2020-17](#) requires that the borrower must successfully complete such trial period plan. The borrower should be encouraged to continue working with their Servicer on the appropriate loss mitigation solution for that mortgage.

Q5: [06.04.20] Bulletin 2020-17 states that if a borrower is obligated on a mortgage that is subject to a loss mitigation program other than a repayment plan, loan modification Trial Period Plan or a Payment Deferral, the program must be successfully completed or the borrower must have made at least three consecutive full monthly payments before the note date of the new mortgage. What is “full monthly payments” referring to?

The payments made under a loss mitigation program other than those specifically addressed in the Bulletin must be in the full amount required under the note or any other agreement that permanently alters the payment amount, such as a Loan Modification agreement.

Q6: [NEW 03.11.21] If the borrower has entered a loss mitigation program and is required to make at least three timely payments, as described in Bulletin [2020-17](#), must those payments be consecutive monthly payments?

Yes. The three payments must be made in three consecutive months, i.e. at least three consecutive monthly payment due dates must have passed in accordance with the loss mitigation option. For example:

On June 15th the borrower...	The borrower makes three payments...	New loan may close no sooner than...	Additional Conditions
Enters into a repayment plan, a loan modification trial period plan, a payment deferral agreement, or other loss mitigation solution requiring at least 3 monthly payments in accordance with Bulletin 2020-17.	As they become due for... <ul style="list-style-type: none"> July 1st payment August 1st payment September 1st payment 	September 1st Note: Once the borrower makes the third payment for the month it is due (September), the borrower may close on a new loan	All payments made must have been timely and borrower must be otherwise in compliance with applicable loss mitigation solution requirements
	In one lump sum	September 1st Note: Three monthly payment due dates must pass before the borrower can close a new loan.	

Reinstatements

Q1: [06.04.20] What does Freddie Mac mean by “the existing mortgage was fully reinstated?”

As stated in Guide Section [9203.3](#), a full reinstatement occurs when the borrower restores a delinquent mortgage to current status by paying the total delinquent amount, including advances, delinquent principal and interest, legal costs and other expenses incurred and that are past due under the Note and the Security Instrument.

Q2: [06.04.20] Does the Seller need to document the source of funds used to fully reinstate a delinquent mortgage?

Yes, when a lump sum payment is made to reinstate a mortgage on or after the application received date of the new mortgage, the Seller must document the source of funds used to reinstate the mortgage per the requirements in Guide Section [5501.3](#). The source of funds must be an eligible source as described also in Section 5501.3. If the mortgage was reinstated before the application received date of the new mortgage, verification of source of funds is not required.

Other

Q1: [06.04.20] Do the requirements in Bulletin 2020-17 apply only to the borrower’s existing mortgage(s) that are in forbearance?

No; the requirements of Bulletin [2020-17](#) apply to all of the borrower’s existing mortgages.

Q2: [06.04.20] If Loan Product Advisor® returns a Risk Class of Accept on the last feedback certificate, does the Seller still get relief of representations and warranties for the borrower’s creditworthiness?

Yes, provided that all other requirements of the Seller’s Purchase Documents are met, including the requirements described in Guide Bulletin 2020-17.

Q3: [06.04.20] If a borrower owns a residential property that is pending sale and will close before the note date of the new mortgage, does the Seller have to perform additional due diligence required in Guide Bulletin 2020-17 with respect to the mortgage secured by the property that is pending sale?

No, the additional due diligence described in Bulletin [2020-17](#) is not required as long as the Seller documents in the mortgage file that the property was sold and the mortgage was paid off before the note date of the new mortgage.

Q4: [06.04.20] Is a borrower eligible for a new mortgage to be sold to Freddie Mac if he or she makes 3 timely payments following a short sale or deed-in-lieu of foreclosure?

The requirements of Guide [Topic 5200, Credit Assessment](#), continue to apply: the mortgage must be submitted to Loan Product Advisor and receive a Risk Class of Accept, or if the mortgage is manually underwritten, including mortgages with Caution Risk Class, the recovery time periods for reestablishment of credit in Guide Section [5202.5](#) must be met.

Q5: [07.29.20] Do the temporary purchase and refinance eligibility requirements for borrowers with existing mortgages announced in Bulletin 2020-17 apply to all of the borrowers' consumer debts or just existing mortgages?

The requirements of Bulletin [2020-17](#) apply only to borrower's existing mortgages, and do not apply to other types of consumer debt.

Q6: [10.07.20] Is a credit supplement an acceptable form of additional due diligence to confirm the current status of the borrower's existing mortgage(s), as required in Bulletin 2020-17?

A credit report supplement may be acceptable to meet the requirements of Bulletin [2020-17](#) depending on the specific information provided in the supplement. For example, a supplement may be acceptable in the context with other available information if it documents a direct contact with the mortgage servicer and verifies the date the last payment was made and the due date of the next payment. On the other hand, a supplement that only provides the current status of the mortgage such as "current" or "paid as agreed" could not be considered meeting the requirement for additional due diligence in Bulletin 2020-17.

For more information, visit our [COVID-19 Resource Center](#)