

# “Let’s QC” Webinar Series – Community Lending

**A Discussion on ADU Expansions, Additional Employed Income, and ATR/QM Rules**

**Host:** Steve Glancey

**Speakers:** Julie Campbell, Randy Fansler, Amy Johnson, and Tia Hasnain

September 22, 2022





# Session Housekeeping

**Muted Lines:** All lines have been muted upon entry and will remain on mute to prevent interference.

**Recording:** This session is being recorded and will be available on the QC Webpage. If you have any objections, please disconnect now.

**Questions:** Please enter your questions directly into the Q&A box in the bottom right corner of your screen.

**Technical Issues:** Please use the raise hand icon to request assistance.



# Welcome!

2022 Q3 “Let’s QC” Webinar –  
Community Lending Series



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Quality Control Director



**Randy Fansler**  
Collateral Policy Senior



**Julie Campbell**  
Credit Policy Senior



**Amy Johnson**  
Underwriting Manager



**Tia Hasnain**  
Underwriting Senior  
Manager



## Goal of Series



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01

Provide training and guidance

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02

Allow transparency and insight into our Quality Control loan review process

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03

Give you useful information to incorporate into your Underwriting and QC process

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# Agenda



## A Discussion on ADU Expansions, Additional Employed Income, and ATR/QM Rules



### Topic 1 ADU Expansion

- To support the growing popularity of ADUs and their role in increasing housing affordability, we have updated our requirements to provide more flexibility for Mortgages secured by properties with ADUs



### Topic 2 Additional Employed Income

- Documenting income types that require at least 24 months and any applicable exceptions



### Topic 3 Ability to Repay and Qualified Mortgage Rule

- QM review standards, scope of work, and the revised QM rule





# Topic 1 – ADU Expansion



# ADU Expansion

## Collateral Policy – Eligibility requirements for ADUs

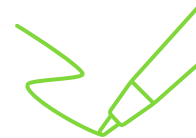
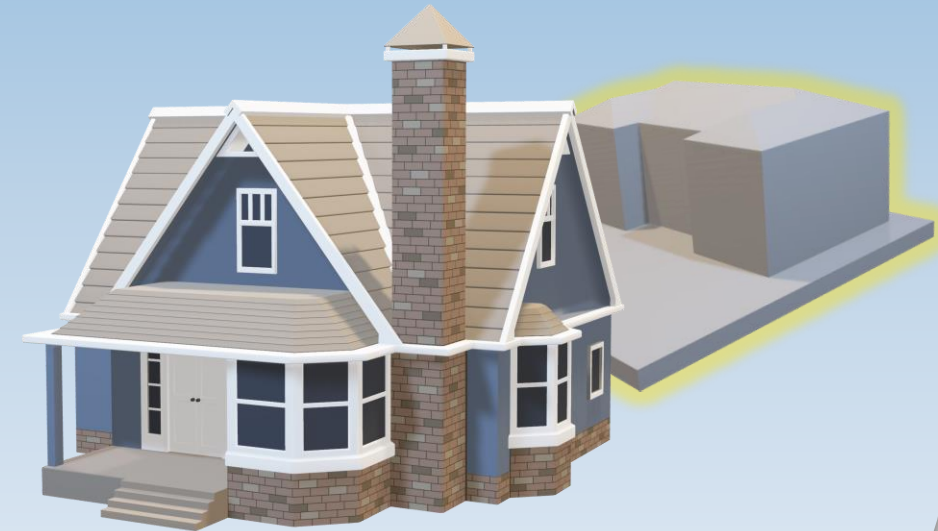


Conversion of a basement or garage

New attached ADU



New detached ADU or conversion of existing structure



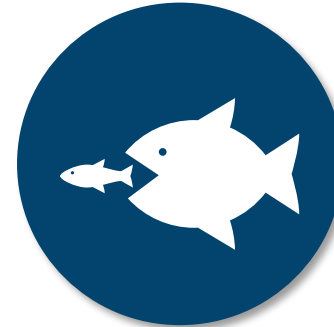
Freddie Mac allows one accessory dwelling unit on 1-, 2- and 3-unit properties, not exceed 4 total units.

# ADU Expansion

## Collateral Policy – What is an approved Accessory Dwelling Unit?



An Accessory Dwelling Unit is an additional living area that:



**Kitchen**

**Bathroom**

**Separate  
entrance**

**Independent  
of primary  
dwelling**

**Subordinate  
in living area**

**Contributes  
less to the  
value of  
primary  
dwelling**

Accessory Dwelling Units that are ineligible:

- × A property with more than one ADU
- × An ADU with unrestricted access from the primary home
- × A manufactured home classified as personal property



# A Manufactured Home must meet the following ADU requirements

- The home must be a minimum of 400 square feet
- It must be legally classified as real property
- The primary dwelling cannot be a Manufactured Home (except for CHOICEHome®)
- The home must meet the property eligibility requirements of Guide Section 5601.2(d)



# ADU Expansion

## Credit Policy – Rental income generated from an ADU on a subject 1-unit Primary Residence



**SCHEDULE E (Form 1040) Supplemental Income and Loss**  
 (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)  
 OMB No. 1545-0074  
**2021**  
 Attachment Sequence No. 13  
 Department of the Treasury Internal Revenue Service (99)  
 ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041.  
 ▶ Go to [www.irs.gov/ScheduleE](http://www.irs.gov/ScheduleE) for instructions and the latest information.

**Part I Income or Loss From Rental Real Estate and Royalties** Note: If you are an individual, report farm rental income or loss on Schedule C. See instructions. If you are an individual, report farm rental income or loss on Schedule C. See instructions.

**A** Did you make any payments in 2021 that would require you to file Form(s) 1099? See instructions.

**B** If "Yes," did you or will you file required Form(s) 1099? See instructions.

**1a** Physical address of each property (street, city, state, ZIP code)

A	
B	
C	

**1b** Type of Property (from list below)

A		
B		
C		

**2** For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.

A		
B		
C		



Borrower Name: \_\_\_\_\_

### Form 92

#### Net Rental Income Calculations – Schedule E

Form 92 is to be used to document the Seller's calculation of net rental income from Schedule E. This form is a tool to help the Seller calculate the net rental income from Schedule E; the Seller's calculations must be based on the determination of stable monthly income in Guide Chapter 5306. This form is used for the analysis and treatment of rental income as described in the Guide.

**E (Subject 2- to 4-unit Primary Residence)**

2- to 4-UNIT PRIMARY RESIDENCE NET RENTAL INCOME CALCULATION – SCHEDULE E <sup>1</sup>		
Income and Loss	Subject Property Address:	
	Year:	Year:
	(+)	(+)
	(-)	(-)
	(+)	(+)
	(+)	(+)
	(+)	(+)
	(+)	(+)
	(+)	(+)
Previously reported as an	(+)	(+)
Adjusted	(+)	(+)

### STANDARD LEASE AGREEMENT

This Agreement, hereinafter referred to as the "Agreement," dated \_\_\_\_\_, 20\_\_\_\_, by and between an individual or entity known as \_\_\_\_\_, hereinafter referred to as the "Landlord,"

**AND**

an individual known as \_\_\_\_\_, hereinafter referred to as the "Tenant(s)," agree to the following:

**A. PREMISES:** Landlord hereby offers to rent housing, located at \_\_\_\_\_, consisting of \_\_\_\_\_ bathroom(s) and \_\_\_\_\_ bedroom(s), hereinafter referred to as the "Premises," to the Tenant(s), subject to the following terms and conditions of this Agreement. Landlord will send a copy of all notices regarding the Premises to this address, along with another other address(es) identified by the Tenant(s).

**B. OCCUPANT(S):** Premises is to be strictly occupied as a residential dwelling housing by the Tenant(s). Please list any additional occupant(s) of the Premises below:

## Documenting ADU rental income

### Purchase transactions

- ✓ New or Existing Lease, and
- ✓ Comparable Rentals

### “No Cash-out” Refinance transactions

- ✓ Federal Tax Returns with the Schedule E, or
- ✓ Lease and Comparable Rentals

## Calculated net ADU Income

### 1e. Income from Other Sources

Does not apply

Include income from other sources below. Under Income Source, choose from the sources listed here:

• Alimony	• Child Support	• Interest and Dividends	• Notes Receivable	• Royalty Payments	• Unemployment
• Automobile Allowance	• Disability	• Mortgage Credit Certificate	• Public Assistance	• Separate Maintenance	• Benefits
• Boarder Income	• Foster Care	• Mortgage Differential	• Retirement	• Social Security	• VA Compensation
• Capital Gains	• Housing or Parsonage	• Payments	• (e.g., Pension, IRA)	• Trust	• Other

**NOTE:** Reveal alimony, child support, separate maintenance, or other income ONLY if you want it considered in determining your qualification for this loan.

Income Source – use list above	Monthly Income
Other ADU Rental Income	\$ 1100.00
	\$
	\$
<b>Provide TOTAL Amount Here</b>	<b>\$ 1100.00</b>

## Calculated 30% of total stable monthly ADU income

### III. Underwriting Information

Underwriter's Name Underwriter	Appraiser's Name/License # Appraiser	Appraisal Company Name Appraisal Company		
Stable Monthly Income		Present Housing Payment: \$		
	Borrower	Co-Borrower	Total	Proposed Monthly Payments
Base Income	\$ 3,000.00	\$	\$ 3,000.00	Borrower's Primary Residence
Other Income	\$ 900.00	\$	\$ 900.00	First Mortgage P&I \$ 950.00
Positive Cash Flow (subject property)	\$	\$	\$ 0.00	Second Mortgage P&I \$
Total Income	\$ 3,900.00	\$ 0.00	\$ 3,900.00	Hazard Insurance \$ 105.00
				Taxes \$ 87.00
				Mortgage Insurance

## Calculating ADU rental income

- ✓ Documentation using a lease or ADU rental analysis will calculate **75%** of the gross monthly rent or gross monthly market rent.
  - ✓ Documentation using a Schedule E will calculate the net rental income using Form 92 Net Rental Income Calculations-Schedule E, or a similar alternative form.
  - ✓ ADU rental income may be considered in an amount **up to 30%** of the total stable monthly income that is used to qualify the borrower for the Mortgage
- ### Home Possible Mortgages
- ✓ Qualifying ADU rental income must be included as qualifying income for the Area Median Income (AMI) determination

# ADU Expansion

## Appraisal considerations



Uniform Residential Appraisal Report				File #	
The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.					
Property Address		City	State	Zip Code	
Borrower		Owner of Public Record	County		
Legal Description					
Assessor's Parcel #		Tax Year	R.E. Taxes \$		
Neighborhood Name		Map Reference	Census Tract		
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant		Special Assessments \$	<input type="checkbox"/> PUD	HOA \$ <input type="checkbox"/> per year <input type="checkbox"/> per month	
Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)					
Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)					
Lender/Client		Address			
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No					
Report data source(s) used, offering price(s), and date(s).					
I <input type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.					
Contract Price \$      Date of Contract      Is the property seller the owner of public record? <input type="checkbox"/> Yes <input type="checkbox"/> No      Data Source(s)					
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, report the total dollar amount and describe the items to be paid.					
<b>Note: Race and the racial composition of the neighborhood are not appraisal factors.</b>					
Neighborhood Characteristics		One-Unit Housing Trends		One-Unit Housing	Present Land Use %
Location <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural		Property Values <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining		PRICE	AGE
Built-Up <input type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%		Demand/Supply <input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input type="checkbox"/> Over Supply		\$ (000)	(yrs)
Growth <input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input type="checkbox"/> Slow		Marketing Time <input type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths		Low	Multi-Family
Neighborhood Boundaries				High	Commercial
				Pred.	Other
Neighborhood Description					

### Description of the ADU

- ✓ General condition
- ✓ square feet of finished area
- ✓ total number of rooms, including bedrooms and bathrooms

### Zoning

The ADU must be permissible by jurisdiction:

- ✓ Legal
- ✓ Legal non-conforming
- ✓ No zoning

**Comparable sales** must include at least one sales comparable with an ADU that is rented

**Rental analysis** must have a minimum of three comparable rentals and at least one must be a rented ADU.

# ADU Expansion

Landlord education, delivery requirements and CHOICERenovation



## Landlord Education

At least one qualifying Borrower must participate in landlord education for Purchase transactions unless the Borrower has a minimum of one-year rental property management experience

## Delivery Requirements

An IFI is required when rental income generated from a single ADU on a 1-unit Primary Residence is used for qualifying

## CHOICERenovation

Provides the option of a “no cash-out” refinance Mortgage to pay off short-term financing that was used to finance ADU renovations





# Questions?



# Topic 2 – Additional Employed Income

Overtime, Bonus, Documentation,  
and Calculation



# Additional Employed Income

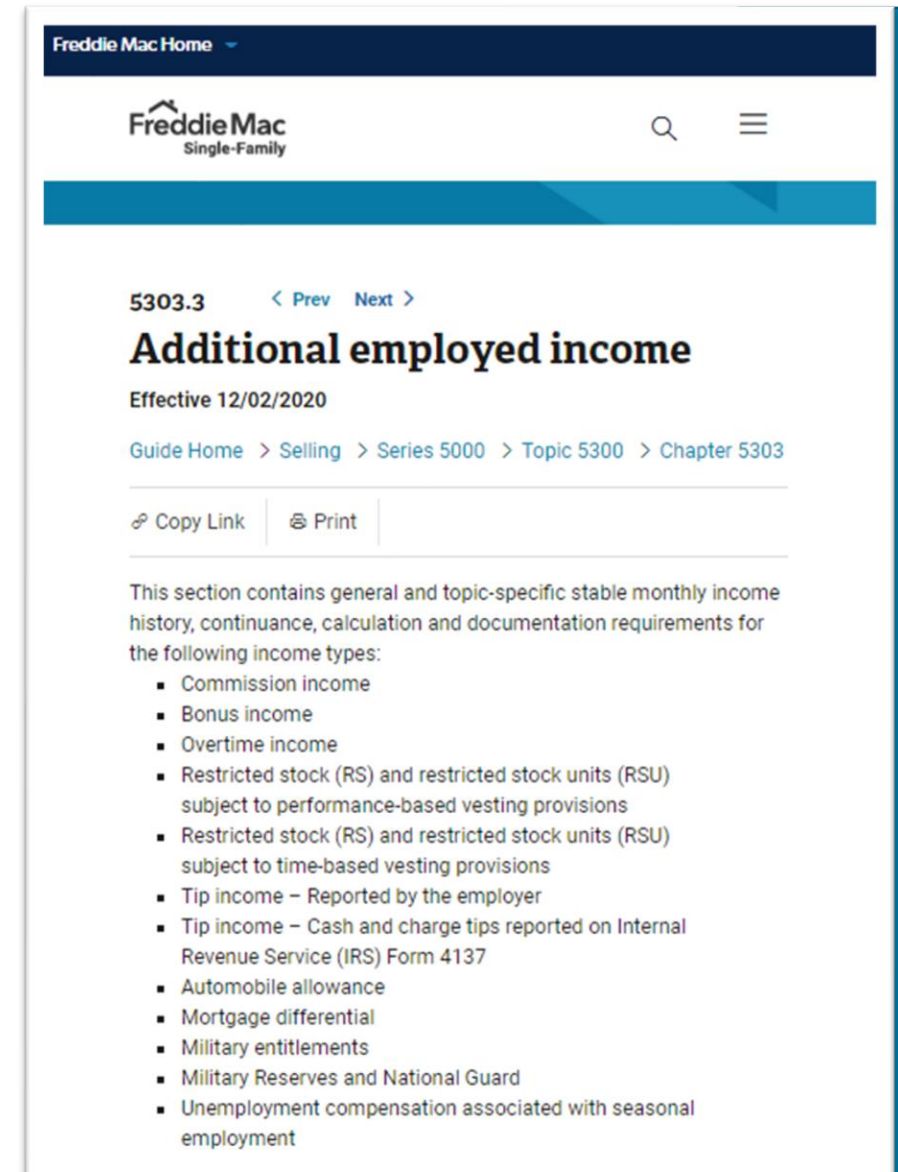
## Income history and stability- requirements and guidance

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 the 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.**



The screenshot displays the Freddie Mac Single-Family website interface. At the top, there is a navigation bar with 'Freddie Mac Home' and a search icon. Below this is the Freddie Mac logo and a search bar. The main content area features a breadcrumb trail: 'Guide Home > Selling > Series 5000 > Topic 5300 > Chapter 5303'. The title 'Additional employed income' is prominently displayed, followed by 'Effective 12/02/2020'. Below the title are options for 'Copy Link' and 'Print'. The main text states: 'This section contains general and topic-specific stable monthly income history, continuance, calculation and documentation requirements for the following income types:'. A bulleted list follows, detailing various income types such as Commission income, Bonus income, Overtime income, Restricted stock (RS) and restricted stock units (RSU) subject to performance-based and time-based vesting provisions, Tip income (reported by employer and cash/charge tips), Automobile allowance, Mortgage differential, Military entitlements, Military Reserves and National Guard, and Unemployment compensation associated with seasonal employment.

See Freddie Mac Guide Section 5303.3(b) for additional guidance



# 5303.3(d)

## Stable monthly income and documentation requirements



Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
<b>Commission income</b>	<p>History of receipt: Two years, consecutive<sup>1</sup></p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Refer to <a href="#">Section 5303.4(b)</a> for calculation guidance and requirements</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 <a href="#">Section 5302.2(d)</a>)</li> </ul> <p>Or all the following:</p> <ul style="list-style-type: none"> <li>Written verification of employment (VOE) documenting all YTD earnings and the earnings for the most recent two calendar years and a 10-day PCV</li> </ul>
<b>Bonus income</b>	<p>History of receipt: Two years, consecutive<sup>1</sup></p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Refer to <a href="#">Section 5303.4(b)</a> for calculation guidance and requirements</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</li> </ul> <p>Or 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</li> </ul>
<b>Overtime income</b>	<p>History of receipt: Two years, consecutive<sup>1</sup></p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Refer to <a href="#">Section 5303.4(b)</a> for calculation guidance and requirements</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</li> </ul> <p>Or 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</li> </ul>

# Income Documentation



## Income Scenario #1

### 1b. Current Employment/Self-Employment and Income

Does not apply

Employer or Business Name HADIDI HOUSEHOLD Phone ( 555 ) 555 - 5555  
 Street 2200 ANY STREET Unit #   
 City MANHATTAN BEACH State CA ZIP 90266 Country US

Position or Title HOUSEKEEPER

Start Date 06 / 01 / 2015 (mm/dd/yyyy)

How long in this line of work? 7 Years  Months

#### Check if this statement applies:

I am employed by a family member, property seller, real estate agent, or other party to the transaction.

Check if you are the Business Owner or Self-Employed

Uniform Residential Loan Application  
 Freddie Mac Form 65 • Fannie Mae Form 4575  
 Effective 1/2021



The borrower has been employed with the same employer since June 2015 as a housekeeper

W-2 Information	2020 W-2	2019 W-2
Wages, Tips, Compensation	\$60,826.20	\$77,797.89
Social Security Wages	\$60,826.20	\$77,797.89
Medicare Wages and tips	\$60,826.20	\$77,797.89

# Income Documentation

## Income Scenario #1



Do we have the appropriate documentation for overtime income, per the guide requirements?

*Business Phone Number must be independently verified. (Do not use the phone number from 1003 application unless verified).*

Y  N Was Employer Business Phone Number located independent of the borrower?

Identify Source:

Internet (List site or print page) or

Directory Assistance?

Other: \_\_\_\_\_ (note: Other cannot come from 1003 or borrower)

Y  N Borrower is currently employed at company listed on 1003?

Is Borrower active or on leave?  Active  On Leave

The following information is also required for **Non-Conforming** Loans:

Borrower Current Position: Housekeeper

Borrower's Start Date: 06/01/2015

Period Starting: 08/05/2021  
 Period Ending: 08/18/2021  
 Pay Date: 08/20/2021

Earnings	rate	hours/units	this period	year to date
Regular	30.0000	80.00	2400.00	37440.00
Overtime			0.00	3735.00
Vacation			0.00	720.00
Sick			0.00	960.00
Holiday			0.00	960.00
Double-time			0.00	2685.00
<b>Gross Pay</b>			<b>\$2,400.00</b>	<b>\$46,500.00</b>

Period Starting: 08/19/2021  
 Period Ending: 09/01/2021  
 Pay Date: 09/03/2021

Earnings	rate	hours/units	this period	year to date
Regular	30.0000	72.00	2160.00	39600.00
Overtime			0.00	3735.00
Vacation			0.00	720.00
Sick	30.0000	8.00	240.00	1200.00
Holiday			0.00	960.00
Double-time			0.00	2685.00
<b>Gross Pay</b>			<b>\$2,400.00</b>	<b>\$48,900.00</b>

# Income Documentation

## Income Scenario #1



Salary		Type of Salary					
<input type="checkbox"/>		Monthly	X1	=	\$ -	Income	
<input checked="" type="checkbox"/>	\$ 2,400.00	Bi Weekly	X26/12	=	\$ 5,200.00	Income	
<input type="checkbox"/>		Semi Monthly	X24/12	=	\$ -	Income	
<input type="checkbox"/>		Weekly	X52/12	=	\$ -	Income	
<input type="checkbox"/>	\$ 42,480.00	YTD Salary (paysub)	8	# months	\$ 5,310.00	Monthly Avg	
<input type="checkbox"/>	\$ 60,826.20	W2 income	12	# months	\$ 5,068.85	Income	
<input type="checkbox"/>	\$ 77,797.89	W2 Income	12	# months	\$ 6,483.16	Income	
		\$ 5,200.00	<b>Base Used to Qualify</b>		<b>check the salary you wish to use</b>		

If YTD or past year is lower, confirm why. Otherwise, lower of YTD and W2 required.

Overtime/Bonus		Break out OT/Bonus from base salary				
	\$ 6,420.00	YTD Overtime / Bonus*	8	# months	\$ 802.50	Income
	\$ -	Past year OT breakout	0	# months		Income
	\$ -	Additional year OT / Bonus	0	# months		Income
<input type="checkbox"/>	\$ 802.50	YTD Avg				
<input type="checkbox"/>		YTD + 1 year Avg				
<input type="checkbox"/>		YTD + 2 Year Avg				
		\$ 802.50	<b>Use lower of calculations</b>		<b>or check the income you wish to use</b>	

\*If DU requires only a YTD paystub, OT/Bonus must be annualized. Divide YTD OT/Bonus by 12 months; for qualifying purposes, typically a two year history of receipt is required.



Hold that  
thought!



# Income Documentation – The Work Number Verification



## Income Scenario #1

### Annual Income Summary

Year	Base Salary	Overtime	Commission	Bonus	Other	Total
2021	\$ 53,760.00	6,420.00	Data Not provided	\$ 0.00	\$ 5,520.00	\$ 65,700.00
2020	\$ 49,080.00	10,006.00	Data Not Provided	\$ 0.00	\$ 1,740.00	\$ 60,826.20



A work number verification was obtained with a complete breakdown of income from 2020 and 2021.

The concern was that 2020 W2 earnings did not support overtime earnings.

The breakdown of income indicates the Borrower's base income is lower than the amount listed on the paystubs.

# Let's take a Poll

What is the required documentation for Additional Employed Income for overtime?

- a) Two consecutive YTD paystubs, Most Recent W2 and a 10-day pre-closing VOE
- b) Most Recent two-years W2s, YTD paystub and a 10-day pre-closing VOE
- c) Two year plus YTD Written VOE and a 10-day pre-closing VOE
- d) B & C

# Let's take a Poll

The Correct Answer is:

d) B & C



# Income Verification

## Income Scenario #2



**1b. Current Employment/Self-Employment and Income**  Does not apply

**Employer or Business Name** ACCENTURE Phone ( 555 ) 555 - 5555  
**Street** 6400 ANY ROAD **Unit #** \_\_\_\_\_  
**City** SAN ANTONIO **State** TX **ZIP** 78249 **Country** US

**Position or Title** SCRUM MASTER  
**Start Date** 12 / 05 / 2019 (mm/dd/yyyy)  
 How long in this line of work? 3 Years \_\_\_ Months

**Check if this statement applies:**  
 I am employed by a family member, property seller, real estate agent, or other party to the transaction.

**Check if you are the Business Owner or Self-Employed**  I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$ \_\_\_\_\_  
 I have an ownership share of 25% or more. \$ \_\_\_\_\_

**Gross Monthly Income**  
 Base \$ 6,933.34 /month  
 Overtime \$ \_\_\_\_\_ /month  
 Bonus \$ \_\_\_\_\_ /month  
 Commission \$ 129.66 /month  
 Military Entitlements \$ \_\_\_\_\_ /month  
 Other \$ \_\_\_\_\_ /month  
**TOTAL \$ \$7,063.00/month**



The loan application includes \$129.66 in commission income

Uniform Residential Loan Application  
 Freddie Mac Form 65 • Fannie Mae Form 1  
 Effective 1/2021

W-2 Information	2020 W-2	2019 W-2
Wages, Tips, Compensation	\$71,769.72	\$78,052.28
Social Security Wages	\$73,960.05	\$79,179.35
Medicare Wages and tips	\$73,960.05	\$79,179.35

# Income Verification

## Income Scenario #2



04/01/2021 - 04/15/2021

Accenture LLP

Paid on: 04/21/2021

Personnel Number:  
Route Number:  
Federal Marital Status:  
Semimonthly Salary:  
Note: Rate of pay is established by the company

Net Pay: \$2,217.89

PTO Balance:

Earnings Description	Hourly Rate	Current Amount	Current Hours	Y.T.D. Amount
Regular Pay		\$1,575.76	40.00	\$ 21,490.73
PPA OT 1.5		\$ 0.00	0.00	\$ 360.00
PTO		\$1,890.91	48.00	\$ 5,003.03
Floating Holiday		\$ 0.00	0.00	\$ 346.67
Holiday		\$ 0.00	0.00	\$ 892.93
<b>TOTAL PAY</b>		<b>\$3,466.67</b>	<b>0.00</b>	<b>\$ 28,093.36</b>

Imputed Income Description	Current Amount	Current Hours	Y.T.D. Amount
Imputed Life	\$ 2.55	0.00	\$ 20.40
<b>TOTAL IMPUTED EARNINGS</b>	<b>\$ 2.55</b>	<b>0.00</b>	<b>\$ 20.40</b>

04/16/2021 - 04/30/2021

Accenture LLP

Paid on: 05/06/2021

Personnel Number:  
Route Number:  
Federal Marital Status:  
Semimonthly Salary:  
Note: Rate of pay is established by the company

Net Pay: \$2,217.88

PTO Balance: 3.48 Hours

Earnings Description	Hourly Rate	Current Amount	Current Hours	Y.T.D. Amount	Y.T.D. Hours
Regular Pay		\$ 3,466.67	88.00	\$ 24,957.40	620.00
PPA OT 1.5		\$ 0.00	0.00	\$ 360.00	6.00
PTO		\$ 0.00	0.00	\$ 5,003.03	132.00
Floating Holiday		\$ 0.00	0.00	\$ 346.67	8.00
Holiday		\$ 0.00	0.00	\$ 892.93	24.00
Thank You Bonus		\$ 0.00	0.00	\$ 1,600.00	0.00
<b>TOTAL PAY</b>		<b>\$ 3,466.67</b>	<b>0.00</b>	<b>\$ 33,160.03</b>	<b>0.00</b>

Imputed Income Description	Current Amount	Current Hours	Y.T.D. Amount	Y.T.D. Hours
Imputed Life	\$ 2.55	0.00	\$ 22.95	0.00
<b>TOTAL IMPUTED EARNINGS</b>	<b>\$ 2.55</b>	<b>0.00</b>	<b>\$ 22.95</b>	<b>0.00</b>

# Income Verification



## Income Scenario #2

### EMPLOYMENT PLUS INCOME - Accenture

**Verification Type:** Employment plus Income  
**Permissible Purpose:** Employee's application for credit  
**Information Current As Of:** 05/21/2021  
**Employer:** Accenture  
**Employer Address:**

**Employer Disclaimer:** employer:If you should find the dates do not match such as an original hire date discrepancy due to transfers or leave situations or the information provided is insufficient please contact Payroll

**Division Number:**  
**Employee Name:**  
**SSN:**  
**Employment Status:** Active  
**Most Recent Start Date:**  
**Employment End Date:**  
**Original Hire Date:**  
**Total Time with Employer:**  
**Job Title:**  
**Rate of Pay:** \$3466.67 Semi-monthly  
**Average Hours Per Pay Period:**

Year	Base Pay	Overtime	Commission	Bonuses	Other Income	Total Pay
2021YTD	\$34666.7	\$0	\$1600	\$0	\$0	\$36266.7
2020	\$74381.12	\$0	\$1500	\$0	\$163.96	\$76045.08
2019	\$2817.6	\$0	\$0	\$0	\$0	\$2817.6

# Chat Feedback

Can we use additional employment income based on the documentation we have?

Does it matter if the income is commission or bonus?

Please share your answer in the chat box



# Chat Feedback

The Correct Answers are:

*Can we use additional employment income based on the documentation we have?*

Yes, we have a consecutive two-year history of receipt of income.

*Does it matter if the income is commission or bonus?*

No, either income is additional employment income and the guidelines for both are the same





# Final Thoughts



# Questions?



# Topic 3 – Ability to Repay and Qualified Mortgage Rule

Overview of QC/QM Review Process,  
Timeline of ATR/QM Guide Bulletins,  
and Guide Section 4202.6





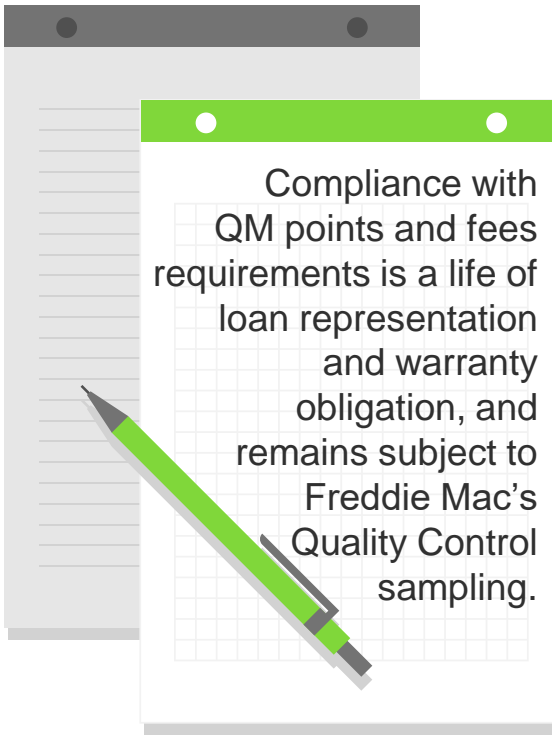
# Quality Control QM Reviews



## Common Questions

Our loans were sampled, what now?

What is the fastest way to get my loans through the quality control QM review process?



Compliance with QM points and fees requirements is a life of loan representation and warranty obligation, and remains subject to Freddie Mac's Quality Control sampling.

Can you share tips that will facilitate a quicker and better outcome with Freddie Mac QC?

# Quality Control QM Reviews



## QM Sample



File request letters are not sent out on QM loans



Quality Control relies on the seller delivered Uniform Closing Dataset (UCD) XML file delivered to LCLA for points and fees testing



If data is missing, Underwriting may request missing data via the existing missing doc AIR process

# Quality Control QM Reviews

## Common missing QM data points



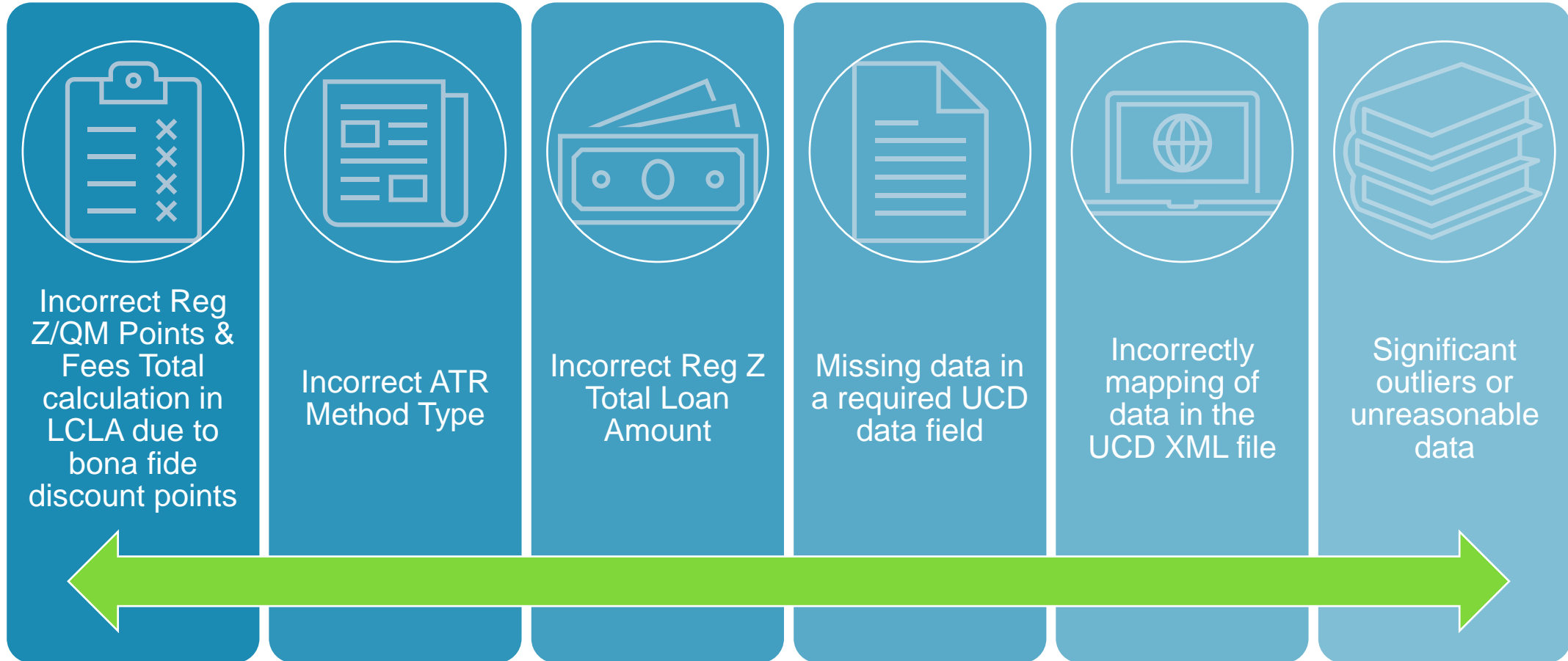
One or more of the following data points are not submitted via UCD XML file to LCLA:

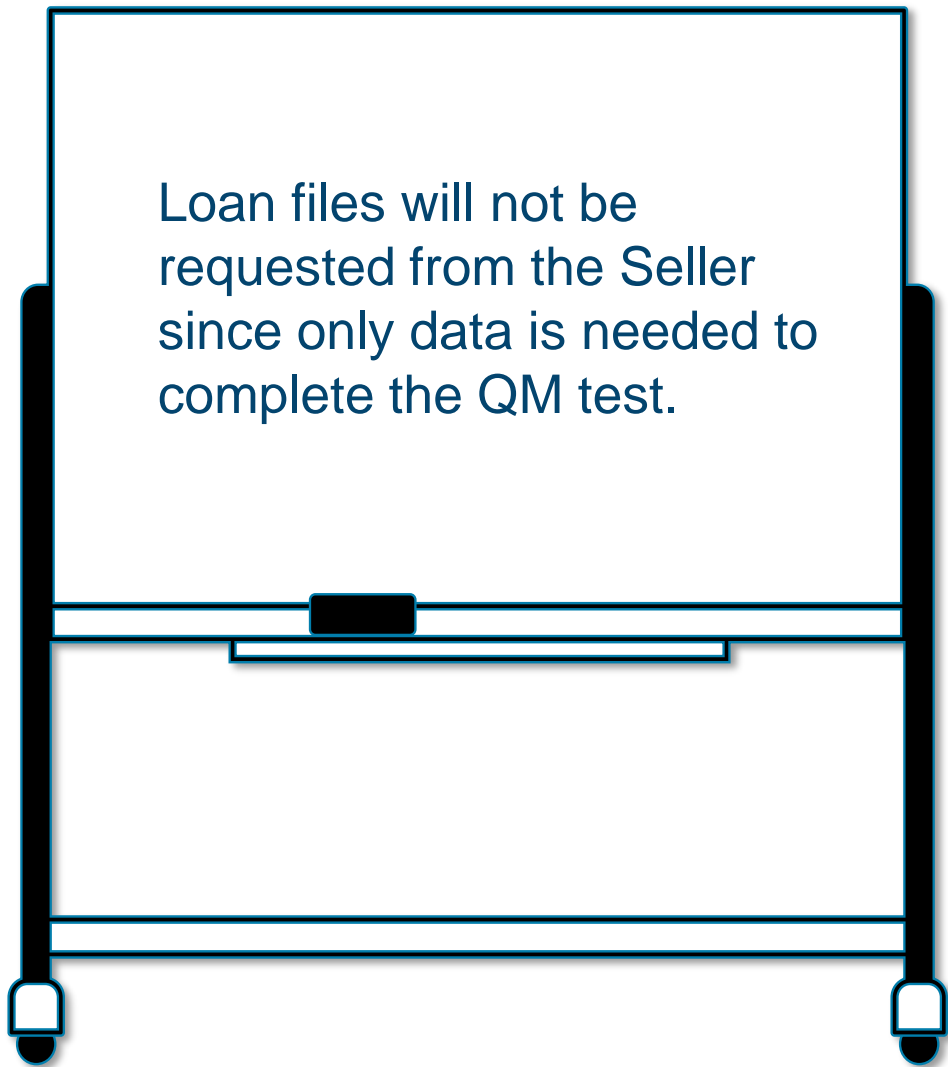
- Ability-to-Repay (ATR) Method Type
- APR
- Average Prime Offer Rate (APOR)
- Reg Z/QM Points & Fees Total
- Reg Z Total Loan Amount

# Quality Control QM Reviews



## Points & fees violations





It is the Seller's responsibility to provide accurate data as Freddie Mac will not use the Closing Disclosure to calculate the QM points and fees.

Loans with Responsible Lending deficiencies are not eligible for a repurchase alternative or cure.



# Timeline of ATR/QM Bulletins

2021-13, 2021-19, 2021-27



## Bulletin 2021-13 Updates in Response to the Amended Senior Preferred Stock Purchase Agreement (PSPA) – Government Loan and QM Definition Rule

Issued 04/08/2021

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TO: Freddie Mac Sellers

SUBJECT: UPDATES IN RESPONSE TO THE AMENDED SENIOR PREFERRED STOCK PURCHASE AGREEMENT (PSPA) AND THE CFPB REVISED GENERAL QM DEFINITION RULE

Freddie Mac, through the FHFA as its conservator, entered into a Letter Agreement to amend the Amended and Restated Preferred Stock Purchase Agreement. Under July 1, 2021 that is reasonably designed to ensure that the loans we purchase are exceptions that may be granted by the FHFA. In accordance with FHFA guidance, we are implementing the Consumer Financial Protection Bureau's ("CFPB") temporary GSE qualified mortgage ("Patch") in order to provide the industry time to implement any necessary changes.

Under the amended PSPA, Freddie Mac will no longer be permitted to purchase QM loans under the amended PSPA and the CFPB's QM final rule effective March 1, 2021 ("Revised QM Rule").

With this Bulletin, Freddie Mac is announcing that all loans subject to the Revised QM Rule are ineligible for sale to Freddie Mac, unless the loan meets the general QM ("General QM definition").

We also are announcing today our continued ability to purchase government loans.

### EFFECTIVE DATE

All of the changes announced in this Bulletin are effective for Mortgages with Application Received Dates after August 31, 2021.

### MORTGAGES ELIGIBLE FOR SALE TO FREDDIE MAC

As a result of the PSPA requirements, the following updates will go into effect on the effective date.

### GSE Patch and Revised QM Rule originations

- All Mortgages subject to the Revised QM Rule must be originated under the Freddie Mac Guide requirements.

Bulletin 2021-19

## Additional Updates in Response to the PSPA and the Revised General QM Rule

Issued 05/26/2021

Copy Link Print Download

TO: Freddie Mac Sellers

SUBJECT: ADDITIONAL UPDATES IN RESPONSE TO THE PSPA AND THE REVISED GENERAL QM RULE

The Consumer Financial Protection Bureau (CFPB) recently amended the QM requirements of the ATR/QM Rule to make a reasonable, good faith determination of a Borrower's ability to repay before originating a mortgage. In consultation with the FHFA, Freddie Mac and Fannie Mae have worked together to update the ATR/QM Rule with the PSPA and Revised General QM Rule.

This Guide Bulletin updates our requirements in response to the PSPA and the Revised General QM Rule to continue to purchase and under what conditions those Mortgages may be purchased. Specifically,

- Definitions related to the ATR/QM Rule
- Eligibility requirements for ATR Covered Mortgages and Exempt Mortgages
- Guide requirement updates in support of the ATR/QM Rule
- Negotiated provisions
- Reminders and additional updates

### EFFECTIVE DATE

Pursuant to the PSPA and the Revised General QM Rule discussed in Bulletin 2021-13, unless otherwise stated, all updates are effective for Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates on or after August 31, 2021.

In addition, ATR Covered Mortgages that have Application Received Dates prior to March 1, 2021 and must also meet the Revised General QM Rule if they have Settlement Dates after August 31, 2021.

### GSE Patch Exception

We will continue to purchase the following ATR Covered Mortgages originated under the GSE Patch Exception documented using Integrated Documentation or Modification Documentation without a new Note and with Settlement Dates before March 1, 2022.

### DEFINITIONS RELATED TO THE ATR/QM RULE

Capitalized terms used in this Bulletin and which are not defined in the Glossary have the following meanings:

Term	Definition
ATR Covered	An ATR Covered Mortgage is a consumer credit transaction secured by a dwelling that is not an Exempt Mortgage.

Freddie Mac Single-Family Seller/Service Guide

Guide Home Seller/Service Relationship Selling Servicing Search the Guide View All

Bulletin 2021-27

## Selling

Issued 08/04/2021

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Single Family Policy Highlights for July and August 2021

July and August Selling Bulletin Highlights 2021-27

Freddie Mac Single-Family

The information in this video is not a replacement or substitute for information found in the Single Family Seller/Service Guide and/or the terms of your Master Agreement or other Pricing Identifier terms.

Watch on YouTube

TO: Freddie Mac Sellers

SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- CHOICERenovation® Mortgages – November 1, 2021
  - The addition of CHOICEReno eXpressSM Mortgages
  - Updates to contractor requirements for renovations purchased from a home improvement store

# Freddie Mac Guide section 4202.6



## ATR/QM Rule eligibility and compliance



The ATR/QM requirements of the Guide were updated on 7/1/21 and the full details can be found in Section 4202.6



The section of the Guide specific to Points and Fees limitations is 4202.6 (c)



The section of the Guide specific to the short-term ARM's QM APR Calculation requirement is 4202.6 d ii



Short-term ARM's are ARM's with an initial fixed period of five years or less. • Guide Section 4202.6 d ii requires that for all short-term ARM's, the Sellers must calculate the APR in accordance with the Revised General QM Rule. We are asking you to provide that required calculation to us

# Key Takeaways



## Ability to Repay and Qualified Mortgage Rule

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**01**

Sellers should review and validate loan-level data. If submission is incorrect or missing documents, resubmit the UCD XML file to Loan Closing Advisor® (LCLA) to address Qualified Mortgage (QM)-related issues with UCD submissions.

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**02**

Repurchase notices are sent after reconciling Seller submitted data in UCD XML file provided to Loan Closing Advisor®. Always check your last submission and reconcile the data.

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**03**

For questions on Loan Closing Advisor or UCD, contact your Client & Partner Delivery representative or send your inquiry to the UCD mailbox at [UCD@freddiemac.com](mailto:UCD@freddiemac.com).

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# Questions?

# Additional Resources



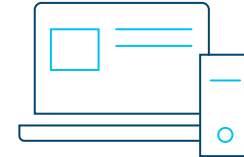
## Freddie Mac Learning Center

[sf.freddiemac.com/tools-learning/freddie-mac-learning/overview](https://sf.freddiemac.com/tools-learning/freddie-mac-learning/overview)



## Customer Contact Support Center

1-800-FREDDIE



## Single-Family website

[sf.freddiemac.com](https://sf.freddiemac.com)

**Single-Family Seller/Service Guide**  
[guide.freddiemac.com](https://guide.freddiemac.com)

## Single-Family QC web page

[sf.freddiemac.com/working-with-us/selling-delivery/delivery-options-pricing/quality-control](https://sf.freddiemac.com/working-with-us/selling-delivery/delivery-options-pricing/quality-control)



# Thank you

**“Let’s QC” Quarterly Webinar Series –**

**A Discussion on ADU Expansions, Additional Employed Income, and  
ATR/QM Rules**