

Loan Product Advisor®

October 2021 Release Notes

We're always looking for ways to improve Loan Product Advisor® (LPASM). LPA is consistently being updated with enhancements to help make your job easier and in response to feedback we receive from clients like you. Read about October's LPA releases that include the **effective dates** for when the updates will be (or have been) made in LPA.

Retirement of CMT-Indexed ARMs

Effective October 1, 2021

In Guide Bulletin [2020-1](#), under FHFA guidance, Freddie Mac announced that it would cease purchasing Constant Maturity Treasury (CMT)-indexed ARMs in 2021. More recently, Guide Bulletin [2021-19](#) announced that Freddie Mac will not purchase any CMT-indexed ARM that has an application received date of July 1, 2021 or later. In addition, Freddie Mac will no longer purchase CMT-indexed ARMs on and after October 1, 2021, regardless of the application received date or note date.

LPA was updated to prevent the submission of CMT-indexed ARMs on and after October 1, 2021.

SOFR ARMs with Settlement Dates On and After October 1

Effective October 1, 2021

In Guide Bulletin [2021-25](#), we notified you that our requirements will be updated to require 3/6-month, 5/6-month, 7/6-month, and 10/6-month Secured Overnight Financing Rate (SOFR) ARMs to have initial fixed interest rate periods of 36, 60, 84 and 120 months, respectively. It will no longer be a range of months.

Example: 3/6-Month SOFR ARMs fixed rate period was for a range of 30-42 months. The rate period will be updated to require 36 months on and after October 1, 2021.

AIM Enhancement: Rental Income Assessment

Effective October 31, 2021

Effective **October 31, 2021**, LPA asset and income modeler (AIM) will be enhanced to enable assessment of rental income reported on the borrower's individual tax returns. The assessment will include an automated analysis to determine if the submitted monthly income amount for each property is supported based on the Schedule E of the tax return.

LPA will return the results for each property as [AIM rental income informational messages](#) that can help you during the underwriting process by providing:

- Early visibility into LPA's view of the rental income for each disclosed property, including a derived monthly income amount.
- Loan-specific and property-specific feedback messages.
- Help in streamlining the loan origination process and reducing origination costs.

How It Works – In Three Steps

- **Step 1** – Upload the required most recent, individual tax return to your third-party service provider.*



- **Step 2** – Once you submit the loan to LPA using the unique reference number, AIM will perform an automatic assessment of the rental income from the tax return data, based on the information submitted for each property.
- **Step 3** – The results of the assessment will be returned on the LPA Feedback Certificate with [informational feedback messages](#).

**This enhancement will initially only be available through LoanBeam. Plans for participation by CoreLogic and LoanCraft are currently underway and their availability will be communicated at a later date.*

Gifts and Grants Included in Asset Account Identifier

Effective October 31, 2021

LPA will be updated to recognize when gifts and grants are deposited using the provided asset account identifier. Previously, even though grants could be submitted to LPA, they were not processed. This update will allow for grants to process and it will be identified as either *Grant Not Dep* or *Grant Dep* in the LPA Feedback Certificate. This means that there will no longer be a need for the workaround to this process because:

- The asset account identifier will exclude relevant permissible assets that have already been deposited into a submitted depository account (i.e. checking, savings, etc.).
- Asset types in messages have been updated from *Gifts* and *Grants* to *Gift Fund Not Dep*, *Gift Fund Dep*, *Gift of Equity*, *Grant Not Dep* and *Grant Dep*.
- With the split of *Gifts* to *Gift Fund* and *Gift of Equity*, the relevant credit policy was implemented as our Guide includes different requirements for different property residency types (i.e. primary, secondary, investment).

Credit Assessment Date Update

Effective October 31, 2021

Clients may have received feedback messages showing an inaccurate LPA credit assessment date in 2022 for assessments expiring between December 26, 2021 and December 31, 2021.

The timeframes for when the new loans originated are as follows:

- 120 days for most loans: created between August 28, 2021 – September 2, 2021
- 180 days for new construction loans: created between June 29, 2021 – July 4, 2021
- 240 days for post-close loans: created between April 30, 2021 – May 5, 2021

This issue has been resolved and will be updated with the correct credit assessment date when the loans are resubmitted after **October 31, 2021**.

October Feedback Message Updates

[View a list](#) of all the feedback message updates related to the October releases.

