

FANNIE MAE & FREDDIE MAC

SWEAT EQUITY IS NOW ELIGIBLE FOR HOMEReady AND HOME POSSIBLE

- Sweat equity is credit for labor performed and/or materials furnished for the subject property from eligible source(s), as allowable per Fannie Mae or Freddie Mac. Such credit must be fully explained and documented in file. See the product descriptions for complete eligibility details and determination for sweat equity value.
- Credit Description – Marked as Sweat Equity

Example DU:

3 Sweat equity is listed as an Other Credit in the Details of Transaction. Sweat equity program providers must be a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code with a demonstrated history of affordable housing construction and experience in managing volunteers. Lenders must document that the mortgage is originated under a specific lending program. The value attributed to the sweat equity must be based on the hours of work performed. Refer to the Selling Guide for the steps and requirements for determining the contributory value of the sweat equity.

Example LPA

FAR0124 Required Borrower Funds are calculated as \$49,000.00 based on information submitted: purchase price (\$225,000.00) + alterations, improvements and repairs (\$0.00) - loan amount (\$175,000.00) + transaction costs (\$-1,000.00) - proceeds from subordinate financing (\$0.00).

FREDDIE MAC

1. FLOOD INSURANCE PREMIUMS – Effective new Loan Application date 7/1/24

- When the subject property flood insurance policy shows a full risk premium and a discounted premium, the full risk premium, plus any fees and surcharges, must be used to calculate the housing expense-to-income and debt payment-to-income ratios for qualifying purposes.
- Based on this change, an ACORD certificate cannot be accepted. A Declarations Page or Application for insurance showing the breakdown of flood insurance premium must be provided.



EXAMPLES

- Full Premium plus fees and surcharges total \$1375 used for qualification

BUILDING PREMIUM:	\$1,766.00
CONTENTS PREMIUM:	\$0.00
INCREASED COST OF COMPLIANCE (ICC) PREMIUM:	\$34.00
MITIGATION DISCOUNT:	(\$0.00)
COMMUNITY RATING SYSTEM REDUCTION:	(\$561.00)
FULL RISK PREMIUM:	\$1,239.00
ANNUAL INCREASE CAP DISCOUNT:	(\$885.00)
STATUTORY DISCOUNTS:	(\$0.00)
DISCOUNTED PREMIUM:	\$354.00
RESERVE FUND ASSESSMENT:	\$64.00
HFIAA SURCHARGE:	\$25.00
FEDERAL POLICY FEE:	\$47.00
PROBATION SURCHARGE:	\$0.00
TOTAL AMOUNT DUE:	\$490.00

- Full Premium plus fees and surcharges total \$2,480 used for qualification

PRIME, PRIME+, NON-OWNER PRIME & PRIME+ DSCR GUIDELINE UPDATES

Alt-Doc: 1099 Requirements and Documentation

The following is required:

- Most recent 1 year IRS Form 1099(s) from employer(s). Borrower must have 2 year history of 1099 employment.
- Current paystub or bank statement deposit for **each** 1099 source utilized for qualification (e.g. if borrower provided 1099 forms from five (5) separate sources, then a separate paystub/bank statement deposit must be provided from each of the five (5) 1099 sources to support current receipt)
- Third party documentation (CPA/CTEC/ES) supporting a 2 year employment history when 1 year 1099 is used.
- Tax Transcripts are required for each 1099 provided
- $1099 \text{ income} \text{ minus } 10\% \text{ expense factor} / 12 \text{ months} = \text{Qualifying Income}$
- 1099 Income that is not supported by documentation of current receipt cannot be used for qualifying

Alt-Doc: P&L Only

- 2 Months business Bank Statements supporting business revenue and expenses documented in the P&L Statement

PRIME 2nd LIENS GUIDELINE UPDATES

Alt-Doc: P&L Only

- 2 Months business Bank Statements supporting business revenue and expenses documented in the P&L Statement

JET [CLICK HERE FOR JET GUIDELINES, MATRICES, RELEASES & QUICK TIPS \(Sharepoint\)](#)

HMAC [CLICK HERE HMAC Guideline & Matrices – Home \(sharepoint.com\)](#)

