CREDIT POLICY ANNOUNCEMENT

Bulletin- 2024-08 | Matrices and Guide Updates

The following updates have been made to the matrices and UW guidelines. Visit https://wholesale.springeq.com/ for the updated matrices and UW guidelines. Please contact your account executive with questions.

Matrices updates by section: Effective immediately for all loans in progress and all new loans registered

- **Homeowners Insurance** (*all product matrices*) – The language now includes "Homeowner's insurance policies are good through the disbursement date". Refer to the UW guidelines (Renewing Policies) for additional information
- **Eligible Property Types** (*all product matrices*) – Condominiums are now listed without the designation "Fannie Mae Warrantable."
- **Ineligible Property Types** (*all product matrices*) – The timeframe for properties listed for sale has been reduced from 12 months to 120 days
- **Self-Employed Income** (*all product matrices*) –
    - The documentation requirements for self-employed borrowers have been revised. Borrowers with five or more years of self-employment income must provide all pages and schedules from the most recent year's personal and business tax returns. Borrowers with less than five years of self-employment income must provide all pages and schedules from their most recent two year's personal and business tax returns. 1040 tax transcripts for the corresponding years are also required
    - The requirement to limit the DTI to 40% for instances of declining self-employment income of 20% or more has been eliminated. All relevant language has been removed
- **Major Adverse Credit** (*all product matrices*) – The language "accounts satisfied" has been incorporated into the guideline for loans with major adverse credit (including past due taxes) within the last 90 days where the total balance of all accounts is $10,000 or more when the total loan or max line amount is greater than or equal to $250,000

UW Guideline updates by section: Effective immediately for all loans in progress and all new loans registered

- **Borrower Types** – The requirement that income contributing borrowers must be on title prior to application has been eliminated. All relevant language has been removed. The guideline language now includes: "At least one borrower must be on title at application, and income from a co-borrower added after application can be used if there is proof they reside in the property and contribute to household expenses."
- **Major Adverse Credit** –
    - The guideline language regarding collection accounts now includes "Medical accounts do not need to be paid off at or prior to closing if less than $5,000"
    - The language "accounts satisfied" has been incorporated into the guideline for loans with major adverse credit (including past due taxes) within the last 90 days where the total balance of all accounts is $10,000 or more when the total loan or max line amount is greater than or equal to $250,000
- **Co-Signed Loans** – The language has been revised and expanded to clarify the distinctions between the requirements for Non-mortgage debt and Mortgage debt. The expanded language also includes "Rental income from a property where the contingent liability is excluded cannot be used for qualification"
- **Tax Information and Tax Transcripts** – The specific number of years of tax transcripts required for each scenario have been added
- **Wage Earners** – New language regarding variable income was added to clarify that no additional documentation, such as a WVOE or VOI, is required to detail the specific amounts of variable income so long as the income documentation provided shows a consistent two-year work history with the same employer and includes the most recent paystubs and 2 years W-2 forms showing the variable income. Additionally, the base pay must be deducted from the W-2 amounts ensuring that the variable income is supported by year-to-date earnings. An example has been included in the guideline for further clarification.
- **Self-Employed** –
    - The requirement for a satisfactory explanation along with a third-year tax return to document a significant increase has been eliminated. All relevant language has been removed
    - The requirement to limit the DTI to 40% for instances of declining self-employment income of 20% or more has been eliminated. All relevant language has been removed
    - The documentation requirements for self-employed borrowers have been revised. Borrowers with five or more years of self-employment must provide all pages and schedules from the most recent year's personal and business tax returns. Those with less than five years of self-employment must provide all pages and schedules from their most recent two year's personal and business tax returns. 1040 tax transcripts for the corresponding years are also required
    - The language has been revised and expanded to provide clarification regarding when secondary business losses must be deducted from the total qualifying income as well as when they do not need to be deducted

- **Rental** – New language was added to clarify that rental income from 2-4 unit primary residences in which the borrower occupies one of the units can be utilized. The new language also includes "The net rental income cannot be used to reduce the proposed housing expense but can be used as additional qualifying income"
- **Alimony, Child Support and Maintenance Payments** – The timeframe for receiving full, regular, and timely payments has been reduced from 12 months to 6 months. Additionally, the language "If the Borrower has been receiving full, regular, and timely payments for the most recent six to 11 months, the income may be used for qualification as long as it does not represent more than 30% of the total gross income" has been removed
- **Trust** (income) – The requirement for all pages and schedules of the most recent years 1041 fiduciary income tax return, including the K-1 has been eliminated. All relevant language has been removed
- **Restricted Stock Units (RSU)** – The method for determining the continuance of the income has been updated. Previously, the continuance was based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week low for the most recent 12-months reporting at the time of application. Moving forward, the continuance will be based on the vesting schedule using a stock price based on the lower of the current stock price or the 200-day moving average. An example has been included in the guideline for further clarification.
- **Flood** – The language has been revised to clarify that when the flood determination form shows the community doesn't participate in the National Flood Insurance Program (NFIP) and the property is in a flood zone, the loan is ineligible
- **Renewing Policies** – The requirement for homeowners and/or flood insurance policies expiring within 30 calendar days of closing to be in the file prior to closing has been eliminated. Renewal policies will now be required if the policy will expire or has expired prior to the disbursement date