

# SFH Guaranteed Origination

January 9, 2023

## Updates to HB-1-3555, Chapters 9 and 15

The Single Family Housing Guaranteed Loan Program (SFHGLP) is pleased to announce revisions to technical [Handbook-1-3555](#), Chapter 9, Income Analysis, and Chapter 15, Submitting the Application Package. These changes became effective upon the recent issuance of a [Procedure Notice \(PN\)](#). Below are the highlighted revisions:

### *Chapter 9 Income Analysis*

- Paragraph 9.3 was revised as follows:
  - Clarified that lenders must verify the income of each adult household member for the previous 2 years.
  - Clarified under full income documentation, the lender must obtain W-2s or IRS Wage and Income transcripts, in addition to paystubs.
  - Changed the term streamlined documentation to alternative income documentation to remove confusion with the streamlined and streamlined assist refinance products.
  - Clarified under self-employed income documentation that if ownership interest is less than 25%, neither the Business Owner nor Self-Employed options should be selected in GUS.
  - Clarified the Verbal Verification of Employment must be obtained within 10 business days of loan closing and confirmation a self-employment business remains operational must be obtained within 30 days of loan closing.
- Paragraph 9.8 was revised to clarify it is the lender's responsibility to review gaps in employment and determine if the income is stable and dependable. In addition, this paragraph was revised to clarify a business loss from a closed business may be removed from consideration under the same circumstances that self-employment income from a closed business can be removed from consideration.
- Attachment 9-A was revised as follows:
  - Revised Automobile Allowance and Expense Allowance guidance to allow the full expense allowance to be included as repayment income and the full debt counted in DTI, as well as updated the required history to two years.
  - Clarified that Boarder Income refers to rental income received from an individual renting space inside the dwelling, making the property income producing and therefore ineligible.
  - Revised Bonus and Overtime income to clarify the one year history must be in the same or similar line of work.
  - Revised the Child Support and Separate Maintenance/Alimony guidelines to simplify the guidance and clarify that income that meets the minimum history, but the payment amounts are not consistent, must use an average consistent with the payors current ability/willingness to pay for repayment income.
  - Clarified that employer-provided fringe benefits that are reported as taxable income may be included in repayment income.
  - Simplified the guidance on considering mileage deductions, referring to IRS guidance when a mileage deduction is claimed on income tax returns.

- Removed the requirement to obtain a copy of the IRS W-4 document when using a Mortgage Credit Certificate as income.
  - Revised Secondary Employment guidance to clarify that the applicant must have a one year history of working the primary and secondary jobs concurrently to be considered for repayment income.
  - Revised Section 8 Housing Vouchers to permit Section 8 vouchers to be treated as a reduction of the PITI when the benefit is paid directly to the servicer, rather than solely an addition to repayment income. Subsequently, provided clarification that a manual file submission is required in this instance and clarified that when lenders use the benefit as a reduction of the PITI, they must maintain documentation in their permanent loan file to support the benefit is paid directly to the servicer.
  - Revised the Unreimbursed Employee or Business Expenses guidance to reflect instances where the IRS continues to allow these deductions.
  - Added categories providing guidance on Guardianship/Conservatorship Income, Individual Retirement Account (IRA) Distributions, and Variable Income.
  - Revised guidance for sourcing deposits in depository accounts. Clarified that all recurring deposits, as well as individual non-recurring deposits greater than \$1,000, need to be reviewed to confirm the deposits are not from undisclosed income sources.
  - Clarified that gift funds applied as earnest money should not be entered on the Loan and Property Information GUS application page.
  - Added a category providing guidance on Lump Sum Additions.
  - Clarified in the Retirement section that funds borrowed against retirement accounts (e.g. 401(k), IRA, etc.) are eligible for funds to close, but are not considered in reserves.
- Attachment 9-E was revised to reflect a two year required history for Capital Gain or Loss to be consistent with the guidance in Attachment 9-A.

#### *Chapter 15 Submitting the Application Package*

- Attachment 15-A was revised as follows:
  - Removed the requirement to submit evidence of qualified alien requirements on page 1 of the checklist, as it is not required to be submitted to the Agency on GUS Accept files.
  - Changed the term streamlined documentation to alternative income documentation on page 2 of the checklist, to remove confusion with the streamlined and streamlined assist refinance products.
  - Clarified a Verification of Rent is required for manually underwritten loans with credit scores less than 680.