

# Bulletin

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TO: Freddie Mac Sellers

September 6, 2023 | 2023-18

## SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Student loan payment amounts included in debt payment-to-income (DTI) ratio**
  - Updates to the amount included in the monthly [DTI ratio](#) for all student loans
  - New requirements for student loans in [income-driven repayment plans](#) – **January 4, 2024**
- **Refinance Mortgages**
  - An update related to the use of [proceeds from a “no cash-out” refinance Mortgage](#)
  - Updates to our requirements for [cash-out refinance Mortgages](#)

## EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

## STUDENT LOAN PAYMENT AMOUNTS INCLUDED IN DEBT PAYMENT-TO-INCOME (DTI) RATIO

### All student loans

We have updated the Guide to specify that an amount greater than zero must be included in the monthly debt payment-to-income (DTI) ratio for all student loans, including loans in income-driven repayment plans. Additionally, when the monthly payment amount reported on the credit report is zero, we now permit the use of other documentation in the Mortgage file to determine the amount for inclusion in the monthly DTI ratio.

Guide impact: Section 5401.2

### Income-driven repayment plans

#### Effective for Mortgages with Settlement Dates on or after January 4, 2024

We are adding requirements for student loans in income-driven repayment plans where documentation in the Mortgage file indicates that the Borrower must recertify their income and/or that the Borrower's payment will increase prior to or on the first Mortgage payment due date.

Guide impact: Section 5401.2

### Feedback messages

Loan Product Advisor® feedback messages to support this change will be announced at a future date.

## REFINANCE MORTGAGES

### “No cash-out” refinance Mortgages

We have updated our requirements concerning the allowable use of proceeds from a “no cash-out” refinance Mortgage to specify that the payoff of the existing first Mortgage may include a balance deferred under a loss mitigation plan and any



costs or fees associated with the satisfaction and release of the first Mortgage, such as late fees and prepayment penalties.

Guide impacts: Sections 4301.4, 5703.4 and 5706.6

## Cash-out refinance Mortgages

### ***Cash-out refinance Mortgage updates***

We have made the following updates to our requirements for cash-out refinance Mortgages:

- When title is held by a limited liability company or limited partnership, the transfer of the title into the Borrower's name must be completed on or before the Note Date, replacing the previous requirement that the transfer of title must be completed "prior to the Note Date", and
- The 12-month seasoning requirement for the First Lien Mortgage being paid off with proceeds of a cash-out refinance Mortgage does not apply to Construction Conversion and Renovation Mortgages or Manufactured Homes being converted to legally classified real property under applicable State law

In addition, we have reorganized Section 4301.5 into subsections for requirements that apply to all cash-out refinance Mortgages, requirements specific to a cash-out refinance Mortgage used to pay off a First Lien Mortgage and requirements for a cash-out refinance Mortgage on a property owned free and clear.

Guide impacts: Section 4301.5 and 5703.4

### ***Title seasoning requirement for cash-out refinance Mortgages secured by a Manufactured Home***

For a cash-out refinance Mortgage secured by a Manufactured Home, the Borrower must have owned both the Manufactured Home and land for 12 months or more prior to the Note Date. For additional flexibility, we have reduced this requirement to allow for at least one Borrower to be on title to the subject property for at least 6 months prior to the Note Date for properties owned free and clear.

Guide impact: Section 5703.4

### **Feedback messages**

Loan Product Advisor feedback messages to support this change will be announced at a future date.

## GUIDE UPDATES SPREADSHEET

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2023-18 (Selling) Guide Updates Spreadsheet via the Download drop-down available at <https://guide.freddiemac.com/app/guide/bulletin/2023-18>.

## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,

Kevin Kauffman

Vice President, Single-Family Client Engagement