

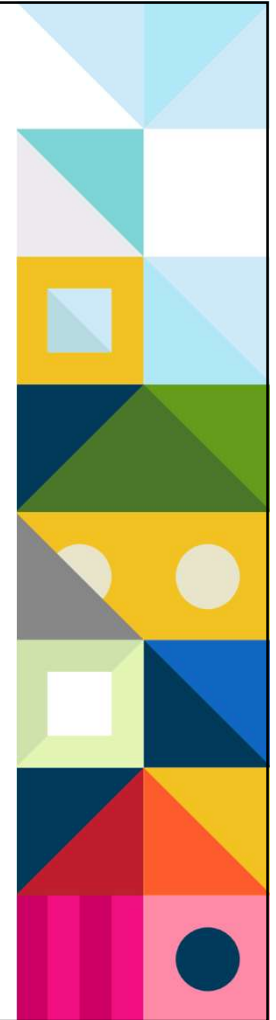


Mortgage Guaranty
Insurance Corporation



Legal disclaimer

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Lucy



Jeff



Sandra



**mortgage guaranty
insurance corporation**

\$2,500 down payment assistance for VLIP borrowers

- Eligible loan products: Home Possible® and HomeReady®
- Borrowers with qualifying income of less than or equal to 50% of the area median income (AMI)
- For purchase transactions only
- The full amount of the \$2,500 credit must be provided to the borrower and can be applied to down payment and closing costs, including escrows and MI premiums
- Available for loans delivered from 03/24 to 02/25 ANO

Fannie Mae Lender Letter LL-2024-01 and Freddie Mac Bulletin 2024-A

Slide 4

ANO Fannie Mae's is to Feb 1, 2025. Freddie Mac's is to Feb 28, 2025
Allison Nadenik, 2024-09-12T21:19:00.832

Trust income

Fixed income

- Copy of fully executed trust agreement specifying fixed payment
- Copy of bank statements or equivalent showing receipt of fixed payment for most recent 1 year*
- Evidence of sufficient assets to support continuance*
- Use the fixed payment amount

Fluctuating income

- Copy of fully executed trust agreement outlining payment terms
- Complete tax returns for most recent 2 years
- Evidence of sufficient assets to support continuance*
- Use a 24-month average based on the most recent 2 years' tax returns

*When the borrower is the trustee, a letter from the trustee is not acceptable

Property insurance requirements

The screenshot displays the Fannie Mae Learning Center page for insurance training. The page title is "Insurance Training" under the heading "Partnering on sustainable homeownership". It mentions that these courses are designed for lenders and servicers to understand property insurance requirements for one- to four-unit properties, PUDs, condos, and co-ops. A specific module highlighted is "Property insurance for one- to four-units", which consists of 4 modules. The modules listed are:

- Evidence of property insurance
- General property insurance requirements for all property types
- Property insurance coverage requirements for one- to four-unit properties
- Determining the required coverage amount for one- to four-unit properties
- Understanding replacement cost value, replacement cost coverage, and actual cash value
- Deductible requirements for one- to four-unit properties
- Individual property insurance requirements for a unit in a project development

Fannie Mae SEL-2024-01 and Freddie Mac Bulletin 2024-1

Flood insurance premium used for qualifying

If a flood insurance policy on the Mortgaged Premises 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.

Freddie Mac Seller/Servicer Guide impacts: [Sections 5401.1](#) and [5401.2](#)

Fannie Mae – self-employed clarifications

Borrowers with less than a 25% interest in a business

- If business tax returns are provided, the lender is not required to analyze the viability of the business. The lender may focus solely on the borrower's proportionate share of business income as reflected on the Schedule K-1
- Income reported on Schedule K-1 can only be considered for qualifying if the lender verifies that the income was actually distributed to the borrower consistent with the level of business income being used to qualify, or the business has adequate liquidity to support the withdrawal of earnings

Fannie Mae SEL-2024-01

Freddie Mac – self-employed clarifications

Self-employed history of less than 2 years:

- The borrower must have a combined 2-year history of receipt of income from the current self-employment and the prior job in the same or similar occupation or industry
- The qualifying income must be determined by using the lesser of the stable monthly income from the new business or the stable monthly income earned in the previous occupation

Business structure changes:

- If the business structure changed in the last 2 years (e.g., change from a sole proprietorship to an S-corporation), there must be no change in the borrower's percentage of ownership interest in order for the current and prior business structures to be considered the same business

Freddie Mac – income clarifications

Fluctuating hourly employment earnings and additional fluctuating employment earnings – calculation methods and analysis

- The degree of fluctuation and the length of receipt of the income must be considered when calculating income
- Evaluate the income trend and use the amount that is most likely to continue for the next 3 years
- Average the most recent year(s) and YTD income over the applicable number of months of required history (in certain instances, the calculation may be based on a shorter number of months if written justification and/or documentation is provided)
- The total number of months used in the calculation must be at least 12 months

Freddie Mac Seller/Servicer Guide, [Sections 5303.2](#) and [5303.3](#)

Freddie Mac – income trend analysis

- **Degree of fluctuation $\leq 10\%$:** The income trend is considered consistent. No additional analysis or documentation is required when calculating the qualifying income.
- **Degree of fluctuation $> 10\%$ but $\leq 30\%$:** No additional analysis or documentation is required when the increase is supported by the documented income breakdown and/or verification of pay raise.
- **Degree of fluctuation $> 30\%$:** Additional analysis and documentation are required to determine income stability and develop an accurate calculation of qualifying income.
- **Declining trend:** Use the YTD income and do not include the previous higher level unless there is documentation of a one-time occurrence (e.g., injury) that prevented the borrower from working or earning full income for a period of time and evidence that the borrower is back to the income amount that was previously earned.
- **Declining trend $> 10\%$:** Further analysis and additional documentation may be necessary to determine whether the income is currently stable. This analysis must include the reason for the declining trend and support that the current income has stabilized.

Rental income updates

Fannie Mae and Freddie Mac – Old Guidelines

No evidence was required to ensure the lease was in effect.

Fannie Mae and Freddie Mac – New Guidelines

- Form 1007/1000 or 1025/70 must support the income reflected on the lease agreement **OR**
- Evidence the terms of lease have gone into effect
 - 2 months' bank statements, copies of cancelled checks, or electronic transfers of rent payments **OR**
 - Copy of security deposit and 1st month's rent check with proof of deposit

Freddie Mac – Old Guidelines

Newly Executed Lease Agreements or No Rental History –

Lease must be for at least one year.

Freddie Mac – New Guidelines

Newly Executed Lease Agreements or No Rental History –

Lease must have the first payment due no later than the 1st payment on the subject mortgage.

Transferring leases must be current and fully executed in the property seller's name as the landlord.

Freddie Mac – use of rental income

RENTAL INCOME

We have updated our rental income requirements to provide additional flexibility as follows:

Source of rental income	Requirement update
Subject Investment Property (purchase transaction)	<ul style="list-style-type: none"> Permitting use of rental income to qualify when the Borrower rents their Primary Residence, provided the rental payment is documented. Previously, rental income could be used to qualify only when the Borrower owned their Primary Residence. Permitting an exception to the requirement that the Borrower must rent or own their Primary Residence (i.e., be on the Mortgage or the lease) to apply to at least one Borrower when multiple Borrowers share their Primary Residence. Previously, all Borrowers on the subject transaction were required to own their Primary Residence, regardless of whether they resided together.
Subject Investment Property (purchase transaction) and Primary Residence being converted to an Investment Property	Permitting the full amount of net rental income to be used to qualify as long as at least one Borrower has a minimum of one year of investment property management experience. Previously, all Borrowers were required to have the one-year investment property management experience.

Freddie Mac – calculation of rental income

Source of rental income	Requirement update
Property owned as a rental property during the entire prior calendar year	<p>Permitting the following exception to the requirement to annualize (i.e., divide by 12) the net income or loss reported on Schedule E; the qualifying income may be established based on the number of days in service on Schedule E, provided that:</p> <ul style="list-style-type: none"> • The property was out of service for any time period during the prior year, and • The Mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E
Property purchased or converted to a rental property later in the prior calendar year	<ul style="list-style-type: none"> • Permitting for the income used for qualifying to be based on the number of months after the purchase or conversion date. Previously, the net income or loss reported on Schedule E was required to be annualized. • Permitting the following exception to the above requirement: the qualifying income may be established based on the number of days in service on Schedule E, provided that: <ul style="list-style-type: none"> ➢ The property was out of service for a period of time after the purchase or conversion, and ➢ The Mortgage file contains a documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E

Miscellaneous updates

Income from non-arm's length employment

- Freddie Mac will now permit use of IRS wage and income transcript for the most recent year in lieu of tax returns
- Documentation must validate prior year's earnings from current employment and support current income level

Social Security retirement and disability

- Freddie Mac expanded its documentation requirements to permit IRS Form 1099-SSA and pages 1 & 2 of the most recent tax return
- For jointly filed returns with an individual not on the transaction, additional documentation is required

[Freddie Mac – Bulletin 2024-10](#)

Rent-related credits

- Fannie Mae updated its rent credit with an option to purchase to permit more than 12-month rent credit to be used
- Documentation required includes rent verification documentation, including bank statements evidencing rental payments and terms outlined in rent/purchase agreement

Reconsideration of value (ROV)

Lender responsibilities

- Establish a ROV process for borrowers to appeal an appraisal when it is believed the opinion of value is unsupported, deficient or reflects discriminatory practices
- Provide a ROV disclosure at time of loan application and again with the appraisal report
- Complete its appraisal review before initiating the ROV process
- Designate an underwriter or subject matter expert to review the ROV request to validate the request contains sufficient information
- Utilize a standardized format to communicate with the appraiser
- Forward the appraisal report, along with findings, to the appropriate appraisal licensing agency or regulatory board if material deficiencies are not corrected by the appraiser
- Ensure all documentation related to the ROV are retained in the loan file



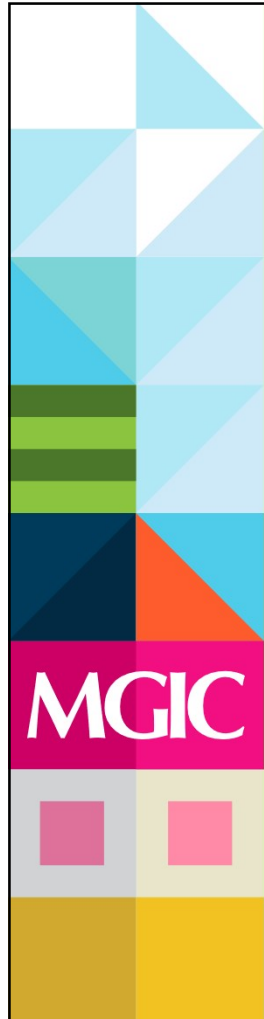
NAR settlement



<https://www.nar.realtor/the-facts>

How do the NAR settlement and the realtor commission changes affect the mortgage industry?

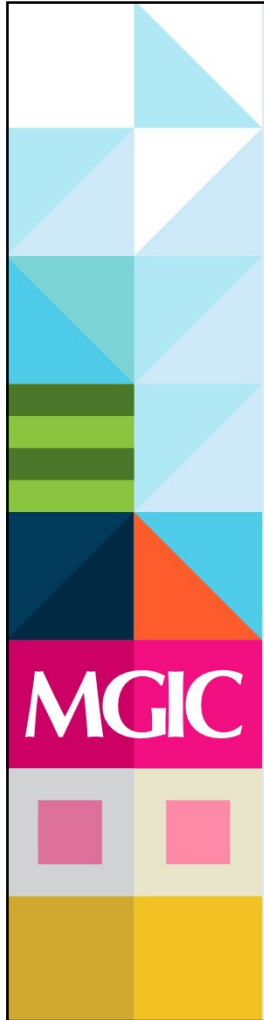
- Partnership with Realtors
- Educating borrowers
- Review of buyer agreement
- Compliance
- Interested party contributions



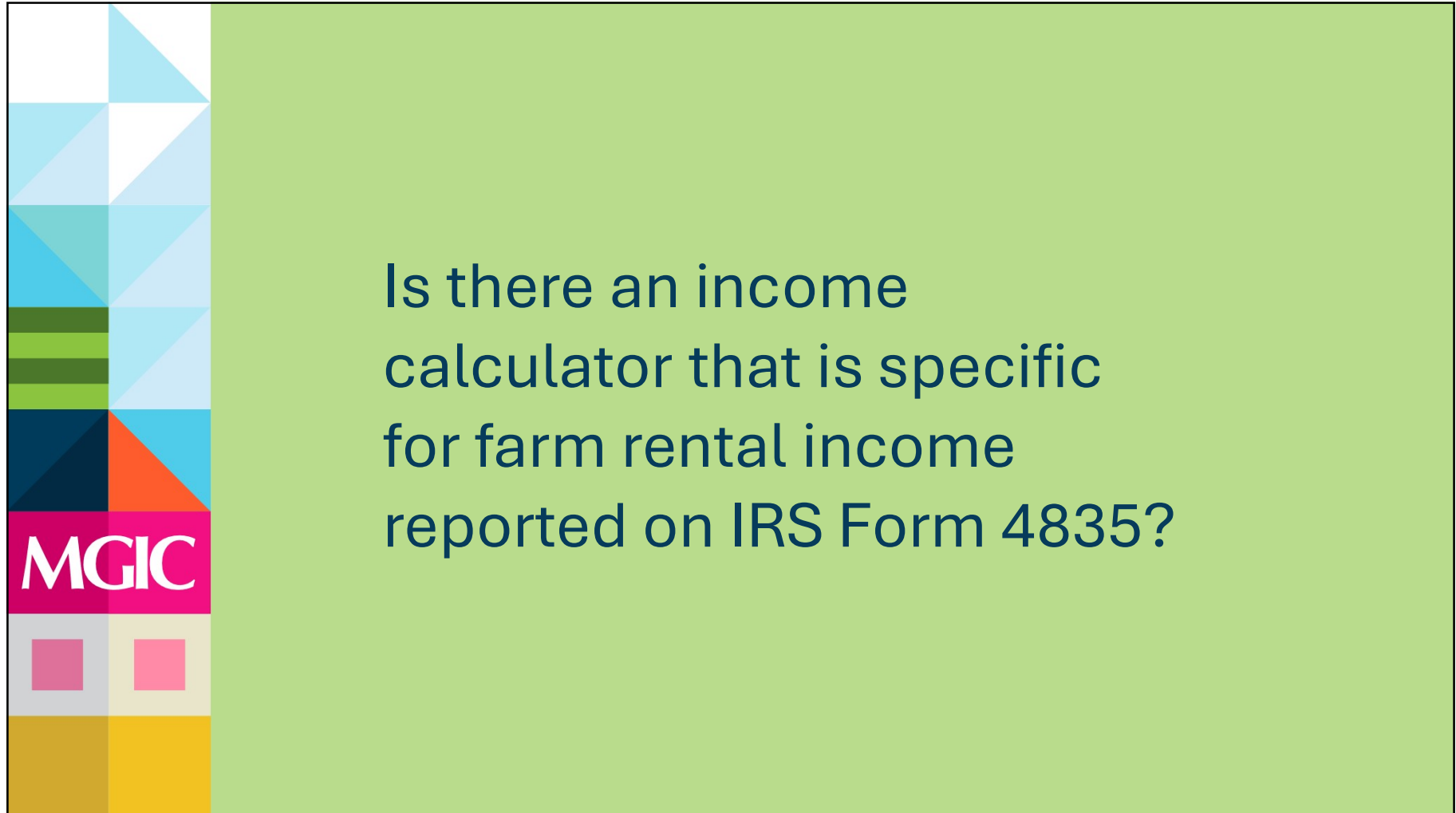
NAR settlement

- If my borrower signs a buyer agreement indicating that they will pay 2% commission prior to signing a contract, must we verify an additional 2% of assets?
- Do you think the effects of the NAR settlement will hurt first-time homebuyers?





Lately I have had cases where base hourly pay is being averaged over 1 to 2 previous years as opposed to just using current hourly rate income. Is this being pushed by the agencies?



Is there an income calculator that is specific for farm rental income reported on IRS Form 4835?

Form 4835 Farm Rental Income and Expenses (Crop and Livestock Shares (Net Cash) Received by Landowner for Sub-Lessor) (Income Not Subject to Self-Employment Tax) OMB No. 1545-0074
2023 Attachment Sequence No. **37**
 Department of the Treasury Internal Revenue Service
 Attach to Form 1040, 1040-SR, or 1040-NR.
 Go to www.irs.gov/Form4835 for the latest information.

Name(s) shown on tax return: _____ Your social security number: _____
 Employer ID number (EIN), if any: _____

A Did you actively participate in the operation of this farm during 2023? See instructions. Yes No

Part I Gross Farm Rental Income—Based on Production. Include amounts converted to cash or the equivalent.

1	Income from production of livestock, produce, grains, and other crops	1
2a	Cooperative distributions (Form(s) 1099-PATR)	2a
2b	Taxable amount	2b
3a	Agricultural program payments (see instructions)	3a
3b	Taxable amount	3b
4	Commodity Credit Corporation (CCC) loans (see instructions):	
4a	CCC loans reported under election	4a
4b	CCC loans forfeited	4b
4c	Taxable amount	4c
5	Crop insurance proceeds and federal crop disaster payments (see instructions):	
5a	Amount received in 2023	5a
5b	Taxable amount	5b
5d	Amount deferred from 2022	5d
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6
7	Gross farm rental income. Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42.	7

Part II Expenses—Farm Rental Property. Do not include personal or living expenses.

8	Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach Form 4562	8
9	Chemicals	9
10	Conservation expenses (see instructions)	10
11	Custom hire (machine work)	11
12	Depreciation and section 179 expense deduction not claimed elsewhere	12
13	Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions)	13
14	Feed	14
15	Fertilizers and lime	15
16	Freight and trucking	16
17	Gasoline, fuel, and oil	17
18	Insurance (other than health)	18
19	Interest (see instructions):	
19a	Mortgage (paid to banks, etc.)	19a
19b	Other	19b
20	Labor hired (less employment credits) (see Schedule F (Form 1040) instructions)	20
21	Pension and profit-sharing plans	21
22	Rent or lease:	
22a	Vehicles, machinery, and equipment (see instructions)	22a
22b	Other (land, animals, etc.)	22b
23	Repairs and maintenance	23
24	Seeds and plants	24
25	Storage and warehousing	25
26	Supplies	26
27	Taxes	27
28	Utilities	28
29	Veterinary, breeding, and medicine	29
30	Other expenses (specify):	
30a		30a
30b		30b
30c		30c
30d		30d
30e		30e
30f		30f
30g		30g
31	Total expenses. Add lines 8 through 30g. See instructions	31
32	Net farm rental income or (loss). Subtract line 31 from line 7. If the result is income, enter it here and on Schedule E (Form 1040), line 40. If the result is a loss, you must go to line 34. See instructions	32
33	Reserved for future use	33
34	If line 32 is a loss, check the box that describes your investment in this activity. See instructions.	
34a	All investment is at risk.	34a
34b	Some investment is at risk.	34b
34c		34c

c You may have to complete Form 8582 to determine your deductible loss, regardless of which box you checked. If you checked box 34b, you must complete Form 6198 before going to Form 8582. In either case, enter the deductible loss here and on Schedule E (Form 1040), line 40. See instructions.

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13117W Form 4835 (2023)

SCHEDULE F (Form 1040) Profit or Loss From Farming OMB No. 1545-0074
2023 Attachment Sequence No. **14**
 Department of the Treasury Internal Revenue Service
 Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, 1041, or 1065.
 Go to www.irs.gov/ScheduleF for instructions and the latest information.

Name of proprietor: _____ Social security number (SSN): _____

A Principal crop or activity: _____ **B** Enter code from Part IV: _____ **C** Accounting method: Cash Accrual **D** Employer ID number (EIN) (see instr.): _____

E Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on passive losses. Yes No
F Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions. Yes No
G If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

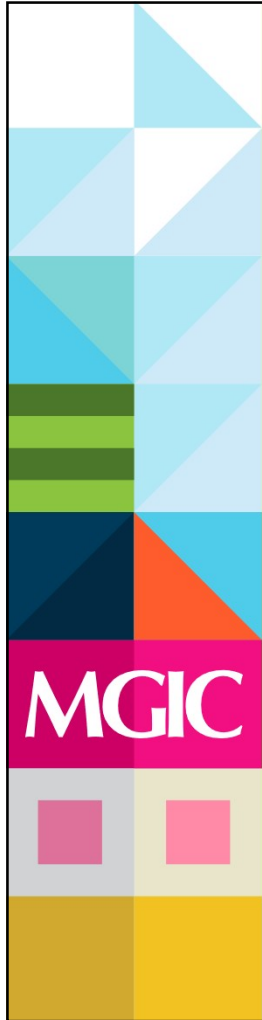
1a	Sales of purchased livestock and other resale items (see instructions)	1a
b	Cost or other basis of purchased livestock or other items reported on line 1a	1b
1c		1c
2	Sales of livestock, produce, grains, and other products you raised	2
3a	Cooperative distributions (Form(s) 1099-PATR)	3a
3b	Taxable amount	3b
4a	Agricultural program payments (see instructions)	4a
4b	Taxable amount	4b
5a	Commodity Credit Corporation (CCC) loans reported under election	5a
5b	CCC loans forfeited	5b
5c	Taxable amount	5c
6	Crop insurance proceeds and federal crop disaster payments (see instructions):	
6a	Amount received in 2023	6a
6b	Taxable amount	6b
6d	Amount deferred from 2022	6d
7	Custom hire (machine work) income	7
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions	9

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10	Car and truck expenses (see instructions). Also attach Form 4562	10
11	Chemicals	11
12	Conservation expenses (see instructions)	12
13	Custom hire (machine work)	13
14	Depreciation and section 179 expense (see instructions)	14
15	Employee benefit programs other than on line 23	15
16	Feed	16
17	Fertilizers and lime	17
18	Freight and trucking	18
19	Gasoline, fuel, and oil	19
20	Insurance (other than health)	20
21	Interest (see instructions):	
21a	Mortgage (paid to banks, etc.)	21a
21b	Other	21b
22	Labor hired (less employment credits)	22
23	Pension and profit-sharing plans	23
24	Rent or lease (see instructions):	
24a	Vehicles, machinery, equipment	24a
24b	Other (land, animals, etc.)	24b
25	Repairs and maintenance	25
26	Seeds and plants	26
27	Storage and warehousing	27
28	Supplies	28
29	Taxes	29
30	Utilities	30
31	Veterinary, breeding, and medicine	31
32	Other expenses (specify):	
32a		32a
32b		32b
32c		32c
32d		32d
32e		32e
32f		32f
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	33
34	Net farm profit or (loss). Subtract line 33 from line 9. If a profit, stop here and see instructions for where to report. If a loss, complete line 36.	34
35	Reserved for future use.	
36	Check the box that describes your investment in this activity and see instructions for where to report your loss: a All investment is at risk. b Some investment is not at risk.	

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H Schedule F (Form 1040) 2023

MGIC



SAM Cash Flow Analysis Worksheet

<input type="checkbox"/>	SCHEDULE D - CAPITAL GAINS AND LOSSES	
<input type="checkbox"/>	SCHEDULE E - SUPPLEMENTAL INCOME AND LOSS	To calculate rental property income (loss), use the Rental Income Worksheet
<input checked="" type="checkbox"/>	SCHEDULE F - FARM INCOME	
17	Net Profit (Loss): LINE 34	
18	Non-Tax Portion Ongoing Co-op & CCC Pmts: LINES 3a minus b through 6a minus b	
20	Add nonrecurring loss: LINE 2-8	
19	Deduct nonrecurring income: LINE 2-8	()
21	Depreciation: LINE 14	
22	Amortization/Casualty Loss/Depletion (only if noted): LINE 32	
23	Business Use of Home (only if noted): LINE 32	
SUBTOTAL		\$ -

Skill-based

45 minutes

Analyzing Self-Employed Borrowers 302 – Looking at Income from Farming

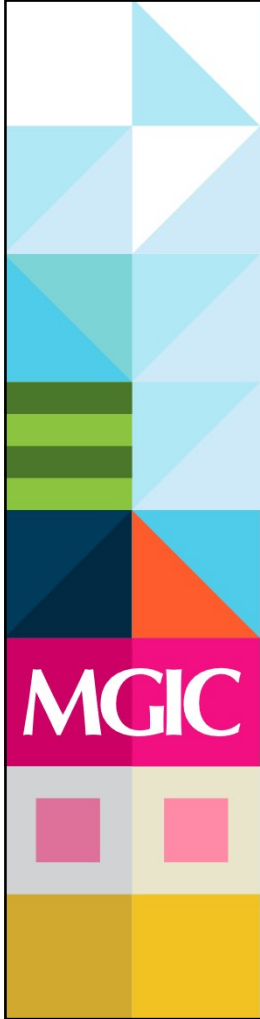
Recorded Session
Available any time.

Watch now

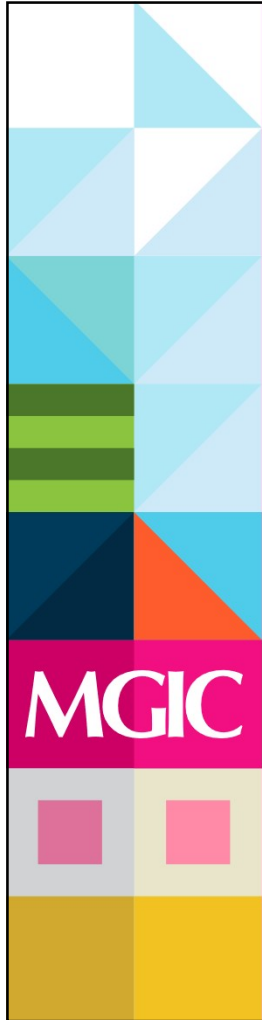
<https://pages.mgic.com/training-recording-seb-focus-on-income-from-farming.html>

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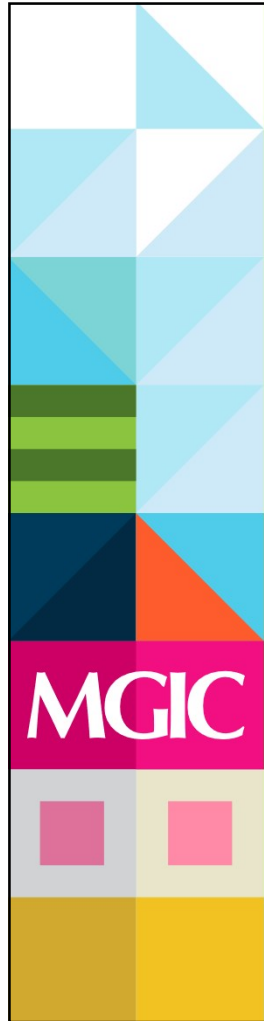
What if my borrower is on an IRS installment plan?



Please discuss gaps in employment and multiple 1099s in the same line of work.

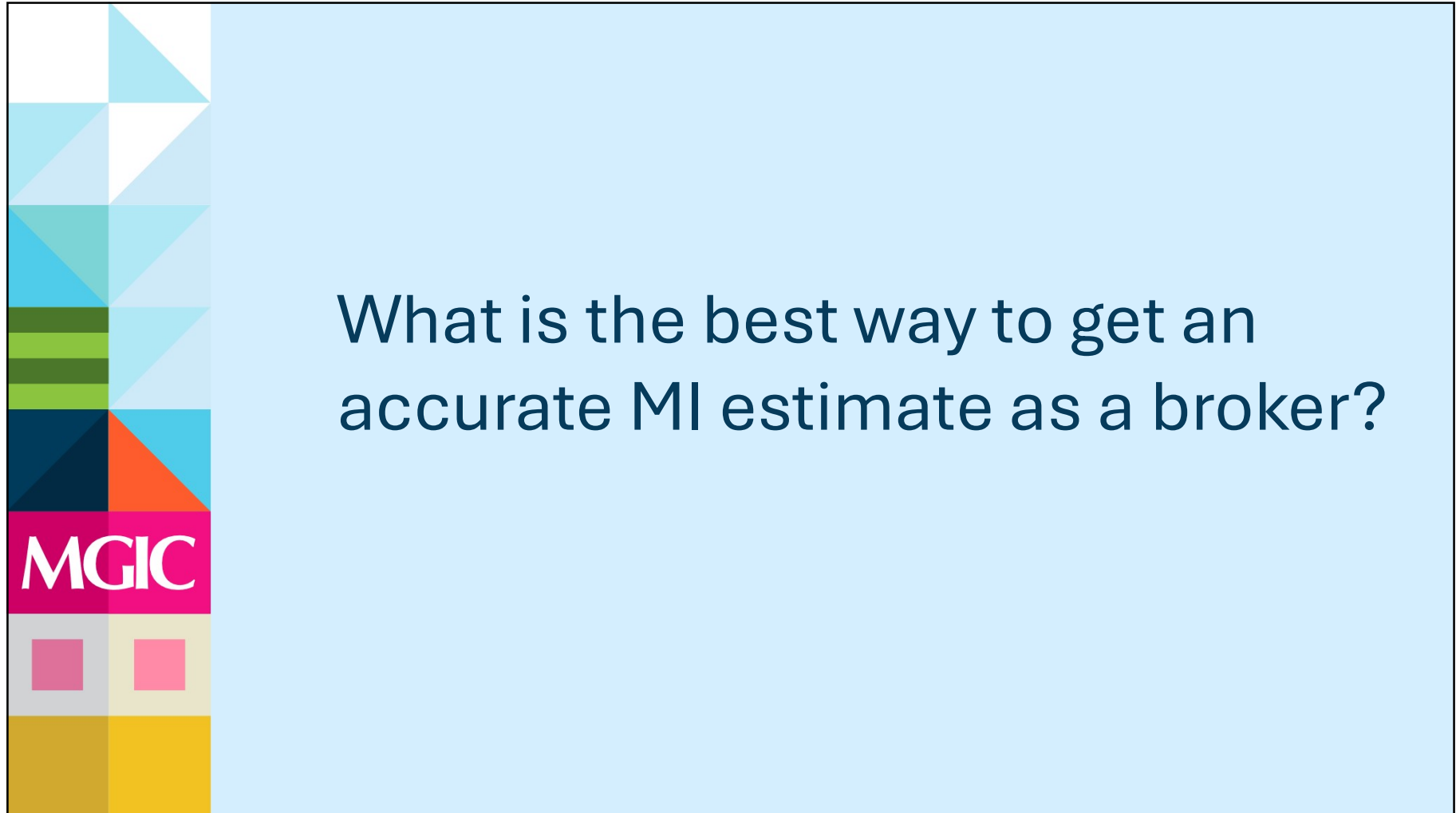


When closing a refinance and title and warranty reflects the borrower as married, but they are actually divorced, is there a requirement for a new deed to be recorded at closing to reflect the borrower as single?



How can we document liquidity when there is none on the tax returns?

When reviewing 3 months of business bank statements, specifically what do we need to look for?



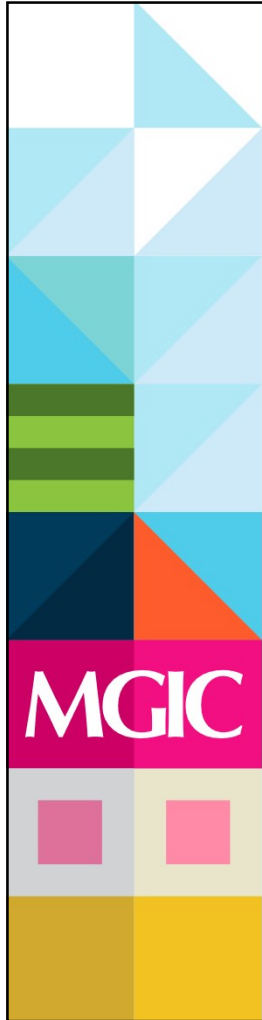
What is the best way to get an accurate MI estimate as a broker?



MiQ Highlights

- Rate quotes honored for 90 days
- Compare multiple premium plans
- Quick, user friendly
- Backed by best-in-class customer service

mgic.com/MiQ





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Special Events

Guest Speaker

60 minutes

****Doing Business with the Hispanic Market****

Presented by **Tony Thompson**, founder & CEO, NAMMBA & **Sarah Vita**, DEI strategist, Cultural Outreach

September 24, 2024
11:00am CDT

Register

Guest Speaker

60 minutes

****Grow Your Business with Fannie Mae's HomeReady****

Presented by Emily Miller from **Fannie Mae**

September 25, 2024
11:00am CDT

Register

Guest Speaker

60 minutes

****Rethink Everything Series: Part 6 – Personal Branding****

Panel discussion with **Coach Kyle Draper** and guests

October 2, 2024
11:30am CDT

Register

<https://www.mgic.com/training>

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Thank you!

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