



PRODUCT UPDATE

Assets to Qualify | 2nd Homes | FHA Home Warranty

Freddie & FHA

Assets to Qualify

The use of Assets to Qualify for a Freddie Mac Conforming mortgage has changed. Assets to Qualify is typically used for retired Borrowers with substantial liquid assets but limited monthly income.

- **Old Guideline:** Divide Net Eligible Assets by 360, then use that number in the DTI calculation.
- **New Guideline:** Divide Net Eligible Assets by 240, then use that number in the DTI calculation.
- **Net Eligible Assets** are liquid assets (or a portion of a liquid asset) that remain after down payment and closing costs. Typically this includes verified and documented cash in Bank accounts, Money Markets, 401Ks, IRAs, and investments in Stocks and Bonds.
- [Click here](#) to read Freddie's update.

Second Home Property Eligibility

Second Home Property Eligibility has changed in regards to Seasonal Limitations and Short-Term Rentals.

Seasonal Limitations

- **Old Guideline:** For a property to be eligible as a Second Home, it had to be habitable for the entire year with no seasonal limitations (eg: home could not be used in winter due to no furnace).
- **New Guideline:** Properties with Seasonal Limitations are eligible provided the appraiser includes at least one comp with the same seasonal limitations to demonstrate marketability.

Short-Term Rentals

- **Old Guideline:** 100% personal use by Borrowers for their enjoyment with no short-term rentals.
- **New Guideline:** The property may be rented out on a short-term basis, provided:
 - The property is available primarily (more than half of the year) as a residence for the Borrower's personal use, **and**
 - The property is not subject to any rental pools or agreements that require the Borrower to rent the property, give a management company or entity control over the occupancy of the property, or involve revenue sharing between any owners and developer or another party.
- [Click here](#) to read Freddie's update.

FHA New Construction Home Warranty

FHA has eliminated the requirement for a 10 year Home Warranty on New Construction.

- **Old Guideline:** The Builder was required to provide a 10 year Warranty on new construction homes to assure the construction and structural integrity of the property.
- **New Guideline:** FHA no longer requires a 10 year warranty on new construction homes (properties less than one year old). FHA still requires the Warranty of Completion of Construction (form HUD-92544) be executed by the builder and the buyer of a new construction home.
- [Click Here](#) to read the FHA update.

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