

**MPF Announcement:**  
2019-73

**Date:**  
December 31, 2019

**Alert:**  
Clarification  
New Policy  
Policy Update  
Reminder  
Training Information

**Audience:**  
Compliance/Legal  
Program Management  
Origination  
Quality Control  
Servicing  
Underwriting

**Product:**  
MPF Direct  
MPF Government MBS  
MPF Traditional  
MPF Xtra®

## Effective Date:

Effective dates are as noted  
for each individual update

## REFERENCE

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

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## MPF Direct Product Origination and Underwriting Updates

The Investor for the MPF Direct Product, Redwood Residential Acquisition Corporation, has recently made updates which affect the Select QM (Exhibit Q-D), Select Non-QM (Exhibit V-D), Select 90 QM (Exhibit R-D), Choice QM (Exhibit S-D), Choice Non-QM (Exhibit W-D) product guides and the Jumbo Program Eligibility Supplement (Exhibit T-D).

*(Please note effective dates are specific to each change; please refer to the updates below for the effective dates.)*

### Quick Reference Guides

Select QM, Select Non-QM, Choice QM & Choice Non-QM

Effective for loans locked on or after 1/02/2020

- Revised the cash out limits from \$250,000 to \$500,000 for all occupancy types.

### Quick Reference Guides

Select QM & Select Non-QM

Effective date for new minimum loan amounts will be for locks on or after 1/02/2020.

- Revised the minimum loan amount from \$484,351 to \$510,401 for 1-unit properties. The minimum loan amount for properties with 2-4 units is \$1 over

the new conforming loan amount set by FHFA.

### **Eligibility Matrix Footnotes**

#### **Select 90 QM, Choice QM & Choice Non-QM**

*Effective date for new minimum loan amounts will be for locks on or after 1/02/2020.*

- The minimum loan amount referenced in these guides is \$1 over the current conforming/agency high balance limit set by FHFA. No update is necessary for these guides since a specific loan amount is not referenced.

### **Underwriting Guidelines | Credit**

#### **Choice QM & Choice Non-QM**

*Effective for loans locked on or after 1/02/2020*

- Added requirement for letter of explanation from borrower(s) for late payments within the most recent 24 months. Also added requirement for letter of explanation from borrower(s) for derogatory credit events.

### **Underwriting Guidelines | Liabilities**

#### **Select QM, Select Non-QM, Select 90 QM, Choice QM & Choice Non-QM**

*No effective date due to clarification.*

- Language added for borrowers that are on a payment plan with the IRS for the most recent tax year. See guidelines for additional information.

### **Underwriting Guidelines | Assets**

#### **Select QM, Select Non-QM, Select 90 QM, Choice QM & Choice Non-QM**

*No effective date due to clarification.*

- Added clarification for eligible assets to be held in a US account.

### **Underwriting Guidelines | Assets**

#### **Select QM, Select Non-QM, Select 90 QM, Choice QM & Choice Non-QM**

*Effective for loans locked on or after 1/02/2020.*

- Updated business funds for assets when borrower is a majority owner but less 100% owner of the business. See specific guidelines for requirements.

### **Underwriting Guidelines | Assets**

#### **Choice QM**

*Effective for loans locked on or after 1/02/2020.*

- Updated the reserve requirements for Additional 1-4 Unit Financed REO due to the change to allow unlimited number of financed properties when the subject transaction is a primary residence.

### **Underwriting Guidelines Income/Employment**

#### **Select QM, Select Non-QM, Select 90 QM, Choice QM & Choice Non-QM**

*Effective for all loans delivered to Redwood on or after 12/28/2019.*

- Added requirement for taxpayer consent form signed by all borrowers. See [MPF Announcement 2019-63](#) and [Redwood Compliance Announcement 2019.11-06](#) for additional requirements or information.

### **Underwriting Guidelines | Income & Employment | Asset Depletion**

**Select Non-QM** and **Choice Non-QM**

*No effective date due to clarification.*

- Added clarification for eligible assets for asset depletion to be held in a US account.

### **Underwriting Guidelines | Income & Employment | Rental Income**

**Select Non-QM** and **Choice Non-QM**

*Effective for loans locked on or after 1/02/2020.*

- Added requirement for short-term, vacation or seasonal investment property without a lease (subject or non-subject); if there is an HOA for condominiums or attached PUDs, it must allow for short-term rentals and verification must be included in the loan file.

### **Underwriting Guidelines | Multiple Financed Properties**

**Choice QM & Choice Non-QM**

*Effective for loans locked on or after 1/02/2020.*

- Updated to allow unlimited number of financed 1-4-unit residential properties when the subject transaction is a primary residence. Subject transaction is limited to program maximum or 80% LTV/CLTV/HCLTV and additional financed properties require 6 months reserves for each additional property.

### **General Borrower Requirements | Primary Residence**

**Jumbo Program Eligibility Supplement**

*No effective date due to clarification.*

- Clarification added for occupancy on primary residence refinance transactions. For existing properties, borrowers must occupy at the time of the transaction.

### **General Borrower Requirements | Texas Owner Occupied Homestead Property**

**Jumbo Program Eligibility Supplement**

*No effective date due to clarification.*

- Reorganized the Texas Equity Refinance Loan Requirements section for a clearer set of requirements for standard refinance loans, Texas section 50(a)(6) and Texas section 50(f)(2) loans.

### **General Borrower Requirements | Inter Vivos Revocable Trust**

**Jumbo Program Eligibility Supplement**

*Effective immediately.*

- Removed the requirement for copies of the first page, signature page, and the pages of the trust agreement that verifies the trustee and that the trust is revocable when a trust certification form is provided.

### **General Borrower Requirements | Regulatory Compliance | TILA**

**Jumbo Program Eligibility Supplement**

*Effective for loan applications taken on or after*

1/01/2020.

- The threshold for the 3% maximum allowable points will increase to \$109,898.

### **Exhibit K-D- Exception Request Form**

- The new form includes a request for the Loan Estimate (LE) to be included in the exception submission.

### **MPF Direct Quick Reference Guides**

- The Quick Reference Guide for QM Programs Only (Exhibit X-D) and the Quick Reference Guide for All Programs (Exhibit Y-D) have been updated to reflect the applicable changes indicated in this announcement.

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