



Advantage MPP

INFORMATIONAL BULLETIN



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Underwriting Guidelines for Income Requirements

*Please contact Advantage MPP at
1-800-274-4636 with questions
concerning MPP Guide changes.*

Guidance Regarding Qualified Mortgage (QM) Income

This Bulletin provides guidance to assist Advantage MPP users with meeting the income documentation requirements on Qualified Mortgage (QM) Loans. FHLBank Indianapolis requires all loans sold into Advantage MPP to meet the definition of QM loans, as defined in applicable CFPB regulations, and meet the CFPB's Safe Harbor QM requirements.

For income documentation, FHLBank Indianapolis will accept loans that have been processed through Fannie Mae's Desktop Underwriter (DU) or Freddie Mac's Loan Product Advisor (LPA) and have received a risk classification of Approve (DU) or Accept (LPA) and a purchase eligibility rating of Eligible. For loans not processed through an Automated Underwriting System (AUS) refer to Section 6.8 Manual Underwriting of the Guide.

The following changes are effective immediately unless otherwise stipulated in the Master Commitment Contract.

6.3.6 Third-Party Origination (TPO)

Item 4, income requirements, has been removed. All loans sold to Advantage MPP must meet the definition of a Qualified Mortgage (QM) as defined in applicable CFPB regulations.

~~4. Borrower(s) income must be verified and validated 24 months or more (MCC specific). If tax returns were required in the underwriting of the loan, the seller must obtain IRS transcripts for the same tax years as documented by the borrower's tax returns in the origination file. IRS transcripts may be used to document 24 months income as long as it contains all of the information that would be included in the federal individual income tax returns. IRS transcripts are not required for loans underwritten without tax returns as long as tax returns were not required to support the income. (Please refer to Section 7 of this Guide for seller QA plan requirements).~~

6.7 Automated Underwriting System (AUS) Underwriting

Item 9, income requirements, has been removed. All loans sold to Advantage MPP must meet the definition of a Qualified Mortgage (QM) as defined in applicable CFPB regulations.

~~9. Borrower(s) income must be verified and validated 24 months or more (MCC specific). If tax returns were required in the underwriting of the loan, the seller must obtain IRS transcripts for the same tax years as documented by the borrower's tax returns in the origination file. IRS transcripts may be used to document 24 months income as long as it contains all of the information that would be included in the federal individual income tax returns. IRS transcripts are not required for loans underwritten without tax returns as long as tax returns were not required. (Please refer to Section 7 of this Guide for seller QA plan requirements).~~

6.8.3.5 Verification of Employment (VOE)

Items 1 and 2 of this section have been edited to reflect changes to Verification of Employment as indicated below.

1. VOEs covering the past two years work history should also include earnings for the year to date and for the prior year. Borrower(s) income must be verified and validated for a minimum of 24 months or more. A verbal or written VOE dated within 10 business days prior to Closing will be required. A signed 4506-T form will be required at Closing.
 - a. ~~If tax returns were required in the underwriting of the loan, the seller must obtain transcripts for the same tax years as documented by the borrower's tax returns in the origination file.~~ In the event that the borrower is self-employed, an unexpired IRS 4506 form or 4506T must be used to obtain a copy of the last 24 months tax returns or transcripts from the IRS for comparison to the tax returns on file. Verbal re-verifications may be completed to verify the existence of the borrower's business license, if applicable.

2. The amount of commissions, bonus and overtime earnings, and likelihood of continuance should be verified on the VOE. A two-year average, ~~less expenses,~~ may be used if income has been stable and is likely to continue. ~~If 25% or more of commissions, bonus, and overtime income is used to qualify, two years of signed tax returns and schedules are required.~~

7.8.1 Employment and Income

A portion of this section regarding income requirements has been removed. All loans sold to Advantage MPP must meet the definition of a Qualified Mortgage (QM) as defined in applicable CFPB regulations.

An attempt must be made to verify employment information for any/all borrowers whose income was used to qualify for the loan.

~~In the event that the borrower is self-employed, an unexpired IRS 4506 form or 4506T must be used to obtain a copy of the tax returns or transcripts from the IRS for comparison to the tax returns on file. Verbal~~

~~re- verifications may be completed to verify the existence of the borrower's business license, if applicable.~~

FHLBank Indianapolis periodically issues Informational Bulletins to provide program updates, information and guidance to approved Advantage MPP sellers and/or servicers, including: MPP Guide revisions and changes; operational guidance or clarifications; and notices/reminders of industry issues that may affect sellers.

The Informational Bulletins are coded so that users can easily identify the issue and year of bulletin publication. For example, "Bulletin 04-18" indicates the fourth Informational Bulletin issued in 2018.

Please retain these bulletins in the back of your MPP Guide for easy reference. Bulletins can also be found posted on the MPP Materials page online.