



**MFM Bulletin: 023-2024**

**Date:** September 27, 2024

**Subject:** Freddie Mac Underwriting and Documentation Requirements

Freddie Mac has made the following changes to underwriting and documentation requirements:

**Self-Employed Income**

Self-employed history of less than two years:

- Specifies that the Borrower must have a combined two-year history of receipt of income from the current self-employment and the prior job **in the same or similar occupation or industry**. One full year (12 months) of self-employed income on tax returns is required in this instance.
- Specifies that that 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.

*These changes are effective for loans closing on or after November 8, 2024. All loans with application dates on or after September 30th must align with these changes.*

**Business structure changes**

Adding guidance and requirements to address business structure changes (e.g., the Borrower's business structure changed from a sole proprietorship to an S-corporation), including requiring that 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.

*These changes are effective for loans closing on or after November 8, 2024. All loans with application dates on or after September 30th must align with these changes.*

**Family or other non-arm's length employment**

Updated requirements:

- Permit the use of the Internal Revenue Service (IRS) wage and income transcript for the most recent year in lieu of the tax returns, and
- Specify that the documentation must validate the prior year earnings from current employment and support the current income level. **If the current income level is not supported, we must use the validated income amount from the prior year as qualifying income.**



**Documentation for Social Security retirement and Social Security disability income types**

- Expanded documentation requirements for Social Security retirement and Social Security disability income types to permit IRS Form 1099-SSA and pages 1 and 2 of the Borrower's most recent federal individual income tax return or pages 1–3 if the tax return was filed using IRS Form 1040-SR.
- When using tax returns that were filed jointly with an individual who is not a Borrower on the transaction, additional documentation is required.

*These changes are effective immediately.*

Please contact the MFM Underwriting Dept. ([underwriting@memberfirstmortgage.com](mailto:underwriting@memberfirstmortgage.com)) if you have any questions or concerns.

Thank you