



5307.1 Assets as a basis for repayment of obligations

Effective 10/02/2019

Assets that will be used by the Borrower for the repayment of their monthly obligations may be used to qualify the Borrower for the Mortgage, provided that, regardless of the underwriting path of the Mortgage, the requirements of this section are met. [Form 65, Uniform Residential Loan Application](#), should include information pertaining to the Borrower's employment and income, even if the Borrower qualifies for the Mortgage solely based on assets.

(a) Mortgage eligibility requirements

The assets described in this Section 5307.1 may only be used to qualify the Borrower if the Mortgage meets all of the following requirements:

- The Mortgage is secured by a 1- or 2-unit Primary Residence or a second home
- The Mortgage is either a purchase transaction Mortgage, "no cash-out" refinance Mortgage or Freddie Mac Enhanced Relief Refinance[®] Mortgage
- The Mortgage has a maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio of 80%, unless the Mortgage is an Enhanced Relief Refinance Mortgage, in which case the maximum ratios in [Section 4304.3](#) apply

(b) Asset calculation for establishing the debt payment-to-income ratio

To determine the amount used to establish the debt payment-to-income ratio, the Seller must use the net eligible assets (as described below), divided by 240.

The amount of net eligible assets is calculated by subtracting the following from the total eligible assets:

- Any funds required to be paid by the Borrower to complete the transaction (e.g., Down Payment and Closing Costs),
- Any gift funds and borrowed funds, and
- Any portion of assets pledged as collateral for a loan or otherwise encumbered

(c) Asset eligibility and documentation requirements

The assets described below may be used to qualify the Borrower for the Mortgage, provided that the assets meet the following requirements:

Asset type	Asset eligibility requirements	Streamlined Accept and Standard Documentation requirements
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Retirement Assets	<ul style="list-style-type: none"> • The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA) • Borrower must be the sole owner • The asset must not currently be used as a source of income by the Borrower • As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty or an additional early distribution tax • The Borrower's rights to the funds in the account must be fully vested 	<ul style="list-style-type: none"> • Most recent retirement asset account statement • Documentation evidencing asset eligibility requirements are met
Lump-sum distribution funds not deposited to an eligible retirement asset	<p>If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above.</p> <ul style="list-style-type: none"> • Lump-sum distribution funds must be derived from a retirement account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account • A Borrower must have been the recipient of the lump-sum distribution funds • Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution • The proceeds from the lump-sum distribution must be immediately accessible in their entirety • The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax 	<ul style="list-style-type: none"> • Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) • Satisfactorily documented evidence of the following: <ul style="list-style-type: none"> ◦ Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets ◦ Lump-sum distribution funds must not have been or currently be subject to a penalty or early distribution tax

<p>Depository accounts and Securities (as described in Section 5501.3(b)(i)).</p>	<ul style="list-style-type: none"> • The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and /or on the title to the subject property • At least one Borrower who is an account owner must be at least 62 years old • As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty • Account funds must be located in a United States- or State-regulated financial institution and verified in U.S. dollars 	<ul style="list-style-type: none"> • <i>Streamlined Accept:</i> Provide an account statement covering a one-month period or a direct account verification (i.e., VOD) • <i>Standard Documentation:</i> Provide account statement(s) covering a two-month period or a direct account verification (i.e., VOD) <p>OR, regardless of the Documentation Level:</p> <p>For securities only, if the Borrower does not receive a stock/security account statement</p> <ul style="list-style-type: none"> ◦ Provide evidence the security is owned by the Borrower, and ◦ Verify value using stock prices from a financial publication or web site <ul style="list-style-type: none"> • Documentation evidencing asset eligibility requirements are met • Sourcing deposits: <ul style="list-style-type: none"> ◦ The Seller must document the source of funds for any deposit exceeding 10% of the Borrower's total eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the Borrower by the amount of the deposit ◦ When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, the Seller is not required to obtain additional documentation
<p>Assets from the sale of the Borrower's business</p>	<ul style="list-style-type: none"> • The Borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account • Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business • The proceeds from the sale of the business must be immediately accessible in their entirety • The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-held notes to buyer of business 	<ul style="list-style-type: none"> • Most recent three months' depository or securities account statements • Fully executed closing documents evidencing final sale of business to include sales price and net proceeds • Contract for sale of business • Most recent business tax return prior to sale of business • Satisfactorily documented evidence of the following: <ul style="list-style-type: none"> ◦ Funds verified in the non-retirement account and used for qualification must have been derived from the sale of the Borrower's business

(d) Data delivery requirements

Refer to [Section 6302.33](#) for special delivery requirements for Mortgages using assets as a basis for repayment of obligations.