

Monday, August 19, 2019

Bulletin #2019-AC-019

## Notice to all Customers

### CREDIT POLICY NEWS AND UPDATES

This bulletin serves to inform you of the important news and updates for FHA, USDA and VA Mortgages.

#### FHA and USDA

The Department of Housing and Urban Development (HUD) conducted maintenance on Sunday Aug. 18 and will have another one on Sunday Aug. 25 between 6 a.m. and 12 p.m. ET. This will impact users of the FHA TOTAL scorecard and USDA's Guaranteed Underwriting System (GUS). Therefore, Lenders may receive an error when submitting loans through these two systems on Aug. 18 and Aug. 25.

#### VA Updates

VA announced new requirements for VA IRRRLs in Circular 26-19-22 which are effective immediately. The circular also addresses two different calculations for recoupment: One for purposes of the comparison statement and one for compliance with the 36 month recoupment requirement. This bulletin describes these changes and FLCB's process to comply with the new requirement going forward:

#### **Summary of new IRRRL requirements for Recoupment, NTB and Loan Seasoning**

- **Recoupment**

- Describes the length of time it takes veteran to pay certain fees, closing and expenses that are caused by the refinance and applies to all IRRRLs including loans in which
  - principal balance is increasing
  - term is decreasing
  - refinanced loan is an ARM
- The Lender, any broker or agent must certify to VA that the recoupment has been met as follows:
  - When P&I payment is decreasing
    - If recoupment shown on the disclosure form exceeds 36 months; the lender must provide an adjusted recoupment disclosure to document the loan meets VA's adjusted recoupment requirements. The adjusted recoupment calculation must follow Section 3.a.(3) which states:
      - Recoupment is calculated by dividing all fees, expenses, and closing costs, whether included in the loan or paid outside of closing, by the reduction of the monthly PI payment (the VA funding fee, and prepaid expenses, such as, insurance, taxes, special assessments, and homeowners' association (HOA) fees, are excluded from the recoupment calculations) and the result of the adjusted recoupment calculation must be 36 months or less. See Exhibit B for more specific instructions and examples.

When P&I payment is the same or increasing

- For an IRRRL resulting in same or higher payments, the lender must submit evidence that the veteran has incurred no fees closing costs or expenses (other than taxes, escrows and fees allowable under law)

- **Net Tangible Benefit (NTB)**
  - NTB is required for following loan types
    - Fixed Rate to Fixed Rate IRRRLs
      - New interest rate "must not be less than 0.50% lower than rate on loan being refinanced
    - Fixed Rate to ARM IRRRLs
      - New interest rate "must not be less than 2%"
        - In Fixed to ARM cases, discount points may be added to principal loan amount only if:
          - Lower interest rate is not produced solely from discount points
            - Some portion of lower interest rate is the result of favorable changes in market
          - Lower interest rate is solely produced from discount points
            - Discount points equal or less than one point are added to loan amount and the resulting loan balance after any fees and expenses maintains an LTV of 100% or less
          - Lower interest rate is produced solely from discount points (more than 1% discount point)
            - Maximum LTV is 90%
            - No more than two discount points can be included in new IRRRL loan
      - Appraisal requirements for Fixed to ARM loans
        - VA will accept Fannie Mae 2055 Exterior Only Inspection Reports as well as Fannie Mae 1004
        - Fee to veteran must be reasonable and customary
- **Loan Seasoning:**
  - If the loan being refinanced is not seasoned on or before the date the refinance closes, VA cannot guarantee the refinance loan.
  - Both of the following conditions must be met as of the date of loan closing
    - "due date of the first monthly payment of the loan being refinanced is 210 days or more prior to the closing date of the refinance loan and
    - Six consecutive monthly payments have been made on the loan being refinanced"
- **Disclosure**
  - VA requires an initial and a final Veteran/Lender Comparison Statement and Certification disclosure.
    - The initial Comparison Statement and Certification must be issued within 3 business days from the initial loan application and the final at the time of loan closing.  
The contents of the Comparison Statement must include:
      - LIN, Loan Amount, Loan Term, Monthly Payment, Interest Rate and Borrower Name,
      - The form must include all fees, expenses and closing costs (including taxes, amounts held in escrow, prepaid items and the Funding fee) whether included in the loan or paid outside of closing,
      - Reflect the recoupment period results to be 36 months or less.

*Important Information: Recoupment calculation for purposes of the comparison statement differs from the comparison statement required under Section 3709(a)*

  - Veteran Certification
    - The Veteran must certify that he/she received disclosures and the lender needs to retain evidence of this in the loan file. Note that the Veteran confirmation of receipt is not timed so long the lender has this information.

# BULLETIN



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WHOLESALE / WAREHOUSE LENDING / NON-DELEGATED CORRESPONDENT

Circular rescinds the following effective immediately

- Circular 26-18-1 dated February 1, 2018 and Change 1 (FAQs) dated April 5, 2018
- Circular 26-18-13 dated May 25, 2018

Resources: [26-19-22](#), [Exhibit A](#), [Exhibit B](#), [Exhibit C](#), [Public Law 116-33](#), [Public Law 115-174](#)

The Product Guidelines will be updated in the next few days, in the meantime, use the policy in this bulletin. Updated guides will be posted on the FLCB website at [www.flcbmtg.com](http://www.flcbmtg.com). Changes will be noted in blue font for easy reference.