

Thursday, August 8, 2019

Bulletin #2019-AC-018

NOTICE TO ALL CUSTOMERS

Product Policy Updates: FHA and VA Product Clarification: Preferred Jumbo

This bulletin summarizes FHA and VA Policy Updates regarding maximum LTV/CLTV acceptability and clarification to underwriting requirements for FLCBank's Preferred Jumbo Product.

FHA Updates:

- Maximum LTV/CLTV for FHA Cash Out Refinance Mortgages: Effective with FHA Case Numbers assigned on or after September 1, 2019, the maximum loan-to-value (LTV) and combined loan-to-value (CLTV) for Cash-out Refinance Mortgages will be reduced from 85% to 80% in accordance with FHA's Mortgagee Letter 2019-11 dated August 1, 2019.
- Update to Mortgagee Letter 2019-06: FHA announced via FHA INFO #19-37 and Mortgagee Letter 2019-10 the suspension of the effective date of Mortgagee Letter 2019-06 related to "Downpayment Assistance and Operating in a Governmental Capacity," until further notice.

VA Updates:

Ginnie Mae announced changes to the pooling eligibility requirements applicable to VA cash out refinances (non-IRRRL refinances) with LTV ratios exceeding 90% via APM 19-05; with this announcement, FLCBank is adopting the changes as noted below:

- Restrictions for VA Cash-Out Refinance Loans with LTV ratios exceeding 90%:
Effective immediately, FLCBank is suspending VA cash out refinance with LTV's > 90% for new loans "finalized on or after August 9th, 2019". Loans currently in the pipeline continue to be eligible so long they close on or before August 31, 2019.

Furthermore, the seasoning requirement for all VA refinances has been changed as follows:

- Effective immediately, the VA refinance loan is eligible if it meets the following seasoning requirement:
The note date of the new refinance loan must be on, or after, the later of:
 - The date on which the borrower has made at least six monthly payments on the loan being refinanced; and
 - The date that is 210 days after the first payment due date of the loan being refinanced.

This reverts the seasoning requirement back to what it was last year prior June 1, 2019 (per Ginnie Mae's APM 18-04) implementing the "Protecting Affordable Mortgages for Veterans' Act of 2019 signed into law by the President on July 25, 2019.

Preferred Jumbo:

The information below is not a change in policy but does provide clarification to existing underwriting guidelines of the Preferred Jumbo Product:

- Ineligible Properties include those with unpermitted additions/alterations/conversions
- Rate Term Refinance Eligibility: If the new refinance will be an Interest Only ARM product and there has been a cash out refinance within the past sixty months; the new mortgage must be treated as a cash out refinance.
- Cash Out Refinance Eligibility: Cash out refinance within the last six months of the loan application is not permitted. The Note date of the existing loan to the application date of the new loan is what is used to calculate the six months.

Resources: [ML 2019-10](#) , [FHA Info #19-37](#) , [ML 2019-11](#) , [GNMA APM 19-05](#)