

Tuesday, October 08, 2019

Bulletin #2019-AC-024

NOTICE TO ALL CUSTOMERS

Important Credit Updates

Elite Jumbo Updates

- Added additional wording addressing the fact that income source, documentation, and the method of income calculation must meet Appendix Q requirements (ATR/QM) no exceptions.
- Updated policy for unreimbursed business expenses: Unreimbursed business expenses prior to 2018 must be deducted from qualifying income. The borrower must be self-employed in order to deduct business expenses after 2018.
- Provided clarity to Transcript requirement: Tax Transcripts are not required for salaried borrowers when wage income is the only source of income used for qualification, in this case, w-2 Transcripts are acceptable.
- Updated the timing requirement of year-to-date P&L and Balance Sheet financials from 120 days to 90 days from the end of the last Fiscal Year.
- Updated policy for business assets: In addition to the Personal and Business Tax Returns required for the entity the funds are being withdrawn from, a year-to-date P&L and Balance Sheet is now required.
- Provided additional clarity on the definition contingent liability:
 - A contingent liability is defined as a debt paid by a party or entity other than the borrower where said party or entity and not the borrower is the primary obligor. If the borrower is the primary obligor on any liability the debt must be included in the DTI.
 - Example: A borrower financed the purchase of an automobile for their business and the business pays the loan. If the loan is in the borrower's name this debt must be included in the DTI.
- Amended the eligibility date for properties previously listed for sale from date of closing to the new loan application date.
- Multiple Financed Properties: Policy updated to clarify the type of properties that can be excluded from the financed property limit requirement.
- Updated the maximum seller contribution allowed on investment properties to be 2%

These new guidelines are effective with this Announcement

Conventional

Fannie Mae announced several changes via bulletin SEL-2019-08 on October 2, 2019:

Effective with new loans submitted to DU on or after December 7, 2019, Homeownership Education Requirements are updated as follows:

- At least one Borrower must complete the homebuyer education program when all Borrowers in the transaction are first time homebuyers on a purchase transaction. This change applies to the following transactions:
 - HomeReady Purchase transactions
 - Standard Purchase transactions with LTV/CLTV/HCLTV greater than 95% , when all borrowers are first-time homebuyers.
- Also, effective October 23, 2019, Fannie Mae will waive the \$75 fee for the "Framework Homeownership® course."

BULLETIN



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BROKER / WAREHOUSE LINES / NON-DELEGATED CORRESPONDENT

FHA

As previously announced, effective with FHA Case Numbers assigned October 15, 2019, FHA will allow Single Unit Approvals (SUA) on Condominium Units located in Projects that are NOT FHA approved. FLC Bank is still assessing these changes and the credit policy in regards to these changes.

VA

VA published Circular 26-19-25 on September 19, 2019 to provide information and guidance regarding VA's Loan Guaranty Service (WEBLGY) migrating from the VA Information Portal (VIP) to the LGY Hub to provide users greater flexibility and access to many VA applications in one main hub located at <https://lgy.va.gov>

Loan Originators, Processors and other customers who currently access the VA portal to order appraisals, COE's and VA case numbers must take action and register in the LGY Hub as soon as possible and be aware that VIP for New User Registration has been turned off so new users must now go to LGY Hub to register. The VIP Portal will be turned off in November 2019; between now and November 1, 2019, all users still using VIP need to register on LGY Hub and begin using it instead of VIP.

A User Guide for LGY Hub has been posted on the VA Home Loans site at https://www.benefits.va.gov/homeloans/documents/docs/lgy_hub_user_guide.pdf or users can submit a help ticket through the LGY Help Center <https://lgy.va.gov/lgyhub/help>

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. Changes will be noted in blue font for easy reference.