

Monday, September 21, 2020

Bulletin #2020-AC-046

NOTICE TO ALL CUSTOMERS

Important Credit Policy Updates

Updated Policy for Properties with an Accessory Dwelling Unit (AUD) (Fannie Mae and Freddie Mac)

With the increasing use of accessory units to supply additional living space in cities and markets with a shortage in housing supply, both GSEs have written policy around property eligibility when a 1-Unit property has an Accessory Dwelling Unit (ADU) that is a manufactured home. These updates are effective immediately.

If the ADU is manufactured housing, the lender must verify the following:

- The manufactured property was built on or after June 15, 1976,
- It is attached to a permanent foundation system,
- The foundation system must be appropriate for the soil conditions for the site and meet local and state codes,
- It is encumbered by the mortgage with the primary dwelling, and
- Must comply with additional requirements per HUD regulations in 24 C.F.R. Part 3280:
 - The HUD Data Plate or HUD Certification Label (or both) must be present as evidenced by appraisal photos. If either of these items is missing, the lender must obtain alternative documentation from the IBTS confirming the Data Plate/Compliance Certificate or HUD Certification Label.

Other updates include clarification that the ADU:

- May, but is not required to include access to the primary dwelling. However, it is not considered an Accessory Dwelling Unit (ADU) if it can only be accessed through the primary dwelling or the area is open to the primary dwelling with no expectation of privacy.
- An independent second kitchen by itself does not constitute an Accessory Dwelling Unit (ADU) and the removal of a stove does not change the classification of being an Accessory Dwelling Unit (ADU).

Updated Policy Regarding Building Sketch Exhibit Requirement for Appraisal Reports (Fannie Mae and Freddie Mac)

Fannie Mae and Freddie Mac have simplified the building sketch requirements to be provided by appraisers. On the other hand, the appraisers are required to provide a floor plan sketch that reflects any obsolescence when the property has a floor plan that is unusual, or is functionally obsolete; also, the appraisers must provide comments and/or make necessary adjustments addressing any limitations to market appeal in comparison with other properties within the subject's neighborhood or market area.

Fannie Mae Updates

Solar Panel Clarification

Fannie Mae provided clarification and additional guidance to the underwriting and appraisal requirements for properties with solar panels based on the type of financing structure used for the purchase of the solar panels and ownership type via Bulletin SEL-2020-04; however, the policy remains unchanged when comes to Properties with solar panels and other energy efficient items financed with a PACE loan, which are not eligible unless the PACE loan is paid in full prior to or at closing. These updates are effective immediately.

- UCC filing classifications of a fixture filing and a precautionary filing to identify when a recorded UCC filing indicates the solar panels are affixed to the subject as real property versus a lessor identifying claim of personal property.
- When financed to own solar panels are recorded as a UCC fixture filing in the land records the debt must be included in the CLTV and must be subordinated when recorded as a priority senior to the mortgage.
- The value of the solar panels may only be considered in the appraised value of the property when the solar panels are owned and considered a fixture of real estate and cannot be repossessed for default of financing terms.

Freddie Mac Updates

Grossing Up Social Security Income

Effective immediately, lenders are able to gross up Social Security Income by 15% without documentation validating that the portion of the Social Security income is tax exempt; however, if the lender is using a grossed up amount greater than 15%; then, documentation supporting higher non-taxable rate percentage continues to apply.

Monthly Housing Expenses

Freddie Mac is updating the requirements for lenders to document the Borrower's monthly housing/rental obligation when the borrower does not own but rents his/her primary residence and is purchasing or refinances a Second Home or an Investment Property, or when the mortgage transaction includes a Non-Occupying Borrower and must be complied with loan applications "Finaled" to FLC Bank on or after October 1, 2020 and loans currently in the pipeline that do not close/fund by November 1, 2020:

- Direct verification of rent from a management company, or
- Direct verification of rent from an individual landlord supported by two months of canceled checks or other evidence of two months' payments, or
- A copy of the current, fully executed lease agreement supported by two months of canceled checks or other evidence of two months' payments, or
- Six months of canceled checks or bank statements supporting consistent payments in the amount used in qualifying.

Installment Debts/Child Support Payments/Alimony or Separated Maintenance with Ten (10) payments or less

In order to exclude installment debts, Child Support, Alimony or Separate Maintenance with ten (10) or less payments from the DTI ratios, documentation of the remaining terms for these obligations confirming there are ten or less payments remaining must be provided.

This policy is effective loan applications "Finaled" to FLC Bank on or after October 1, 2020 and loans currently in the pipeline that do not close/fund by November 1, 2020.

USDA Fiscal Year Funding

FLC Bank reminds customers that USDA 2020 Fiscal Year ends on September 30, 2020. For a period of approximately two weeks of the new USDA fiscal year which commences October 1, 2021, funding for the Single Family Housing Guarantee Loan Program will be unavailable; however Conditional Commitments will continue to be issued by USDA subject to availability and FLC Bank will continue to close USDA loans where the Conditional Commitment is made subject to availability of funding.

Visit the [Resource Center](#) of more information.

To access our [Temporary Policies Related to COVID-19](#) for complete requirements [click here](#).