

Wednesday, April 14, 2021

Bulletin #2021-AC-016

NOTICE TO ALL CUSTOMERS
Important Announcement and COVID-19 Overlay Removal
Conventional Loans

Conventional Mortgages	Current COVID-19 Overlay	New COVID-19 Overlay
Cash Out Refinances	Cash out refinance will be limited to 1-Unit Primary Residence Properties and Second Homes with the following criteria: <ul style="list-style-type: none"> • Minimum credit score of 640 • Maximum DTI is 45% regardless of AUS approval • A letter of explanation is required describing the purpose for the cash out Important: Cash Out Refinance transactions are being temporarily suspended on 2-4 Units primary residences and investment properties.	Cash out refinances are permitted on 1-4 Units Primary Residences and Second Homes with the following criteria: <ul style="list-style-type: none"> • Minimum credit score of 640 • Maximum DTI per AUS approval • A letter of explanation is required describing the purpose for the cash out Important: Cash Out Refinance transactions on investment properties continue to be temporarily suspended.
Business Review Analysis: Unaudited P&L and Business Bank Statements Self Employed Borrowers	Lenders are to review the information on the YTD P & L and compare with the business bank statements to determine the YTD P&L is reasonably consistent with the revenue and expense cash flow on the business account statements.	Lenders are to review the business bank statement to ensure they are “reasonably consistent with the information on the P&L to support the level of business revenue reported. (Prior use of two months statements required the comparison of revenue and expenses to support the P&L for loan applications prior to December 14, 2020).
Establishing Business Income	The Underwriter must complete a business income assessment by comparing the YTD net business income from the YTD P&L statement to the historical business income calculated in accordance with the program’s requirements. <ul style="list-style-type: none"> • If the income has declined but less than 35% than the historical monthly income and is determined to be stable, the Underwriter must reduce the amount of historical business income to no more than the current level of stable business income. • If the income has declined, not stable and 35% or greater as determined by the Underwriter, the self-employment income is not eligible for qualifying. 	The Underwriter must complete a business income assessment by comparing the YTD net business income from the YTD P&L statement to the historical business income calculated in accordance with the program’s requirements. If it is determined the current year net business income is: <ul style="list-style-type: none"> • Less than historical monthly income, but is stable at its current level, the underwriter must reduce the amount of qualifying income to no more than the current level of stable income determined. • More than the historical income calculated, the underwriter must use the historical business income calculated.

Please reference full product guidelines posted on the FLCBank website at www.flcbmtg.com. All products are subject to credit and property approval. Program terms and conditions are subject to change without notice. Not all products are available in all states for all dollar amounts. Other restrictions and limitations apply. FLCBank is a registered trademark of Florida Capital Bank, N.A. Member FDIC NMLS 790396 Equal Housing Lender. FLCBank 10151 Deerwood Park Blvd. Bldg. 100, Suite 200, Jacksonville, FL 32256 1.866.295.0014

Government Loans

FHA/USDA/VA Mortgages	Current COVID-19 Overlay	New COVID-19 Overlay
Business Review Analysis: Unaudited P&L and Business Bank Statements Self Employed Borrowers	Lenders are to review the information on the YTD P & L and compare with the business bank statements to determine the YTD P&L is reasonably consistent with the revenue and expense cash flow on the business account statements.	Lenders are to review the business bank statement to ensure they are “reasonably consistent with the information on the P&L to support the level of business revenue reported. (Prior use of two months statements required the comparison of revenue and expenses to support the P&L for loan applications prior to December 14, 2020).
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Freddie Mac Policy Updates

Direct Account Verifications a/k/a Verification of Deposit Form

Freddie Mac has updated their requirement when a Verification of Deposit (VOD) is used to verify asset eligibility to align the documentation requirement with their single deposit guidance. The new policy may be implemented immediately and FLCBank will be updating its posted Freddie Mac Guidelines in the next few days:

- When a Verification of Deposit (VOD) shows a current balance in an account that exceeds the average balance by more than 50% of the sum of the total monthly qualifying income, the lender is to obtain additional documentation to source the funds of deposits for the increased balance.

As an example, if the current balance reflected on the Borrower’s Verification of Deposit (VOD) form is \$15,000 and the average balance is \$12,000, the source of the \$3,000 increase must be verified if the Borrower’s total monthly qualifying income is less than \$6,000.

Documenting Funds to close -Refinance Transactions

Freddie Mac will no longer require documentation that sufficient funds to close are present on a refinance transaction in the following scenarios:

- The required funds to close from Borrower is \leq \$500, and
- No reserves are required in accordance with LPA Feedback Certificate, and
- The loan is an LPA Accept risk class

This change provides greater flexibility when qualifying the Borrower and may be implemented immediately. Loan Product Advisor will be updated by June 7, 2021.

Distribution of Retirement Account as Source of Income

When retirement account distributions are used as income to qualify the Borrower, and the retirement account from which the Borrower is currently taking distributions is projected to be depleted within three years, lenders may consider the Borrower's additional eligible retirement accounts when determining continuance of distributions to support the amount of qualifying income for at least three years after the loan closing. This change provides greater flexibility when qualifying the Borrower and may be implemented immediately. Loan Product Advisor will be updated by June 7, 2021.

4506-C New Field

Please be advised that a new field has been added to Form 4506-C in the signature box where the taxpayer and the spouse (if applicable) are required to print or type their full name. To ensure document providers have time to program this new field, the IRS is granting a grace period from April 9, 2021 through June 30, 2021. During this period, the Form will not be rejected solely for failing to print or type the taxpayer and spouse (if applicable) name in the signature box; however, the IRS will only accept the Form 4506-C with the printed or typed named starting July 1, 2021.

In preparation for the IRS's timeline, FLCBank will reject the Form 4506-C starting June 15, 2021 if it does not include the printed or typed name.

To access our most recently updated Temporary Policies Related to COVID-19 (version 35) please [click here](#).