

NOTICE TO ALL CUSTOMERS

Various Product Announcements including VA Funding Fee Rate Update

FLC Bank is providing customers with a number of important credit updates as follows:

1. Fannie Mae Updated Terms

As part of Fannie Mae's "Valuation Modernization" efforts, the term "Appraisal Waiver" has been updated to the new term "Value Acceptance" and all references in Fannie Mae's website and the selling guide now reflect this new term. Please note that the DU appraisal waiver messages will be updated to reflect the new term "value acceptance (appraisal waiver)" on new loans submitted to DU on or after April 15th, 2023.

2. DU for Government loans

Starting April 15th, DU for Government loans will reflect several updates and updated DU FHA version 4.1 and VA version 3.1 which will apply to new loans submitted in DU starting April 15th and are described below:

- FHA Required Investment Calculation Change and Other FHA Updates

At the direction of FHA, payoffs will no longer be included in the Required Investment Calculation that is sent to the FHA TOTAL scorecard on refinance transactions. The determination of this amount will be taken from Line E. Credit Cards and Other Debts Paid Off in section L4 of DU. For any payoffs that are to be included in the transaction, lenders should ensure that the amount for that field is separated from Line D For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction, in section L4 on all refinance transactions.

Please note that the Required Investment Calculation change will only apply to loan casefiles underwritten with FHA version 4.1 only. To ensure proper calculations by DU on loans run to the DU before April 15th, lenders should continue to only use Line D. on no cash-out and limited cash-out loans as these are underwritten under FHA version 4.0.

- FHA Positive Rental History

- For all cases with an FHA Case Assignment date on or after March 25, or for cases submitted or resubmitted on or after March 25 without an FHA case number, the FHA TOTAL Scorecard will generate an error if a valid value for Positive Rental History is not provided in the Government Section.
- For cases where Positive Rental History does not apply, including refinances, lenders should provide a value of "No". Refinances with any value other than "No" will also generate an error from FHA.

- VA Message Updates

Several VA specific messages will be updated for clarity and to better align with the VA Lender's Handbook. These changes will apply to both VA versions 3.0 and 3.1.

3. VA Funding Fee Rate Updates

VA announced changes being made to the funding fee rates effective for loans closing on or after April 7, 2023, via [Circular 26-23-06](#). The updated funding fee rates will be in effect for loans closing on or after April 7, 2023, and prior to November 14, 2031.

FLC Bank accepts these changes effective immediately and the new reduced funding fee rates will apply to purchase and cash-out refinance transactions for loans closing on or after April 7, 2023, as required by VA.

Note that the funding fee for IRRRL remains unchanged.

Non-Delegated and Delegated Correspondents remain responsible for the proper and timely disclosure of the applicable VA funding fee.

Loan Fee Structure for Guaranteed Loans						
Active Duty, Reserves, National Guard						
Transaction	Funding Fee Rates for loans closing on or prior to 4/6/2023			Funding Fee Rates for loans closing on or after 4/7/2023		
	Down Payment	Funding Fee for First Time Use	Subsequent Use	Down Payment	Funding Fee for First Time Use	Subsequent Use
Purchase Transaction	None	2.30%	3.60%	None	2.15%	3.30%
	5% but < 10%	1.65%	1.65%	5% but < 10%	1.50%	1.50%
	10% or more	1.40%	1.40%	10% or more	1.25%	1.12%
Cash Out Refinance	N/A	2.30%	3.60%	N/A	2.15%	3.30%
IRRRLs Refinance	N/A	0.50%	0.50%	N/A	0.50%	0.5 0%
Note: the funding fee for VA IRRRLs are not impacted by this change						

Please contact your [Account Executive or Client Relations Representative](#) if you have any questions.