



# DELEGATED CORRESPONDENT ANNOUNCEMENT 2019-15

May 16, 2019

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## Guideline Updates

### *FHA*

On March 27, 2019, FHA updated the SF Handbook 4000.1. FCM accepts the changes/updates.

No updates are required on the Quick Product Guide as we do not have any overlays to these changes/updates. FCM highly encourages you to read the updated changes in their entirety due to the extensive changes/updates.

### *VA*

VA is in the process of updated the Lenders Handbook. Chapter 1 changes were effective February 1, 2019 and Chapters 4 and 11 are effective with applications dated on or after May 23, 2019. FCM accepts these changes/updates.

No updates are required on the Quick Product Guide as we do not have any overlays to these changes/updates. FCM highly encourages you to read the updated Chapters in their entirety due to the extensive changes/updates.

### *Jumbo*

#### **Select QM**

- Removed the overlay under footnote 2 indicating Agency High Balance loan limits are not eligible for transactions with LTVs greater than 80%. Select QM will now allow a minimum loan amount of \$484,351 for 1-unit properties and \$1 over conforming loan limits for properties with 2-4 units regardless of LTV.
- Removed the overlay under Select QM Loan Notes indicating that loans between conforming loan limits and agency high balance loans are eligible except on loans with LTVs greater than 80%. Select QM will now allow a minimum loan amount of \$484,351 for 1-unit properties and \$1 over conforming loan limits for properties with 2-4 units regardless of LTV.

#### **Select Non-QM and Choice Non-QM**

- Added Non-QM attribute for investment properties (subject or non-subject) that are short-term rentals, vacations rentals or seasonal rentals with no lease in place - rental income can be considered if the property is reflected on Schedule E of tax returns for the most recent two years and there is no prohibition or restriction (imposed by city/county) on short-term rentals that impacts rental income received.



**Choice QM and Choice Non-QM**

- Added requirement prohibiting the waiver of the appraisal delivery date of three business days prior to consummation of loan. HPML loans do not allow the timing requirement to be waived.

**Select QM, Select Non-QM, Select 90 QM, Choice QM and Choice Non-QM**

- Removed requirement for all appraisals aged more than 120 days from Note date require a new appraisal. Removed recert of value not allowed. See update under Appraisal Requirements for more detail.

**Select QM, Choice QM and Choice Non-QM**

- Removed requirement for loan product to be 20, 25, 30-year fixed only. Non-permanent resident aliens will be allowed on all fixed rate and ARM products for Select QM, Choice QM, and Choice Non-QM programs

**Select QM, Select Non-QM, Select 90 QM, Choice QM and Choice Non-QM**

- Added clarification - borrowed funds (secured or unsecured) are not allowed for reserves.

**Select QM, Select Non-QM, Select 90 QM, Choice QM and Choice Non-QM**

- Revised the 2106 expense (unreimbursed business expense) requirement due to tax law changes now in effect that prohibit many professions from filing 2106 expenses on their tax returns. For borrowers with 2106 expenses on 2017 tax returns and no expenses indicated on 2018 tax returns (due to the tax law change), a 12- month average of expenses must be based on the 2017 tax return and deducted from qualifying income.

**Select QM, Select Non-QM, Select 90 QM, Choice QM and Choice Non-QM**

- Clarification added for Partnership (1065) and S-Corporation (1120S) returns – business returns for these entities are typically due March 15<sup>th</sup> with an extension allowed until September 15<sup>th</sup>. After the extension date, the loan is not eligible without the filed tax return. This is based on changes made by the IRS in 2016.