



## WHOLESALE ANNOUNCEMENT 2019-33

### August 2, 2019

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#### *FHA*

HUD has performed a quarterly update to the HUD Handbook. The FHA guidelines have been updated to align with the changes. Please make sure to review the HUD Handbook in its entirety for all of the changes as some of them do not affect FCM FHA guidelines.

#### **1.05.06.03 Car Allowances**

Automobile Allowance refers to the funds provided by the Borrower's employer for automobile related expenses

Must verify and document the Automobile Allowance received from the employer for the previous two years.

Must use the full amount of the Automobile Allowance to calculate Effective Income.

#### **1.05.06.10 Overtime, Bonus & Tip**

Overtime, Bonus or Tip Income as Effective Income if the Borrower has received this income for the past two years and it is reasonably likely to continue.

Periods of Overtime, Bonus or Tip Income less than two years may be considered Effective Income if it can be documented that the Overtime, Bonus or Tip Income has been consistently earned over a period of not less than one year and is reasonably likely to continue

For employees with Overtime, Bonus or Tip Income, the Mortgagee must calculate the Effective Income by using the lesser of:

- the average Overtime, Bonus or Tip Income earned over the previous two years or, if less than two years, the length of time Overtime, Bonus or Tip Income has been earned; or
- the average Overtime, Bonus or Tip Income earned over the previous year
- A full VOE showing the probability of continuance is required.

#### **1.05.06.11 Commission Income**

Commission income may be considered effective income if received for at least one year in the same or similar line of work (job) and it is documented that it is likely to continue.

Calculation should be based on the lesser of:



- The average net Commission income earned over the previous 2 years or length of time commission income has been earned OR
- The average net commission income earned over the previous year

#### **1.06.12 Contributions by Interested Parties**

Premium Pricing refers to the aggregate credits from a Mortgagee or TPO at the interest rate chosen. Premium Pricing may be used to pay a Borrower's actual closing costs and prepaid items. Premium Pricing is not included as part of the Interested Party limitation unless the Mortgagee or TPO is the property seller, real estate agent, builder or developer.

#### **1.08.05.03 Appraisal Requirements**

If the utilities are off at the time of the inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then the appraisal must be completed without the utilities turned on or the mechanical systems functioning.

#### **1.08.05.08 Wells & Septic Systems**

##### **Community Wells & Septic Systems**

If the Property is on a Community Water System, the Appraiser must note the name of the water company on the appraisal report

##### **Shared Wells**

A test of the well water is required for, but not limited to, properties:

- that are newly constructed;
- where an Appraiser has reported deficiencies with a well or the well water;
- where water is reported to be unsafe or known to be unsafe;
- located in close proximity to dumps, landfills, industrial sites, farms (pesticides) or other sites that could contain hazardous wastes; or
- where the distance between the well and septic system is less than 100 feet.

All testing must be performed by a disinterested third party. This includes the collection and transport of the water sample collected at the water supply source. The sample must be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the Borrower/owner or other Interested Party collect and/or transport the sample.



**Private Wells**

A test of the well water is required for, but not limited to, properties:

- that are newly constructed;
- where an Appraiser has reported deficiencies with a well or the well water;
- where water is reported to be unsafe or known to be unsafe;
- located in close proximity to dumps, landfills, industrial sites, farms (pesticides) or other sites that could contain hazardous wastes; or
- where the distance between the well and septic system is less than 100 feet.

All testing must be performed by a disinterested third party. This includes the collection and transport of the water sample collected at the water supply source. The sample must be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the Borrower/owner or other Interested Party collect and/or transport the sample.

**1.09.04 Streamline Refinance**

**Net Tangible Benefit Test**

Combined Rate refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium (MIP) rate.

Reduction in Term refers to the reduction of the remaining amortization period of the existing Mortgage.

**Standard for Refinances with a Term Reduction**

Must determine that there is a net tangible benefit to the Borrower meeting the standards in the chart below for all Streamline Refinance transactions with a reduction in term.

Additionally, the combined principal, interest, and MIP payment of the new Mortgage must not exceed the combined principal, interest, and MIP payment of the refinanced Mortgage by more than \$50.

From	To		
	Fixed Rate New Combined Rate	One-Year ARM New Combined Rate	Hybrid ARM New Combined Rate
Fixed Rate	Below the prior Combined Rate.	N/A	N/A
Any ARM with Less than 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate	N/A	N/A
Any Arm with Greater Thank or Equal to 15 Months to Next Payment Change Date	No more than 2 percentage points above prior Combined Rate	N/A	N/A



## VA

### 1.09.02 Cash Out/Regular Refinances

**Loan Seasoning.** The following loan seasoning requirements apply to **ALL** Type I and Type II refinancing loans. Permanent Financing Construction Loans are exempt. A loan is considered seasoned on the later of the date that is:

- 210 days after the first monthly payment is **due** to the note date of the new loan, and
- Six consecutive monthly payments have been made on the loan prior to the note date of the new loan.

### 1.09.03 Interest Rate Reduction Refinance Loan (IRRRL)

The existing loan being paid off must be seasoned a minimum 210 days from the first payment due of the existing mortgage to the note date of the new mortgage; and the borrower must have made at least 6 payments on the existing loan.

## CONV

### 1.03.10 and 1.03.11

Added DU and LPA tolerances to the guidelines