WHOLESALE EAST ANNOUNCEMENT
2019-53 December 31, 2019

FHA

1.03.05 Higher Priced Mortgage Loans
Added the residual income calculation requirements for HPML loans.

VA

1.03.05 Higher Priced Mortgage Loans
Added the residual income calculation requirements for HPML loans.

VA issued a circular, 29-19-33 on VA County Loan Limits.

The county loan limits do NOT apply to IRRRLs. VA will guarantee 25 percent of the loan amount on an IRRRL, regardless of the Veteran's entitlement.

VA does not impose a maximum loan amount (FCM max loan amount is $1 mill) that a Veteran with partial entitlement may borrow to purchase a home; instead, the law directs the maximum amount that VA may guarantee on a home loan. Because most VA loans are pooled in securities that require a 25 percent guaranty, the effective no-down payment loan limit on VA loans is typically four times VA's maximum guaranty amount. Lenders may make loans greater than the effective loan limit to a borrower with partial entitlement; however, the lender may require the Veteran to make a down payment (typically 25 percent of the difference between the loan amount and the county loan limit). Down payments required on VA loans are typically far less than down payments required on other loan products.

Note that for purposes of determining the VA guaranty for loans involving Veterans with partial entitlement, lenders are instructed to reference only the One-Unit Limit column in the Federal Housing Finance Agency (FHFA) Table "Loan Limits for Calendar Year 2020- All Counties".
While a Veteran may use the VA home loan guaranty benefit to acquire a property up to 4-units in size, VA's maximum guaranty amount will be based on the One-Unit (single-family residence) limit, as prescribed by FHFA

CONV

1.03.05 Higher Priced Mortgage Loans

Added the residual income calculation requirements for HPML loans.

1.05.07.04 Documenting Rental Income from Subject Property

LP ONLY*If a lease is used to determine the net rental income, bank statements, electronic transfers of rental payments or cancelled rent checks supporting two months of receipt of rental income can be used in lieu of Form 72 or 1000.

1.09.02 Title Commitment

Tax information including next due and amount to be included on the title commitment.

For ALL loans, DU and LP (DU is effective with loan applications dated on or after 3/1/2020):

- Real estate taxes must be based on the value of the land improvements plus the value of the land in calculating the monthly housing. The real estate tax amount included in the monthly housing expense must be based on the value of the improvements plus the value of the land.
- When the property is located in a jurisdiction where transfer of ownership causes or results in a recalculation of the amount of real estate tax the monthly housing expense must include an estimate of the recalculated real estate tax amount.
- When there is a tax abatement on the property, the reduced real estate tax amount may be used in the monthly housing expense calculation, provided that the mortgage file contains evidence of the tax abatement and the documentation shows that the tax abatement will remain in place for at least five years after the note date.

*****underwriting**, try to qualify the borrower on the purchase price*tillage to meet Freddie requirements. If the borrower does not qualify using this calculation, please verify with the title company if the property is located in a jurisdiction where the transfer of ownership will cause in a recalculation of the amount of real estate tax as listed above. At this time, this only applies to LP loans**********

RD

1.03.05 Higher Priced Mortgage Loans

Added the residual income calculation requirements for HPML loans.

Jumbo

Select and Choice Programs:

- Max Cash-Out increased from $250,000 to $500,000 on many LTVs/programs.
- **Choice QM and Non -QM Programs**:
    - a satisfactory explanation letter from the borrower for any mortgage lates within the most recent twenty-four (24) months and for any rental lates within the most recent twelve (12) months.
    - A satisfactory explanation letter from the borrower addressing any derogatory credit events that occurred in the last seven (7) years.
    - The borrower may own an unlimited number of financed 1-4 unit residential properties when the subject transaction is a primary residence with the following requirements met:
        - The subject transaction is limited to a maximum of 80% LTV/CLTV/HCLTV or program maximum (lower of the two)
        - Additional financed 1-4 unit residential properties require six (6) months reserves for each property.
- **All Loan Programs:**
    - If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of the loan application date or if the tax transcripts show an outstanding balance due:
        - A payment plan for the most recent tax year is allowed if the following requirements are met:
            - Payment plan was set up at the time the taxes were due. Copy of payment plan must be included in loan file.
            - Payment is included in the DTI.
            - Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed.
            - Borrower does not have a prior history of tax liens.
    - Eligible assets must be held in a US account.
    - If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
        - Borrower(s) must have majority ownership of 51% or greater.
        - The other owners of the business must provide an access letter to the business funds.
        - Borrower(s) % of ownership must be applied to the balance of the business funds for use by borrower(s)
    - CDA is still required, but MLS sheets are not longer required with the CDA.

- Borrowed Funds (secured or unsecured) are not allowed for reserves.
- **Choice QM:**
  - If borrower owns more than four (4) financed 1-4 unit properties, six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO.
    - If eligible to be excluded from the count of multiple financed properties, reserves are not required.
- **Select Non QM and Choice Non QM:**
  - If the property is a condominium or attached PUD, the HOA must allow for short-term rentals and verification included in the loan file

Renew

- A satisfactory explanation letter from the borrower (s) must be provided for any mortgage or rent late within the most recent twelve (12) months
- A satisfactory explanation letter from the borrower (s) must be provided addressing any of the above derogatory credit events if the event occurred in the last seven (7) years or there are multiple events.
- If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of the loan application date or if tax transcripts show an outstanding balance due.
  - A payment plan for the most recent tax year is allowed if the following requirements are met:
    - Payment plan was set up at the time the taxes were due. Copy of the payment plan must be included in loan file.
    - Payment is included in the DTI.
    - Satisfactory pay history based on terms of payment plan is provided.
    - Payment plan is only allowed for taxes due for most recent tax year, prior years not allowed.
    - Borrower does not have a prior history of tax liens.

- Eligible assets must be held in a US account.
- If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
  - Borrower(s) must have majority ownership of 51% o greater.
  - The other owners of the business must provide an access letter to the business funds
  - Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s).
- CDA is still required, but MLS sheets are no longer required.