

Friday, November 29, 2019

Bulletin #2019-AC-027

NOTICE TO ALL CUSTOMERS

Important Conventional and Government Credit Updates

Conventional

FHFA Maximum Conforming Loan Limits

The Federal Housing Finance Agency (FHFA) announced on November 26, 2019 what the maximum conforming loan limits for conventional mortgages will be in 2020; where most of the U.S. will see an increase in the maximum conforming loan limit for 1-Unit properties from \$484,350 to \$510,400 in 2020. FLCBank will provide further information as to when loans with the new loan limits can be originated in the next few days. **Resource:** [FHFA New Maximum Conforming Loan Limits for 2020](#)

Fannie Mae

Fannie Mae is adding new requirements when determining rental income being used in the repayment of the mortgage effective with new loans submitted to DU on or after December 7, 2019 when the borrower is purchasing a 2-4 Principal Residence, or 1-4 Investment Property as announced via SEL 2019-08.

If the Borrower.....	Then.....
<ul style="list-style-type: none">○ Currently owns a principal residence (or has a current housing expense), and○ Has at least a one-year history of receiving rental income or documented property management experience	There is no restriction on the amount of rental income that can be used.
<ul style="list-style-type: none">○ Currently owns a principal residence (or has a current housing expense), and○ Has less than one-year history of receiving rental income or documented property management experience	<ul style="list-style-type: none">○ For a principal residence, rental income in an amount not exceeding the PITIA of the subject property can be added to the borrower's gross income, or○ For an investment property, rental income can only be used to offset the PITIA of the subject property.
<ul style="list-style-type: none">○ Does not own a principal residence, and○ Does not have a current housing expense	Rental income from the subject property cannot be used.

Note that the above requirements do not apply to HomeReady loans with rental income from an accessory unit.

Resource: [SEL 2019-08](#) , [FHFA New Maximum Conforming Loan Limits for 2020](#)

Freddie Mac

Freddie Mac announced on November 21, 2019 of the relaunch of the CreditSmart® Homeownership tutorial under the name CreditSmart® Homebuyer U. The new tutorial will offer homeownership course modules with improved content that continue to satisfy the Homebuyer Education requirements for Home Possible and HomeOne mortgage loans. The updated modules focus on different aspects of the homeownership education principle and are effective on December 31, 2019.

Current CreditSmart online tutorial modules to be completed	New CreditSmart Online tutorial modules to be completed
<ul style="list-style-type: none">○ Module 1: Your Credit and Why it is Important,○ Module 2: Managing your Money○ Module 7: Thinking Like a Lender○ Module 11: Becoming a Homeowner, and○ Module 12: Preserving Homeownership Protecting Your Investment	<ul style="list-style-type: none">○ Module 1: Overview & Introduction of the Home buying Process○ Module 2: Managing Your Money○ Module 3: Your Credit and Why It Is Important○ Module 4: Getting a Mortgage○ Module 5: Finding a Home and Closing on a Loan○ Module 6: Preserving Homeownership

Note that loan applicants that register by December 18 must complete the current CreditSmart Steps to Homeownership tutorial by December 27; whereas those who register starting on December 19 will automatically be enrolled in the new CreditSmart Homebuyer U tutorial.

Resources: [CreditSmart](#)

FHA Policy

Loan Level Certification on FHA Approved Condominium Units

The updates made by FHA to the Condominium requirements on the SFH 4000.1 that went into effect with FHA Case Numbers assigned October 15, 2019 continue to require the lender to sign a Loan Level Certification on Condominium Units located in an FHA Approved Projects attesting there have been no circumstances or conditions since the project was approved by FHA that might have an adverse effect on the project or cause a mortgage secured by a unit in the project not meet FHA requirements; in addition, the lender must also certify the following information provided by the HOA meets the requirements:

- Owner Occupancy is at least 35%
- Single Entity Ownership:
 - Does not exceed 10% on projects with 20 or more units
 - The unit owner and any related party does not own more than one unit on projects with less than 20 units
- No more than 15% of units owners are more than 60 days past due
- All required Insurance Policies and coverages for Walls-In, Hazard Insurance and Flood Insurance (if applicable) are acceptable and in compliance with the Handbook requirements

FLC Bank's Loan Level Certification disclosure is being updated to include the new language to be added to the certification; once updated, it will be posted in the Resource Center.

FHA announced on November 22, 2019 via Mortgagee Letter 2019-18 their decision to increase the maximum amount of rehabilitation costs to be financed on Limited 203(k) Mortgages when the subject property is located in a Qualified Opportunity Zone (QOZ) from \$35,000 to \$50,000 effective with case numbers assigned on or after December 16, 2019 through December 31, 2028. Note that FLCBank is reviewing the Mortgagee Letter in detail. No changes our existing FHA Limited 203(k) Mortgage product being made at this time.

Resources: [Mortgagee Letter 2019-18](#)

VA Policy Updates

Inter-Vivos Trusts

VA no longer accepts loans to close via Inter-Vivos trusts.

VA Funding Fee Exemptions

VA Circular 26-19-17–Change 1 was published by VA on October 17, 2019 with the purpose to amend Circular 26-19-17 that was published on June 28, 2019 and supplementing Chapters 6 and 8 of the VA Lenders Handbook. The topics addressed and updated in the Circular 26-19-17-Change 1 are noted below and are in effect now:

- Surviving spouse exemption restrictions: The surviving spouse of any Veteran (including a person who died during active military, naval, or air service) who died from a service-connected disability must be in receipt of the Dependency and Indemnity Compensation (CID) in order to have the Funding Fee waived. The lender may remit to VA the Verification of VA Benefits Form 26-8937 to the Regional Loan Center (RLC) to verify surviving spouse's exempt status.
- Timing for establishing funding fee exemptions: The Funding Fee exempt status must be established before loan closing. Lenders must not advise the veteran who believes he/she is exempt from paying the Funding Fee to close a loan without first establishing the exemption status and subsequently request a Funding Fee refund at a later date.
- When a Certificate of Eligibility (COE) is not required on an IRRRL: All VA IRRRLs must have a COE except in the following situations:
 - 1) The veteran has been determined to be exempt from the Funding Fee as evidence on the IRRRL assignment screen in WEBLGY.
 - 2) The entitlement encumbered on the loan being refinance belongs to the surviving spouse of a veteran.
 - 3) The entitlement encumbered on the loan being refinanced belongs to a veteran who has since passed away and the IRRRL Borrower is the spouse who was also a co-borrower on the loan being refinanced.

Please note that for numbers 2 and 3 above, the spouse of a veteran who is now deceased will not be considered exempt from the Funding Fee unless he/she is in receipt of Dependency and Indemnity Compensation (DIC). The lender may remit to VA the Verification of VA Benefits Form 26-8937 to the Regional Loan Center (RLC) to verify surviving spouse's exempt status.

VA New Funding Fee Requirements, Adjustment of Loan Limits based on available Entitlement and Funding Fee waiver for Active Duty Purple Heart Recipients (Blue Water Navy Vietnam Act)

The VA announced via Circulars 26-19-23 published in August 2019 and 26-19-30 published November 15, 2019 guidance for lenders concerning the implementation of provisions of the Blue Water Navy Vietnam Veterans Act. The Act:

- a) Removes the maximum guaranty available for veterans with full entitlement,
- b) Changes the VA Funding Fee tables, and
- c) Adds a provision to waive the Funding Fee for Active Duty Service-Members recipients of the Purple Heart Award.

BULLETIN



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a) Maximum Guaranty Available for veterans with full entitlement

The Circulars provide the information per the Act amending the maximum Loan Limits that will apply to all VA loans closing on or after January 1, 2020 whenever the veteran has full entitlement. In such cases, the maximum amount of the VA Guaranty will be 25% of the Loan Amount regardless of the FHFA maximum County Loan Limit when the Loan Amount is greater than \$144,000.

The Act does not change the maximum amount of entitlement available for Loan Amounts equal or less than \$144,000. However, for veterans with previously used entitlement that has not been restored, the maximum amount of guaranty will be the lesser of 25% of the Loan Amount, or the remaining amount of entitlement available. When calculating the remaining entitlement available, 25% of the maximum amount of guaranty based on the maximum County Loan Limit must be used and such amount be reduced by the amount of used entitlement that is not yet restored.

Note that VA will continue to guarantee 25% of the Loan Amount on IRRRLs without regard to the maximum County Loan Limit or the veteran's available entitlement.

Please note that FLCBank's maximum VA Loan Amounts remains at \$1.5 Million Dollars. Also, there are no changes to the standards set to what constitutes a VA Conforming Loan Amounts vs. a VA High Balance Loan Amount which is based on the FHFA Maximum County Loan **Limit of a 1-Unit property.**

b) Changes to the VA Funding Fee on Purchase, Construction and Cash Out Refinance transactions closing on or after January 1, 2020 through December 31, 2021.

The table below reflects the Funding Fee structure with the new fee and the items where the fee did not change.

Loan Fee Structure for Guaranteed Loans			
Active Duty, Reserves, National Guard			
Transaction	Down Payment	Funding Fee for First Time Use	Funding Fee for Subsequent Use
Purchase Transaction and Single Closing Construction*	None	2.30%	3.6%
	5% but < 10%	1.65%	1.65%
	10% or more	1.40%	1.40%
Cash Out Refinance	N/A	2.30%	3.60%
IRRRLs Refinance	N/A	0.50%	0.50%
Loan Assumptions*	N/A	0.50%	0.50%

*Single Closing Construction and Loan Assumptions are not eligible transactions are FLCBank
Reduced funding fee rates apply to loans made to purchase or single closing construct a dwelling with a downpayment of five percent or more of the purchase price. Reduced funding fee rates do not apply to refinance loans.

c) Waiver of Funding Fee for Purple Heart Recipients: Per the Act, the VA funding fee can be waived for members of the Armed Forces who are serving on active duty and provide, evidence of having been awarded the Purple Heart on or before the date of loan closing.

The lender must be provided appropriate evidence such as:

- o Purple Heart Certificate,
- o A DD214 clearly showing the Purple Heart award, or
- o Military Orders.

Evidence of the Purple Heart award must be received by VA in order for the lender to confirm waiver eligibility with VA prior to loan closing.

The Certificate of Eligibility (COE) will denote eligibility for the funding fee waiver with the following noted conditions:

- Active Duty Service-member,
- Purple Heart Recipient, and
- Funding Fee.

Note that all of these three conditions must be present to establish the waiver.

If COE will indicate that the Purple Heart funding fee waiver expires upon discharge of the active duty service-member and the active duty service-member is discharged or scheduled to be discharged on or prior to loan closing, then a new COE is required.

If the COE does not include the referenced COE conditions above and the active duty service-member is eligible for the Purple Heart funding fee waiver, evidence of the Purple Heart award must be uploaded into the COE record in the VA portal for review on or before the date of loan closing to determine waiver eligibility.

Resources: [VA Circular 26-19-17](#) , [VA Circular 26-19-17 Change 1](#) , [VA Circular 26-19-23](#) , [VA Circular 26-19-30](#)

USDA Policy Updates

The USDA Rural Housing Development announced on November 8, 2019 that effective on January 1, 2020, the USDA Single Family Housing Guaranteed Loan Program will begin to assess and collect a technology fee on closed loans submitted via the Guaranteed Underwriting System (GUS) that are issued "Conditional Commitment for Single Family Housing Loan Guarantee Form RD 3555-18E," on or after January 1, 2020.

Please note that although the fee may be charged to the consumer, FLCBank will absorb the fee and will not charge the technology fee. The remittance of the technology fee to the USDA will be done the same time the upfront guarantee fee is remitted to the USDA.

Resources: <https://content.govdelivery.com/accounts/USDARD/bulletins/24aceaf>

The Product Guidelines will be updated in the next few days, in the meantime, use the policy in this bulletin. Updated guides will be posted on the FLCB website at www.flcbmtg.com. Changes will be noted in blue font for easy reference.