

NOTICE TO ALL CUSTOMERS

Important Credit Updates

FLC Bank is announcing several important updates related to Freddie Mac Income Updates and VA IRRRL required documentation.

Freddie Mac Income Updates

Freddie Mac announced in [Bulletin 2023-22](#) specificity to employment income history, earnings types, and income calculation requirements for borrowers with employed income. FLC Bank aligns with these updates effective immediately.

Employment History Requirements: The 12-month minimum employment history requirement for fluctuating hourly earnings has been expanded to permit prior salaried employment in a similar industry that had an income level consistent with the current income level based on the income trend analysis.

Employed Income Calculation Requirements: Fluctuating hourly employment earnings are considered to be earnings that are based on a pre-determined and agreed-upon hourly rate of pay. The number of hours worked are not predetermined and may fluctuate each pay period. Increasing fluctuating employment earnings may require additional income trend analysis and documentation depending on degree of fluctuation:

- Degree of fluctuation $\leq 10\%$: No additional analysis or documentation is required.
- Degree of fluctuation $> 10\% - \leq 30\%$: No additional analysis or documentation is required when the increase is supported by the documented income breakdown and/or verification of pay raise.
- Degree of fluctuation $> 30\%$: Additional analysis is required, and additional documentation will likely be necessary to determine income stability and develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used for qualification purposes.

Furthermore, verification of pay raises and using pay increases in the calculation of qualifying income has been updated. Calculation methods underwriters should utilize to ensure the qualifying income derived from a recent pay increase is consistent and documented are outlined as follows:

- Option 1: Average the most recent year and YTD income over the applicable number of months of required history and documentation, as described in Section 5303.4(d).
- Option 2: Apply the current pay rate to the average number of hours worked during the prior year and the current year, provided the hours worked during the prior year and the current year are consistent or increasing, and documented.

Please refer to Freddie Mac Seller Guide and [Stable Monthly Income FAQ](#) for complete requirements.

VA IRRRL Updates

VA announced enhancements made to WebLGY via [Circular 26-24-07](#). The enhancements are designed in providing lenders with additional information when ordering an Interest Rate Reduction Refinancing Loan (IRRRL) case assignment to help lenders ensure compliance with VA and GNMA requirements and resolve any inconsistencies discovered in the terms of the loan being refinanced.

To this end, in addition to the requirement for the VA IRRRL Case Assignment be printed in the loan file, the screenshot of WebLGY's **Loan Status & History** screen must be printed in the loan file documenting validation of loan seasoning requirements have been met for VA IRRRL transactions. This requirement is effective immediately.

Sample of WebLGY's Loan Status & History screen

The screenshot displays the 'Loan Status & History' screen for an IRRRL appraisal initiated on 09/10/2020. The loan status is 'Guaranty Issued' and the appraisal type is 'IRRRL - Origination'. The screen is divided into several sections:

- Veteran/Obligor Information:** Includes fields for Obligor Name, Date of Birth, SSN, Entitlement Code (05 Entitlement Restored), Entitlement Charged (\$45,968), and Restoration Code (No Restoration).
- Property Information:** Includes Property Documents and Property Address.
- Loan Information:** Includes Refinance/Loan Code (2-IRRRL), Loan Use, Purchase Price, Down Payment, Base Loan Amount (\$186,286), Energy Improvements, Funding Fee Amount (\$931), Loan Amount (\$187,217), Closing Date (10/13/2020), Interest Rate (2.25%), Loan Term (360 Months), Termination Status (N/A), Termination Date (N/A), Origination Interest Rate (2.25%), and Origination Monthly PI Amount (716).
- Guaranty Information:** Includes Guaranty Documents (with a link to Guaranty Certificate), Guaranty Date (10/27/2020), Guaranty Amount (\$46,804), and Guaranty Percent (25.00%).
- Lender/Agent/Service Information:** Includes Lender Name (ID), Requestor Type, and Servicer Name (ID).
- Loan Modification Information:** A highlighted section showing Modified Loan Amount (\$137,155), Modified Loan Term (453), Modified Maturity Date (11/01/2060), Modified Interest Rate (5.25), Modified Date of First Payment (03/01/2023), and Modified Monthly P&I Payment (\$696).
- Portfolio Loan Information:** Includes Refund Modification LIN.
- Loan Events Summary:** A table listing actions such as Servicer Update from, Loan Modification, and Guaranty Issued, with dates and user names (VALERI SERVICE).
- Appraisal Events Summary:** A table listing system actions like Case Initiated on 09/10/2020.

If you have any questions, please contact your [Account Executive or Client Relations Representative](#).