

NOTICE TO ALL CUSTOMERS

Important Agency Updates

FLC Bank provides customers with updates from the agencies on different topics as follows:

Fannie Mae

- I. DU Update – Version 12.0: Fannie Mae implemented DU Version 12.0 the weekend of January 11, 2025. The changes in this release apply for new loans submitted or resubmitted to DU on or after January 11, 2025. The updates include the following:
 - Revised recommendation for certain significant derogatory credit events: When it does not appear that a borrower has met the applicable waiting period requirements for a foreclosure or bankruptcy, DU Version 12.0 will issue an **Ineligible recommendation instead of a Refer with Caution recommendation**. Note that no changes are being made to the waiting periods required for the significant derogatory credit events. As a reminder, FLC Bank requires a DU Approve/Eligible recommendation on all Fannie Mae agency loans.
 - Expands the number of borrowers with limited or no credit that can be evaluated by DU: Currently when one borrower on the loan application has no credit score and another borrower has a credit score, only certain transactions are permitted (i.e. 1-unit, Principal Residence). These transactions will no longer be subject to limitations on loan purpose or occupancy and will now be subject to standard eligibility guidelines.
 - DU Value Acceptance (appraisal waivers) LTV Ratio Increase: The LTV ratios for purchase transaction of a 1-unit primary residence of second home has increased from 80% to 90%.

Note that FLC Bank does not accept loans where DU issues a Value Acceptance + Property Data offer, a full appraisal is required unless the loan is eligible for the value acceptance (appraisal waiver).

- II. Leasehold Properties: Fannie Mae revised the eligibility requirements for properties subject to leasehold estates to provide clarifications. The updates include:
 - Clarification of multiple provisions for leaseholds related to first lien enforceability, appraisal, and title insurance.
 - Updates to multiple lease requirements, including provisions for notices of default and options to cure, merger of title, assignments, and protection of the lender's financial interest in the event of condemnation.
 - Clarification of when lease requirements differ based on whether the borrower or the HOA or co-op corporation are the lessee; and

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- Addition of a new requirement that for loans with new leases entered into on or after Sept. 1, 2025, the fee estate must not be subject to any prior secured loans or other liens, unless the secured party or lienholder has agreed to recognize and not disturb the lease if it becomes the owner of the fee estate.

III. Limited Cash-Out Refinance: Fannie Mae has added two (2) additional exceptions to the requirements that at least one borrower is an owner (on title) of the subject property at the time of the initial application for a limited cash-out refinance; the additional exceptions permitted are:

- The borrower on the new loan is currently financially obligated on the loan being paid off. Ownership must be transferred to the borrower(s) at time of closing.
- The borrower is paying off an installment land contract that was executed more than 12 months prior to the application for the refinance.

For full details, please log into FLCBank [Resource Center](#) to access the Fannie Mae Guidelines.

VA Credit Guideline Updates

Cash Out Refinance Update: The Department of Veterans Affairs recently published Change 44 to the VA Lenders Handbook Chapter 6 Topic 3. Updates to Cash Out Refinances include:

- Adding specificity that refinancing loans made on properties without an existing first mortgage or lien of record are not eligible for guarantee by VA.
- Updated the requirements based on the type of lien(s) to be paid off.
- Added policy for eligibility when/if the lien to be paid off is not in the Veteran's name (i.e. the lien to be paid off is in the spouse's name).
- Refinance seasoning requirements were added and clarified.
 - IRRRLs:
 - VA Mortgage (not modified): Updated requirements to reflect six full consecutive monthly payments have been made in the month in which they were due (previous guidance did not include "consecutive" payments).
 - VA Mortgage that has been modified: Updated requirements to reflect that modified mortgages must satisfy the seasoning requirements of the original note and the modified note.
 - Cash Out Refinance Type I:
 - VA to VA Refinance (not modified): Updated requirements to reflect six full consecutive monthly payments have been made in the month in which they were due (previous guidance did not include "consecutive" payments).
 - VA to VA Refinance of a modified mortgage: Updated requirements to reflect that modified mortgages must satisfy the seasoning requirements of the original note and the modified note.
 - Added guidance when refinancing a Non-VA guaranteed mortgage with a VA refinance for both when the existing mortgage has not been modified and when the existing mortgage has been modified.

- Cash Out Refinance Type II:
 - VA to VA Refinance (not modified): VA clarified that the later of the first monthly payment was made or the first monthly payment due is 210 days or more prior to the note date of the new loan (previous guidance only reflected payment due date).
 - Added guidance for seasoning requirements when refinancing a Non-VA guaranteed mortgage for when the existing mortgage has not been modified and when the existing mortgage has been modified.

In any event, all cashout refinance transactions must meet Ginnie Mae seasoning requirements regardless of the type of loan being refinanced.

- Added existing requirements prescribed in Circulars 26-19-05, 26-19-05 Change 1, 26-18-30 and 26-18-30 Change 1, to Chapter 6 related to:
 - Tangible Net Benefit
 - Loan Comparison Disclosure
 - Fee Recoupment
 - Requirements to reduce interest rate

FLC Bank's VA Guidelines are being updated to reflect policy changes not already described in the posted guidelines.

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