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Sent: Wednesday, April 22, 2020 11:47 AM
To: Sales; Mortgage Support
Cc: Dave Weber; Joshua Heinrich; Justin Yahnig; Rebecca Moorehead; Robert Anderson; Toni Pierce; Wayne Pierce
Subject: Mortgage Support Updates - Week of 4/22/2020
Attachments: 97 Matrix Chart 2020.pdf

Good morning! I have not done one of these in a while – this is a more informal way of filling everyone in on updates and changes of an important but not as important nature. 😊 Our Mortgage Support team would like to remind you that we are always available for your questions, income reviews and prequalification's (yes, we still do these even though the scores have gone up)...we are here to help!

97% LTV Matrix Update

Today, I wanted to share with you the updated 97% Matrix. I have gone through all 4 programs available at the 97% LTV and updated all features that had adjusted since I last reviewed these programs in mid-2019. The largest change I see is the AMI is at 80%. AMI=Area Median Income. Freddie defines this very well: "Home Possible Qualifying Income Limit" is the same as "80% Area Median Income". This means that the borrower's income cannot exceed 80% of the AMI when qualifying for a Home Possible mortgage for properties within a specific census tract. Since Conventional loans have become the loan of the day, take a moment to get more familiar with your options!

Liquidity Test for Self Employed Borrowers

For anyone doing a conventional loan that has borrowers that are self employed, this is important for you to read! All files do need a liquidity test completed and Mortgage Support can help with this! We strongly urge you to get this done prior to underwriting. Here is how each agency will consider the Liquidity Test:

Freddie Mac – We will still complete the liquidity test, but we will still consider the income as eligible if it is below the base line of 1. Based on being able to prove a history of the income and the business not having any issues due to assets. If there has been a decline in the past year we will be looking for an LOX to identify the reason for the decline. And as long as it makes sense and does not harm the future stability of the business then we will count it as eligible income. Proof of income through bank statements or a current Profit and Loss may be provided to show these items.

Fannie Mae – Fannie does list in their guideline that they recommend a liquidity test score of 1. With that being said we would rather take loans that do not meet this recommendation to Freddie Mac. If the loan needs to go to Fannie Mae for other reasons we will approve the income as eligible based on supporting documentation that proves the borrower's income does not affect the stability of the business.

FNMA & FHLMC – Reminder of COVIC 19 Employment requirements

1. The borrower cannot be on unemployment at time of closing. Borrower must be back at work with hours and pay that allow qualification of the loan.
2. The lay off and unemployment time will not affect the borrower's qualifying earnings as long as we have documentation that their income is back to as it was previously. This could be a note on the VOE from the employer that the layoff was due to COVID- 19.

Verification of Borrower's Identity

Please remember that when we have an inaccurate address, date of birth or social security number on the initial 1003 or credit report. We must provide additional documentation in the file to show how we verified the information. Examples below:

1. Initial 1003 has date of birth of January 1, 1990, but driver's license shows January 2,1990. We would need additional documentation to prove which is correct. An LOX stating it was a typo will not work. We need some other third party documentation that the borrower can provide to confirm the driver's license.

2. Initial 1003 shows current address as 123 Main Street, Paw Paw, IL 61353, but the w-2's, paystubs, driver's license, and bank statements show the address as 13 Bacon Lane Paw Paw, IL 61353. We would need an LOX as to what the correct address is and if the 1003 was correct documentation to prove it.

Rent Free Letter

Reminder of this update that was sent on 4/18

Effective immediately we will be requiring a rent free letter for all borrowers that are currently living rent free. This letter needs to be signed and dated by the owner of the house that they are living in. This is an overly with two of our main investors and they will not purchase loans without this. This includes Conventional Loans with either Freddie Mac or Fannie.

Upcoming Training Opportunities

4/23/2020 – Weekly Q&A with the Management Team – 3:00PM CST

4/28/2020 – Outbound Engine Training – this will explore the purpose of Outbound Engine and how it can enhance your marketing. If you need an invitation, please let us know!

Have a need for a specific training? Let us know and we can get it scheduled!

Thanks, all! I hope your Wednesday is going great and we hope to have more information to you on the details of the FHA & USDA 620 – 660 soon!

The opinions contained herein are based on a proposed loan scenario presented to us by you. They are non-binding, intended to be informational only, and under no circumstances are to be construed as a commitment to purchase the loan. The Seller/Loan Officer is responsible for the information provided to Mortgage Support/Assisted Correspondent or Scenarios to insure we have the most/best information to provide an accurate response for the situation being discussed. Delegated customers are responsible for making their own credit decision with respect to the loan. All loans submitted to Flanagan State Bank are subject to the terms and conditions of the matrix's published on our website and the Agency guidelines that apply to the loan type.

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