



## Important Announcement

8/26/2020

This announcement includes notices regarding updates for Flanagan State Bank's Retail & TPO Division

**This will reference:**

Solar Panels

Rental Housing Payments – Conventional

Documentation of Liabilities

FHA Updates for Self-Employment Verification

FHA Updates for Rental Income

FNMA & FHLMC Refinance Pricing Updates

**Solar Panels**

When the solar panels are financed and collateralized as fixtures to the real estate, the DTI must include any associated payment for financing, and the amount of any financing must be included in the CLTV.

When the solar panels are financed and collateralized separately from the real estate, the DTI must still include any associated payment for the financing, but the CLTV does not need to include the financing amount.

**Rental Housing Payments – Conventional**

For mortgages with a non-occupying borrower or second home and investment property transactions. Effective with loans delivered on or after September 15, 2020 lenders must document the borrower's rental housing payment with one of the following when the borrower does not own a primary residence:

- Direct verification of rent from a management company, or
- Direct verification of rent from an individual landlord (supported by two months of cancelled checks or other evidence of two months payments), or
- Copy of the current fully executed lease agreement (supported by two months of cancelled checks or other evidence of two months payments), or

- Six months of canceled checks or bank statements supporting consistent payments in the amount used in qualifying.

As a reminder, the monthly rental housing payment must be included in the borrower's DTI ratio when qualifying the borrower.

### **Documentation of Liabilities**

Effective with loans delivered on or after September 15, 2020, we must document the remaining term for all installment loans, child support, alimony and maintenance payments omitted from the DTI ratio if there are 10 or fewer months of payments remaining. We are also required to document the amount of child support, alimony or separate maintenance payments with a copy of the signed court order, legally binding separation agreement and/or final divorce decree, or equivalent documentation.

### **FHA Updates for Self-Employment Verification**

FHA self-employment/rental income for Verbal VOE at closing is now extended to **November 30, 2020**.

Due to the on-going impact of COVID-19 on businesses operations across the nation, we are required to verify the existence and continued operation of a self-employed borrower's businesses within 10 calendar days prior to the date of the note with one of the following:

- Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day we verify self-employment);
- Evidence of current business receipts within 10 days of the note date (payment for services performed);
- Lender certification that the business is open and operating (lender confirmed through a phone call or other means); or
- Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

### **FHA Updates for Rental Income**

In addition to the current requirements in SF Handbook 4000.1 Sections II.A.4.c.xii(I) and II.A.5.b.xii(I) for using rental income to qualify, lenders must complete one of the following for each property generating rental income on an FHA transaction:

- Reduce the effective income associated with the calculation of rental income by 25%, or
- Verify 6 months PITI reserves, or
- Verify the borrower has received the previous 2 months rental payments as evidenced by borrower's bank statements showing the deposit. (This option is applicable only for borrowers with a history of rental income from the property).

### **FNMA & FHLMC Adverse Market LLPA**

FHFA has delayed the implementation of this adjustment to refinances until December 1, 2020.

If you have any questions regarding this information, please feel free to contact [mtgsupportcenter@flanagansatebank.com](mailto:mtgsupportcenter@flanagansatebank.com).

Sincerely,

Flanagan State Bank Mortgage Division Management