



## Important Announcement

4/27/2020

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

**This will reference:**

FHA & USDA – 620 – 659 Overlays

**FHA & USDA 620 – 659 Overlays**

Effective Monday, April 27, 2020 Flanagan State Bank will begin accepting FHA & USDA loans down to a 620-credit score. This memo serves to notify originators working with Flanagan State Bank of the overlays that will apply to these credit score ranges.

- Verification of Rent (VOR) will be required on all files where the borrower(s) identify they rent in the residence history. No late payments reporting in the last 24 months
- If borrower does not rent, a Rent Free Letter will be required from the current owner of the residence. Rent Free Letter should confirm the most recent 12-month history.
- If the borrower does not rent but has a mortgage, the mortgage must not report any late payments in the most recent 24 months
- Homebuyer Education Course required. MGIC or FHLMC Credit Smart courses are acceptable and are provided at no cost to the borrower. A certificate must be provided as proof of completion and a budget completed by the borrower
  - If borrower currently has a mortgage that reports on credit, Homebuyer Education can be waived
- DTI limited to 50% max. If >50% then the following will apply:
  - Management approval is required for DTI above 50% and not exceeding 55%
  - 2 compensating factors must be present and documented on the file from the following:
    - 2 months PITI reserves – must be the borrowers own funds
    - 2 years or more on the current job/employer
    - 4 validated tradelines showing paid as agreed for 12 months or longer (rent may be one)
- If payment shock >50%, the following will be required:
  - 2 months PITI reserves – must be borrowers own funds

**333 Chicago Road, PO Box 302 – Paw Paw, IL 61353 – 815.676.0990**

- 2 validated tradelines paid as agreed for 12 months (rent may be one)
- Borrower(s) currently in CH 13 Bankruptcy or Credit Counseling Plan are not eligible for financing.
- Collection & Charge Offs – none within the last 12 months (excluding medical)
- Gift Funds – not allowed on files with DTI >45%

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