
From: Josh Heinrich
Sent: Tuesday, November 22, 2022 1:56 PM
To: Sales
Cc: Mortgage Management; Processing; Mortgage Support Center; Disclosures
Subject: Important Updates for this week
Attachments: Escrow Repair Guide.docx; Seller Funded Escrow Repair Agreement 1122.docx; Buyer Funded Escrow Repair Agreement 1122.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Good afternoon, everyone!

Here are the announcements for this week.

THERE ARE MANY GREAT AND IMPORTANT ANNOUNCEMENTS FOR THIS WEEK. MANY THAT PERTAIN TO NEWLY IMPROVED UNDERWRITING COMMUNICATION, PLEASE READ IN ENTIRETY!

Questions on Income/Assets/Credit Prior to issuing a Prequal:

Many Loan Officer's question themselves on potential difficult "tweener" loan issues prior to issuing a prequal. To better serve all our producers you may now email undewriting@flanagansatebank.com instead of emailing your direct sales manager for an opinion in these situations. We will answer these emails on a first come, first serve basis and will advise as quickly as we can. As we all are aware, actual loans in production are always our first priority, but every question will be answered by the end of each business day. Please plan accordingly. If a phone call is warranted, the underwriter advising on your question may give you a call directly.

Coming Soon - Prequal Underwriting:

At Flanagan State Bank we pride ourselves in offering potential solutions to applicants when other lenders simply say "no". Because of that we need to develop a better way to underwrite potential "tougher" applicants at the prequalification stage. We need to identify potential loan issues prior to a contract, rather than find those challenges once the borrower moves forward with a contract. To that end, as of January 1st, 2023, we will be rolling out a procedure for FSB to process and underwrite loans without a property address (prequals) when needed/warranted by our loan officers. Please be advised that when this process is initiated, we must never require documentation from an applicant in order to make our lending decision for Reg B purposes. However, we can always advise applicants that if they wish to supply more information after our decision has been made, but prior to application, we will underwrite their request thoroughly. Stay tuned!

Direct Communication with Underwriting Moving Forward:

Many of you in the past have asked for the ability to discuss directly via a phone call with an underwriter. Starting 12/1/2022 FSB will allow direct discussion with underwriting. In addition, please know that this is not a right, but a new ability. If any processor or producer cannot be respectful when following the below procedures, that ability may be taken away. Please remember we are all on the same team! Please note the following:

1. We ask that the underwriting@flanagansstatebank.com email be utilized as a first, and preferred means of contact for questions regarding files per the current procedure, by also including the direct underwriter email.
2. If a question is too extensive for email to be used, or email has been ineffective in resolving an issue, we ask the Loan officer to discuss with the processor and the Processor email undewrwriting@flanagansstatebank.com and the underwriter on the file requesting a call back or a Teams Meeting at the underwriter's earliest availability. The email should state the item you wish to discuss.
3. The Underwriter will return the call once they have finished the current file they are working on.
4. If the discussion between the underwriter and the Processor does not resolve the issue(s), or if the Loan Officer feels a discussion directly with the underwriter would be more beneficial the Loan officer will follow the same process as above and include the Processor's email on the request.
5. After the call(s), the Underwriter will send a follow up email to the appropriate email(s) to keep everyone abreast of the file and re-cap what was discussed, and the solution agreed upon.
6. If any party to the file does not feel the issue has been adequately resolved, they will escalate the issue to their manager for a secondary review.
7. The Inclusion of the underwriting@flanagansstatebank.com email is not required, and you will not be chastised if it is not used. However, this email is preferred as it will allow quicker response times should an underwriter be unavailable.

Further Training on Setting Up Discounts Properly on your Loan Estimate:

After looking into this issue, we are postponing once again the training that was scheduled for November 30th. During management discussions, we believe we may be able to reprogram MBOT to "auto fill" in the discount points fields on loans that are at maximum rate, and discounted rates. After we are done with that testing, we will advise if further training is still warranted. Until that time, please remember to check your ATR/QM testing and if you have questions on a loan to its viability, please contact your sales manager directly.

New Escrow Repair Guide and Escrow Repair Forms:

We are gearing up for properties that require repair due to the belief that there will be an influx of inventory from foreclosed properties in 2023. We have put together a new Escrow Repair Guide to that end. Please review this guide prior to discussing the use of an escrow repair moving forward. In addition, we have revised our escrow repair agreements due to feedback from our producers and title companies that our previous version was confusing. Moving forward, there is a separate agreement for either borrower funded escrows, or seller funded escrows. These forms are in the process of being made adobe fillable documents and will be posted to our retail site by the end of next week.

Marketing Tools:

As you all are aware, we no longer subscribe to Surefire per our announcements last week. Moreover, due to the market environment many branches have greatly reduced their approved marketing budget. We still know though that many producers may want to possibly pay for these types of services to help increase their production.

To that end, we want to give you those options and advise those systems that we will be allowing moving forward:

1. We would like to remind everyone that we still have a social media system named Denim Social (formally Gremlin) that be used for social media promotions. We can accommodate all producers as users. If you would like to get a login, simply email marketing@flanagansstatebank.com and Tambryn

will get you a user account. Please discuss the procedures to utilize this system with your branch manager.

2. Please note that we are looking to approve a provider for email campaigns.
3. We will also be looking to approve, List Reports, to replace the "single property sites" portion that Surefire offered. Further details will be coming on this service once approved. Here is a link. <https://welcome.listreports.com/lenders>

Template Reviews for Fees:

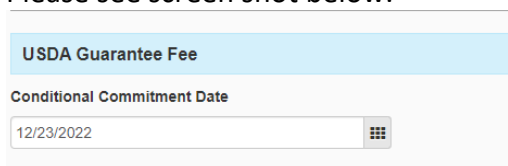
Please note that we are in the process of reviewing all normally disclosed fees for all branches/producers to make sure all Loan Officer templates are disclosing all fees on the ICD, previously on the LE. All branch managers will be required to participate in these discussions with their sales manager once our research is done. In the meantime, if you know about a discrepancy in your template and you would like that corrected, please email mortgage support and they will make the appropriate change.

ADDITIONAL NOTE:

Any change to a template is ONLY captured on newly created loans in MBOT. After you request a change, your previous LE's on saved prequal loans will NOT update. Therefore, when these move to actual loan applications you must always manually change your fees to capture the correct fees.

Product / Program Updates:

1. **USDA - Reminder to check the bottom of the LE for new USDA forms to print in disclosure packages.**
Please see screen shot below.



The screenshot shows a form titled "USDA Guarantee Fee". Below the title is a label "Conditional Commitment Date" followed by a text input field containing the date "12/23/2022". To the right of the input field is a small icon consisting of three dots arranged in a triangle.

- 2.
2. **Conventional Asset Policy on Spousal Funds**
3. This new policy refers to situations when a borrower is receiving funds to close from a spouse, and those funds are being placed into a joint account. In the past we have been able to just use a 100% access letter in those situations. Moving forward, if the amount is greater than 50% of the qualifying income on the loan, it requires full sourcing, however, we need to treat those funds as gift funds. You still also need the 100% access letter for the joint account.
3. **Conventional Loans where the borrower is an employee of a family owned business:**
4. Unfortunately, conventional guidelines are very vague in a situation when any borrower works for a family-owned business and receives a raise during the last calendar year prior to application date. This has caused issues with FSB procuring mortgage insurance in these situations. Moving forward, the below will be our underwriting stance on loans when the qualifying income is received from a family-owned business.
 - For employees who are paid hourly and whose hours do not vary within the last calendar year, the Mortgagee must consider the Borrower's current hourly rate to calculate Effective Income.
 - For employees who are paid hourly and whose hours vary, the Mortgagee must average the income over the previous two years. If the Mortgagee can document an increase in pay rate the Mortgagee may use the most recent 12-month average of hours at the current pay rate.

Thank you, and we wish you all a great Thanksgiving Holiday!

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