



Important Announcement

1/17/2018

This announcement includes notices regarding updates for Flanagan State Bank's Correspondent and Wholesale Accounts.

This will reference:

Government Loan Refinance Seasoning Requirements

Well Water Testing – Lead

Tax Transcript Requirements

USDA Procedure Updates

Initial Closing Disclosure

Universal Loan Identifier

VA Appraisal Process

MI & Conventional Loans

Government Loan Refinance Seasoning Requirements

Refinance for all government loan programs will now require a minimum 6 months payments on existing mortgage prior to refinance.

Well Water Tests for USDA/FHA

USDA and FHA state that well water must meet State or Local County Standards. And if there are no specific standards set by the local authority then it should meet EPA standards. Most counties state that the water should be deemed safe by testing agency and most agencies will know the specific tests that are required. FSB is finding that many states are very specific as to what they require. USDA has required additional testing requirements on several loans recently. Make sure to watch our Approval Notice and the Conditional Commitment from USDA as this will have a condition if further testing is required. When unsure, check with the USDA office and ask them what additional information is required for the water test.

Tax Transcript Requirements

USDA - Tax Transcripts are required for all credit qualifying borrowers. Management Exception can be made on non-credit qualifying occupants if IRS Issues are causing delays. Management Exception should be requested through Mortgage Support (mtgsupportcenter@flanagansatebank.com). Please provide the reason for the exception and documentation to support the request. Please note that an exception will not be granted for credit

qualifying occupants. (This follow the most recent USDA update published on the subject). 4506T will be executed at closing for all borrowers.

FHA, VA & Conventional - No transcript is required if all income being used is made up exclusively of wage earner income reported on a W-2 and/or fixed income reported on a 1099 (social security or VA benefits), *unless required by AUS*. In this situation will need copies of last 2 years W-2's or 1099's, full written VOE showing last 2 years income, paystub dated within last 30 days, and copies of last 2 year tax returns. All other income qualifications will require transcripts. Please note in the file that you are only using this income and are not ordering tax transcripts. 4506T will be executed at closing by all borrowers.

Delegated Correspondent – No transcripts required. We will require a 4506T signed at closing.

USDA Procedure Updates

FSB has updated their work flow on USDA loan to allow for a quicker CTC. We are asking that all PTC conditions are meet prior to sending the file to USDA for the Conditional Commitment. This way, our Junior Underwriters can provide the CTC as they will now be receiving the Conditional Commitments from USDA. This keeps the files from waiting on the Underwriter to go back into the file and finish the final approval. This part is already completed and the Jr can wrap it up quickly. If you have an outstanding Final Inspection or something similar that will not affect the underwriting decision, please include a note to the UW to please send to USDA pending the receipt of this outstanding item. This will allow them to notify the Jr Underwriter on outstanding items and keep the files moving forward.

Additional USDA updates – Asset Clarification

USDA has recently clarified their documentation needs for reviewing a file. They will be requiring:

- 1) 2 months bank statements for borrower and co-borrower. 2 months bank statements for any other income producing household members will also be required to verify and confirm additional income or assets that may apply for the household.
- 2) An LOX will be required for any deposit over 1% of loan amount that is not identified as payroll deposits
- 3) An LOX is needed if there are multiple deposits that do not exceed 1% individually, but as an aggregate meet or exceed 1% and are not payroll. May require sourcing depending on LOX.

Initial Closing Disclosure

For the Initial Closing Disclosure, if you are using electronic delivery then we need proof that the borrower opened it and received it. Just proof that they received it will not work. The e-sign certificate has to show that they actually opened it on the day it is needed for the 3 day window. If not we will have to count 3 days from the date that the certificate shows they opened it.

Universal Loan Identifier

The Universal Loan Identifier is now part of our 1003 at closing. We will have this on all loans for which we do the closing documents. For any Correspondent client that does their own closing documents they will need to provide us with the ULI when they send the file in for purchase. It

should print on their Final 1003. Any Delegated Correspondent that we purchase loans from will need to do the same.

VA Appraisal Process

We have updated our process for completing NOV's for VA loans. Our VA Appraisal team will review the VA portal for completed appraisals on Tuesday and Thursdays. Loans are assigned to the SAR Underwriters to review within 5 business days as set by VA. When an appraisal is received or further action is required on the appraisal (corrections, updates, etc) the VA Appraisal team will now use the notes section to update Mortgage Support and the Loan Officer. Processors will not be included in the email notification that a note has been added to the file. Please advise Processors to check the notes section when they are aware that the VA appraisal has been completed for status updates.

The notes section is located within the file in Mortgagebot at the upper right hand corner:



MI & Conventional Loans

Please note that PMI companies have published updates recently that limit their acceptance of DTI back end ratios that exceed 45%. Regardless of the AUS findings, they are limiting their underwriting practices to a cap of 45% DTI. FSB will be following this guidance when a loan requires PMI. If a loan does not require PMI, we will follow the AUS findings for the ratios.

If you have any questions regarding this information, please feel free to contact mtgsupportcenter@flanagansstatebank.com.

Sincerely,

Flanagan State Bank TPO Division Management