

Toni Pierce

From: Toni Pierce
Sent: Friday, April 19, 2019 11:20 AM
To: Sales; Mortgage Support; PawPawOps; Dave Weber; Joshua Heinrich; Justin Yahnig; Rebecca Moorehead; Robert Anderson; Toni Pierce; Wayne Pierce
Subject: Retail Important Updates!
Attachments: VA Cash Out Refi Cheat Sheet.pdf; VA Entitlement Calculation.pdf; VA_LoanLimitCalculator 2019.xlsx; VA High Balance & Jumbo Loan Sizes - retail.pdf; Closing Day FPM.pdf; Borrower Commandments FPM.pdf; Home Loan Start to Finish FPM.pdf; Understanding Your Purchase Agreement FPM.pdf; Understanding Gifts FPM.pdf

Good morning! I wanted to share the recent updates we have had with everyone. Last week I shared the Jumbo information with everyone. Anything created can be found on the website at www.myfsbretail.com. Most new docs and matrix's will be available at the Mtg Support & Resources page. The Doc Library is towards the bottom of the page.

Today's updates focus on the VA High Balance loans, VA Cash out updates and sharing of documents other branches use.

VA High Balance Loans

If you do VA loans, this is a good read for you! This will advise you on the details you need to know for loan amounts above the conforming limits. We all want these loans, hopefully this will allow you to be ready when you have an opportunity to get one! Please read through the VA High Balance & Jumbo Loan Sizes document to have an understanding of these larger loan amounts. This information is also on the retail website under the Mtg Support & Resources page.

VA Cash Out

VA is updating their handbook! The updates are minor and often challenging to note in the handbook, but as we come across information we will be passing it along. The first of these updates is to the VA Cash out loans. And, one of the MOST IMPORTANT items to note is that VA no longer will allow the LTV to exceed 100%. The loan amount must include the Funding Fee and base loan amount plus funding fee cannot exceed 100% LTV. This is different as the loan amount used to be able to allow the base loan amount to go to 100% and then add on the funding fee. This is no longer applicable. The Funding Fee must be part of the 100% LTV. We have a cheat sheet and the matrix has been updated to reflect the changes: The updated matrix and cheat sheet have been added to Mtg Support & Resources page.

Refinance – Cash Out	Loan seasoning must be met to proceed with a refinance loan: VA will not guarantee a refinance loan if the loan being refinanced has not been properly seasoned. This requirement applies to all cash out loan types. A loan is considered properly seasoned on the later of the date that is:
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- 210 days after the first monthly payment is made, and
- 6 monthly payments have been made on the loan

Effective 2/15/19 and after, VA will no longer guaranty refinancing loans when the loan amount exceeds 100%. If the Veteran chooses to close a loan in which the loan amount exceeds 100% of the reasonable value of the property (as determined by the NOV), the Veteran must pay the loan amount which exceeds 100% of the property value at loan closing.

LTV Calculation for Cash Out Loans: divide the total loan amount (including VA Funding Fee, if applicable) by the reasonable value on the NOV (Notice of Value) of the property as determined by the appraiser.

Types of Cash Out Loans:

Type I Cash Out Refinance – a refinancing loan in which the loan amount (including VA Funding fee) does not exceed the payoff amount of the loan being refinanced.

Type II Cash Out Refinance – a refinancing loan in which the loan amount (including VA Funding fee) exceeds the payoff amount of the loan being refinanced.

Net Tangible Benefit Test (NTB)

Lenders must ensure that all cash-out refinancing loans pass a NTB, which includes the Veteran with the following information no later than the third business day after the Veteran's loan application, and again at loan closing:

- The refinancing loan satisfies at least one of the following 8 NTB:
 - (1) The new loan eliminates monthly mortgage insurance public or private, or monthly guaranty insurance
 - (2) The term of the new loan is shorter than the term of the loan being refinanced
 - (3) The interest rate on the new loan is lower than the interest rate on the loan being refinanced
 - (4) The payment on the new loan is lower than the payment on the loan being refinanced
 - (5) The new loan results in an increase in the borrower's residual income
 - (6) The new loan refinances an interim loan to construct, repair the home
 - (7) The new loan amount is equal to or less than 90 percent of the reasonable value of the home or
 - (8) The new loan refinances an adjustable rate loan to a fixed rate loan
- A comparison of key loan characteristics or terms for the existing and refinancing loan including:
 - 1) Refinancing loan amount vs the payoff amount of the loan being refinanced
 - 2) Loan type (i.e., fixed, adjustable) of the refinancing loan vs the loan being refinanced
 - 3) Interest rate of the refinancing loan vs the loan being refinanced
 - 4) Loan term of the refinancing loan vs the loan being refinanced
 - 5) The total the Veteran will have paid after making all payments (principal and interest), and the mortgage insurance, as scheduled, for both the refinancing loan and the loan being refinanced
 - 6) LTV of the refinancing loan vs the loan being refinanced
- An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of the home equity may affect the Veteran's financial situation

Fee Recoupment

This requirement only applies to Type I Cash Out refinancing loans made to refinance an existing VA loan. The recoupment period of all fees, closing costs, expenses (other than taxes, escrow, insurance and like assessments) and incurred costs must not exceed 36 months from the date of loan closing. The lender must certify the recoupment period to VA on a Loan Guaranty Certificate.

Recoupment Calculation

Divide all fees, closing costs, expenses and incurred costs (excluding taxes, escrow, and like assessments), by the reduction of the monthly principal and interest payment result of the refinance. If the loan being refinanced has been modified, the principal and interest reduction must be computed/compared to the modified principal and interest payment

Documents Used by other Branches

I thought I would share some of the docs I have seen used by other branches, just in case others would like to incorporate into their sale flow. These are not mandatory in any way to be used. It is simply a courtesy. These documents and others can be found on the Branch Info & Resources page and Mtg Support & Resources also has a section of documents that can be used.

Let's Discuss

The last Let's Discuss that we had was well attended. We will plan on having these once a month moving forward and it will be the first Thursday of each month at 1PM CST. 😊

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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