

Pre-close Review



This applies to all Fannie Mae and Rural Development Loans

1. Increase in Loan Amount
2. Increase in Rate
3. PMI Matches Loan Amount / LTV
4. Removing or Adding Debt to be Paid
5. No New Credit was Pulled
6. Reviewing the Cd for Accuracy of Debts Required to be Paid
7. Verified Funds to Close
8. Cash Back at Closing / Limited Cash Out Refi
9. EMD Changes on the CD
10. Seller Contribution Changes on the Cd
11. Flood Insurance to be Escrowed if in Flood Zone
12. Verbal VOE's for All Borrowers
13. HOI Accurate Coverage and Proof of Payment on Cd

For additional information, please email underwriting@gonms.org

- **Property and Transaction Type:**

First mortgage, purchase money or limited cash-out refinance transaction for one-unit to four-unit properties used as the borrower's principal residence

- **LTV requirements:**

1 unit= 97%

2 units= 85%

3-4 units= 75%

** limited c/o refinance,

Note: Fannie Mae must be the owner of the existing mortgage to be eligible for 97%

- **PMI Coverage:**

25% for LTVs greater than 90% to 97%

- **Max LLPA 1.5%** (refer to the Fannie Mae Matrix) Table 5

0.00 LLPA adjustments LTV greater than 80% and credit score equal or greater than 680

- **Homeownership Education* Framework**

Exceptions to the Framework course.

HomeReady loans with Community Seconds or down payment assistance programs by a HUD approved agency.

Buyers who have already completed housing counseling prior to entering a sales contract by a HUD approved agency. Fannie Mae form 1017 (Certificate of Completion of Housing Counseling) to be completed** Lender receives \$500 LLPA credit.

For further training or questions, please email underwriting@gonms.org

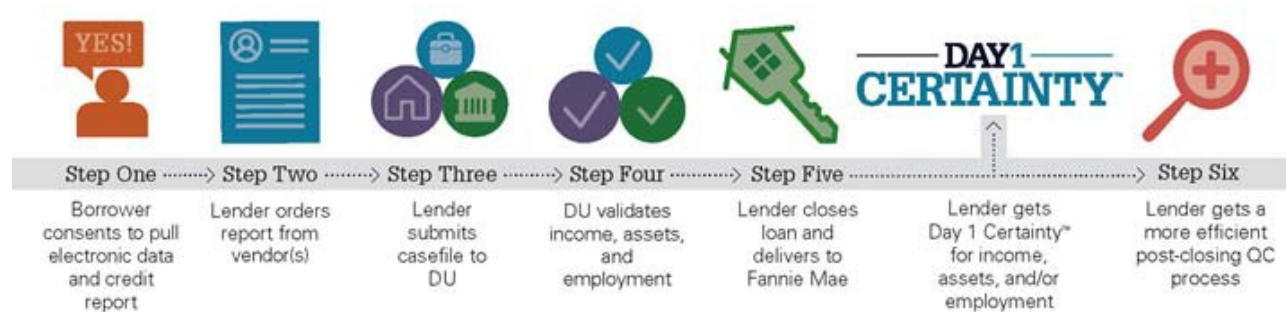
Fannie Mae - Day 1 Certainty



Components included in the Day 1 Certainty:

- Income, Employment & Assets (3rd-party vendor verification)
- PIW (appraisal waiver) issued by DU
- Collateral Underwriter (one-unit detached, attached or condo property only)
Risk score 2.5 or less

Validation services on income, employment and assets procedures:



Benefits:

- Relief of reps and warrants
- Valid with Income type: Base, Bonus, OT and Commission < 25%
- Very streamline if employer is on the Work# database
- Commission > 25% and Schedule C sole proprietorship, social security and pension income*
Tax Transcripts required
- Easy access to order through "Order Services" in Mortgage Cadence

Obstacles:

- Employer is NOT on the Work# database (no sense of urgency to contact employer) loan delayed
- VVOE has to be through same format if used for the income validation, cannot just contact employer
- Have to cancel order with Work# prior to receiving success status or Work# information takes precedence. (cannot use p/c, W2 etc. at that time)
- Service is NOT offered for Self-employed with Partnership, Corp. etc.
- Transcripts for Joint Tax Returns (not all tax filers are borrowers)
- Lenders entering Employment and Income data correctly (will receive no match from vendor)

Lender Responsibilities:

- "Opt-in" to participate
- Must have a relationship and entered into a contract with an authorized supplier or distributor
- Lender/Vendor agreement must allow for the supplier to share the info with Fannie Mae for use by DU validation service
- Must establish procedures and controls to manage and monitor the vendors

For further explanation and guidance, please contact us at: underwriting@gonms.org

Rural Development



Guaranteed Loan Program

- Loan Terms
- Credit Requirements
- Waiting Period
- Income
- Assets
- Property Requirements

Fiscal Year 2020 Conditional Commitment Notice 2020

At the beginning of each fiscal year, funding for the guaranteed loan program is not available for a short period of time –approximately two weeks. USDA anticipates this brief lapse in funding to continue for FY 2020. **During the temporary lapse in funding, Rural Development will issue Conditional Commitments (Form RD 3555-18/18E) “subject to the availability of commitment authority” for purchase and refinance transactions.**

USDA TECHNOLOGY FEE IMPLEMENTATION

On **January 1, 2020** the USDA Single Family Housing Guaranteed Loan Program will begin to assess and collect a fee (aka technology fee) from lenders on each closed loan that was submitted via the Guaranteed Underwriting System (GUS). Specifically, any file submitted via GUS that is issued Form RD 3555-18E, “Conditional Commitment for Single Family Housing Loan Guarantee,” on or after January 1, 2020, will require lenders to remit a **one-time \$25 technology fee** with their loan closing package (i.e. the same time a lender currently remits the upfront guarantee fee).

System Admin Will Add This \$25 Fee to Mortgage Cadence

RD FORM 3555-21 [Click here](#) for the form.

A new form will be issued January 2020.

For further training or questions, please email underwriting@gonms.org

INCOME AND PROPERTY ELIGIBILITY WEBSITE: <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

LOAN TERMS:

- Completed Rd Form 3555-21 (Located in The Document Library)
- LTV Is Based on The Higher of The Purchase Price or Appraised Value with Max Financing up to 101%. (Includes the Rd Upfront Fee)
- Ratios 29% Housing And 41% Total Debt Ratio - A Ratio Waiver Can Be Requested; UW Discretion with Max Ratios Of 32% And 44% With Compensating Factors. Typically All Ratio Waivers Require the Borrower to Have A Minimum 680 Score.
- Zero Down Payment Required
- Borrower Does Not Have to Be A First Time Home Buyer
- 30 Year Fixed Term Only
- Income and Property Have to Meet Rd Eligibility Requirements
- The Borrower Cannot Currently Have Suitable Housing

CREDIT REQUIREMENTS:

- Minimum Credit Score 620
- At Least One Borrower Has to Have A Credit Score with A Minimum Of 2 Trade Lines with A 12 Month History
- Non- Traditional Credit Can Be Manually Underwritten with The Following:
 1. Housing Verification Plus 2 Non-Traditional Sources with A 12 Month Payment History
 2. No Housing Payment History, Then 3 Non-Traditional Sources with A 12 Month Payment History
 3. Traditional Trade Lines on The Credit Report Can Be Combined with The Non-Traditional Lines of Credit to Obtain the Required Number of Trade Lines Needed.
 4. Lease Payments with Less Than 10 Payments Are Excluded from The Borrower Total Debt Ratio
 5. Any New Debt Obtained After the Original Credit Is Pulled** Will Require the Loan to Be Downgraded to A Refer, And the UW Will Review Using the Manual UW Requirements. Documentation of the Terms and Agreement of The New Debt Will Be Required.

WAITING PERIOD:

- Foreclosure ** 3 Years from Date of Deed
- Chapter 7 Bankruptcy ** 3 Years from Discharge Date
- Chapter 13 Bankruptcy ** 12 Months from Completion Date
- Mortgage or Rent Late Payments** Greater Than 12 Months from The Most Recent 30 Day Late

INCOME:

- **ELIGIBILITY INCOME**** All Adult Household Income Considered
Highest income; using all OT, bonus, and/or commission reported for YTD or historically, whichever is the highest
- **REPAYMENT INCOME****
Qualifying income as calculated either by hourly, average etc.

Documentation required for all household income**

1. Current p/c stub (30 DAYS)
2. Most recent 2 year W2's

3. Most recent 2 year TAX TRANSCRIPTS
4. Most recent 2 year business returns (if applicable)
5. Full VOE IS (Required If 30 Days Of P/C Stubs Are Not Obtained)

ASSETS:

- Borrower (S) Most Recent 2 Months Bank Statements (Even If Assets Are Not Needed to Close)
- All Household Assets Are Required
- If Liquid Assets Are 20% Or More Of the Purchase Price, Loan Is Not Eligible (This Includes All Household Members Assets as Well)
- Gifts Are Allowed “Gifts Are Not Limited to Just Family”
- Seller Contribution Up To 6%
- Down Payment Assistance Programs Are Allowed
- Cash Back at Closing Is Allowed for All Items Paid Out of Pocket (POC) By the Borrower

PROPERTY REQUIREMENTS:

- Appraisal Order to Indicate Rural Development
- Appraiser Must State the Subject Property Meets Hud Handbook 4000.1
- Private Water System Requires A Water Test For “Bacteria and Nitrates”
- Well & Septic – An Inspection Is Not Required If the Appraiser Indicates the Distance Between the Two Meet State and Local Codes as Required by Hud Handbook 4000.1
- Remaining Economic Life of Property Must Be 30 Years
- No Limits on Lot Size with Supporting Comparable Sales
- Single Family Housing Including Condominiums That Meet Fannie Mae Guides
- Manufactured Homes
 - ** New Pilot Program for Existing Manufactured Home
 1. Must Be 400 Square Feet for The Floor Area
 2. Be Inspected Utilizing Hud Form 309-Manufactured Home Installation Certification and Verification Report
 3. No Modification or Alterations Since It Was Manufactured
 4. Unit Must Be Taxed as Real Estate

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RD FORM 3555-21 - A [new form](#) will be issued January 2020. (was released 10/31/19; must use by 11/1/19)

Effective 9/23/19:

- **Student loans.** Lenders must include the payment as follows:

- Fixed payment loans: A permanent amortized, fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed.
- Non-Fixed payment loans: Payments for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable, and other types of repayment agreements which are not fixed cannot be used in the total debt ratio calculation. The higher of one-half percent (.50%) of the loan balance or the actual payment reflected on the credit report must be used as the monthly payment in the underwriter decision. No additional documentation is required.

MISC. FYI:

Low credit score loan requests. A credit exception with supportive documentation confirming the circumstances leading to derogatory credit that attributed to the low credit score is required for all loans receiving a credit score of 639 or below. Circumstances must meet criteria, as outlined in Section 10.8 of this Chapter to be eligible for a credit exception.

For a credit waiver borrower must have 2-year work history with current employer

Private Road: RD requires a recorded easement for ingress and egress

If the borrower or borrower(s) does NOT have 12 months with the current employer, previous written or verbal VOE's are required for all other employment in the 12 months. This is for ALL loans including "accept/eligible" GUS recommendations.

If credit report expires prior to loan closing: a new credit report will have to be run and if there is any new debt, increased debt or lower credit score the file would have to be resubmitted to RD for approval.

Refer Gus findings with household member; 2 months bank statements required from non-borrower

All files require VOE and 2 years W-2s for non-borrowing household member

Gift Funds can be from anyone who is not an interested party to the transaction.

RD requires 3 YRS foreclosure/short sale/BK

Site Condo: must be on 1073 appraisal form (condo appraisal form)

Home Warranty paid by seller IS considered to be part of seller paid concession amount

RD does allow seller contributions to be used to cover tax prorations

Water test is good for 150 days: Water test can be no older than 150 days at closing.