



UHM Production Bulletin

January, 2017

Bulletin U17-0001
Issued 1/13/17

TOPICS IMPACTED IN THIS BULLETIN

FNMA and FHLMC Products	✓	FHA/VA	✓
Mortgage Insurance	✓	USDA	✓
Other	✓	Underwriting Guidelines	✓

FHA:

FHA Annual Premium Reduction, [Mortgagee Letter 2017-01](#)

HUD: FHA has announced that the lowering of the annual premium by twenty-five basis points (25 bps) effective for loans with a closing or disbursement date on or after 1/27/17. By making the change effective for active loans as opposed to a case number assignment basis, the action eliminates confusion based on previous and similar change releases.

UHM Relevance: Many loans that fund on or after 1/27/17 are eligible for a reduced monthly MIP by up to 25 bps. Case Numbers issued prior to January 27, 2017 can be manually reduced to the new MIP. Case Numbers issued on or after January 27, 2017 will reflect the new MIP.

Please note as a reminder, UHM Partners may not instruct, or encourage a Borrower or Third Party to delay a closing or request a contract extension to gain benefit from the reduced MIP.

Effective for all loans disbursed on/after January 27, 2017, Including Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA endorsed AFTER May 31, 2009			
Term Greater than 15 years			
LTV	UFMIP	Annual	Duration
<=90%	1.75%	0.55%	11 Years
>90% to <=95%	1.75%	0.55%	Mortgage Term
>95%	1.75%	0.60%	Mortgage Term
Term Less than or Equal to 15 years			
LTV	UPMIP	Annual	Duration
<=90%	1.75%	0.25%	11 Years
>90%	1.75%	0.50%	Mortgage Term
Effective for Streamline/Simple Refinance of previous FHA Mortgage endorsed ON OR BEFORE May 31, 2009 with disbursement dates on/after January 27, 2017			
Term Greater than 15 years			
LTV	UFMIP	Annual	Duration
<=90%	0.01%	0.55%	11 Years
>90%	0.01%	0.55%	Mortgage Term
Term Less than or Equal to 15 years			
LTV	UFMIP	Annual	Duration
<=90%	0.01%	0.25%	11 Years
>90%	0.01%	0.25%	Mortgage Term



UHM Production Bulletin

January, 2017

Bulletin U17-0001
Issued 1/13/17

DU for Government Loans, Release Notes for FHA

Desktop Underwriter for government loans will be updated to support the FHA 2017 loan limit changes during the weekend of January 21, 2017.

FNMA/FHLMC:

Fannie Mae DU [Release Notes](#), Version 10.0 Update

Fannie Mae has updated Desktop Underwriter Version 10.0 with the following changes:

- DU Validation Service (In review process)
- Updates to the (PIW) Property Inspection Waiver (Active)
- Property Value Representations and Warranties (Active)
- HomeReady Enhancements (Active)
- Additional updates to Align with the Selling Guide
- The enhancements will be effective as follows:
 - Details regarding loan casefiles that will receive the benefits of the DU validation service are provided below.
 - The Property Inspection Waiver enhancement will apply to DU Version 10.0 loan casefiles created on or after the weekend of December 10, 2016.
 - All other enhancements will apply to DU Version 10.0 loan casefiles submitted or resubmitted after the weekend of December 10, 2016.

Property Inspection Waiver, of Importance:

Lenders will now receive a Property Inspection Waiver (PIW) option on certain refinance loan casefiles. A PIW is a fieldwork recommendation that results in an offer to waive Fannie Mae's appraisal requirement. The PIW option has been available to only specific Lenders in the past, but with the DU Version 10.0 December Update will now be available to all DU Lenders. When a loan casefile is eligible for the PIW and the waiver is exercised by the Lender, Fannie Mae accepts the submitted value estimate as the market value for the subject property. As such, Fannie Mae provides relief of representations and warranties on the value, condition, and marketability of the property.

In order for a PIW to be considered, a prior appraisal must be found for the subject property in Fannie Mae's Collateral Underwriter® (CU™) data, and that appraisal must be associated with one of the Borrowers on the loan casefile.

Prior Appraisal Requirements:

DU will compare the address for the subject property to the property addresses found in CU. When a property address match is found, DU will then compare both the first and last names of the Borrowers on the loan casefile to the Borrowers associated with the prior appraisal. When a Borrower name match is found, DU will then use the information from the prior appraisal to determine if the loan



UHM Production Bulletin

January, 2017

Bulletin U17-0001
Issued 1/13/17

casefile is eligible for the PIW. In some cases, the prior appraisal may not be acceptable. For example, if a CU "Overvaluation Flag" was issued on the prior appraisal or the appraisal could not be scored, that prior appraisal will not be used and a PIW will not be offered on the new loan casefile.

Eligible Transactions:

The PIW offer will be considered on the transactions below.

- One-unit properties, including condominiums
- Principal residence, second home, and investment property transactions
- Limited cash-out refinance transactions up to a 90% LTV/CLTV for principal residences and second homes; up to 75% LTV/CLTV for investment properties
- Cash-out refinance transactions up to a 70% LTV/CLTV for principal residences; up to a 60% LTV/CLTV for second homes and investment properties
- Loan casefiles that receive an Approve/Eligible recommendation
- The transactions below are not eligible for a PIW.
 - Properties located in a disaster impacted area
 - Purchase, construction, and construction-to-permanent loans
 - Two- to four-unit properties
 - Loan casefiles where the value of the subject property provided to DU is \$1,000,000 or greater
 - HomeStyle Renovation mortgage loans
 - DU Refi Plus™ loan casefiles (will continue to be eligible for the DU Refi Plus Property Fieldwork Waiver)
 - Leasehold properties
 - Loan casefiles using the Affordable LTV feature
 - Cooperative units and manufactured homes
 - DU loan casefiles that receive an ineligible recommendation

[HomeReady](#) Enhancements of Importance:

Increased LTV Ratios:

The maximum allowable LTV, CLTV, and HCLTV ratios will be increased from 95% to 97% for one-unit limited cash-out refinance transactions when the mortgage being refinanced is owned by Fannie Mae (in alignment with standard DU eligibility). The requirement that the existing mortgage being refinanced be owned by Fannie Mae does not apply when the LTV is 95% or less, or when the CLTV only exceeds 95% due to a Community Seconds loan.

Lenders must inform DU that Fannie Mae owns the existing mortgage by indicating "Fannie Mae" in the Owner of Existing Mortgage field on the online loan application. In the DO/DU User Interface, this field is located on the Additional Data screen in the Full 1003. Because this indication will be used by DU to determine eligibility of the loan for delivery to Fannie Mae when the LTV, CLTV, or HCLTV



UHM Production Bulletin

January, 2017

Bulletin U17-0001
Issued 1/13/17

exceed 95%, the Lender will be required to document that the loan being refinanced is currently owned by Fannie Mae (documentation requirements are specified in the Selling Guide).

Ownership of Other Residential Property:

Because HomeReady Borrowers are now permitted to own other residential properties, the DU message issued when it appears the Borrower owns other real estate will be removed.

Changes to Eligibility for Three- to Four-unit Properties:

DU will be updated to allow adjustable-rate mortgages on HomeReady purchase and limited cash-out refinance transactions secured by three- to four-unit properties.

Homeownership Education Message Updates:

The following education messages will be updated or removed:

- The homeownership education message will be updated to reflect the three homeownership education options (through Framework, pre-purchase counseling and education from a HUD-approved agency, or meeting the requirements of the Community Seconds provider or Down Payment Assistance Program). Homeownership education will also no longer be required on refinance transactions.
- The message requiring landlord education on two- to four-unit properties will no longer be issued on HomeReady mortgage loan casefiles.

One-on-One Housing Counseling as a Compensating Factor:

DU will also be updated to provide a benefit for Borrowers that have received customized one-on-one counseling from a HUD-approved nonprofit counseling agency, as documented with Fannie Mae Form 1017, Certificate of Completion of Pre-purchase Housing Counseling. This benefit will be seen as a compensating factor for those loan casefiles with debt-to-income ratios (DTI) greater than 45% up to 50%.

In order for the Lender to indicate in DU that the HUD-approved one-on-one counseling was completed, an update will be made to the Homebuyer Education Completion Indicator. This field will include two options: 1) Homebuyer Education complete and 2) One-on-one counseling complete. For option 2, the counseling recipient must have received both pre-purchase housing counseling and homeownership education, as detailed on Form 1017.

When the Lender indicates that the Borrower met the HomeReady homeownership education requirement using one-on-one counseling (option 2), DU will issue Special Feature Code (SFC) 184 in the SFC list message. DU will also issue a message reminding the Lender to obtain a completed and signed Form 1017 to document that the Borrower has completed one-on-one assistance from a HUD-



UHM Production Bulletin

January, 2017

Bulletin U17-0001
Issued 1/13/17

approved nonprofit counseling agency.

Freddie Mac Multifamily Updates, Flood Insurance

Freddie Mac announced the revision of requirements for flood insurance to officially cite the Federal Flood Insurance Statutes as part of our Guide to foster consistency related to mandatory purchase requirements, add coverage requirements for Borrower contents and personal property located within buildings in Special Flood Hazard Areas (SFHAs) requiring coverage, allow exemption for low-value structures meeting the definition of detached structures under the Federal Flood Insurance Statutes, and adjust the maximum deductible allowed for individual and blanket flood policies to reflect current market conditions.

These changes are effective with underwriting packages submitted on, or after, January 1, 2017, as well as for insurance renewals on or after January 1, 2017 for loans already in process or purchased. We are also updating a provision requiring compliance with seismic insurance requirements and insurance documentation for SBL Properties. The change is effective for insurance renewals and underwriting checklists submissions on or after January 1, 2017.

Fannie Mae and Freddie Mac Overlays

The Communications Policy Group (CPG) has reviewed and amended overlays to include the following:

- Removal of the Texas A(6) Cash-Out restriction for Fannie Mae Adjustable Rate Mortgages
- The adoption of Freddie Mac Student Loan qualifying criteria when loans are delivered to Freddie Mac

Fannie Mae and Freddie Mac Overlays have been updated in the Retail Lending Guide. The Student Loan Matrix has been updated and posted to PartnerNet to include the qualifying changes.

Transcripts for Income Validation/DU Loans

In conjunction with Fannie Mae's Announcement [SEL 2016-08](#), Conventional Conforming loans receiving acceptable Income Validation messaging in the DU Findings will no longer require processed tax transcripts for income validation provided by a Fannie Mae designated vendor. All other loans that do not have the Borrower's income validated by DU through a validation service will continue to require tax transcripts in accordance with current FAMC requirements.

W2 Wage Earner Transcripts-Conventional Conforming

The requirement for processed transcripts has been removed for Borrowers with income derived solely from W2 wages and the income type does not require tax returns. All other transcript



UHM Production Bulletin

January, 2017

Bulletin U17-0001
Issued 1/13/17

requirements remain unchanged.

VA:

DU for Government Loans, Release Notes for VA

Desktop Underwriter for government loans will be updated to support the VA 2017 loan limit changes during the weekend of January 21, 2017.

VA Amendatory Clause Disclosure

UHM has previously announced and incorporated into our disclosure requirements document that a separate form is not required if the amendatory clause language is included in the purchase contract. This has not changed.

Ellie Mae recently amended the VA Amendatory Clause disclosure and added the real estate agent signature lines. The purpose of this communication was simply to notify all Partners of this change and to confirm that the real estate agent is not required to sign.

VA Title Requirements for Manufactured or Mobile Home Conveyance

VA has provided clarification of the documents required to properly provide clear and marketable title for mobile homes conveyed to the Department of Veterans Affairs (VA) per 38 C.F.R. 4300 in every state and territory in the United States. Included in the documentation requirements is the clear surrender of title and the validation the home is permanently affixed to real estate.

USDA:

GUS Loan File Review Guide

USDA Rural Development is introducing the new [GUS Loan File Review Guide](#) to reduce application processing time and help Lenders better serve the rural Borrowers in their communities. USDA's promise to maintain the program's focus on processing efficiency has prompted numerous technology improvements have been implemented with Lender assistance. Avoiding incomplete and inaccurate loan applications addresses a longstanding impediment to increased operational efficiency that impacts Customers, Operations, and the Agency. These applications divert critical agency staffing resources from the many good loan packages in our program queue.

The US Loan File Review Guide is designed to assist both participating Lenders and Agency staff by making it easier to identify and respond to incomplete and inaccurate loan applications. For Lenders assembling complete loan packages for submission to USDA, it identifies items that do not require additional verification or documentation, and also clarifies if a file:

- Requires the agency to request additional documentation from the Lender;
- Should be released to the Lender for correction;
- Requires a manual downgrade of a Guaranteed Underwriting System (GUS) ACCEPT



UHM Production Bulletin

January, 2017

Bulletin U17-0001
Issued 1/13/17

underwriting recommendation;

- Includes potential "red flag" indicators that may slow the loan approval process.

Complete applications are processed in date order received by the Agency. Loan applications that are determined to be incomplete or have inaccurate data will not be placed in line for review until they are corrected per Section 3555.107(a) and could be returned to the Lender.

Other:

Wells Fargo Jumbo Correspondent, Investor Support Suspend

UHM has made the decision to suspend the utilization of Wells Fargo Jumbo products effective 1/11/17. Wells Fargo products have been removed from the Encompass LOS and Optimal Blue on the effective date. All files previously registered with Wells Fargo will remain on track for closing and investor delivery.

Illinois Anti-Predatory Lending Certificate (Cook, Peoria, Kane and Will Counties)

As a reminder, the state of Illinois requires that all loan files within these four counties be registered and submitted to the anti-predatory lending website for confirmation the loan meets anti-predatory lending standards, within 10 days of application.

Loan Officers must complete the Housing Counseling test to receive the required certificate. Each certificate must be uploaded to the E-Folder in Encompass.

Michigan Enacts Provisions Regarding Dower Rights

The state of Michigan enacted several bills that includes repealing dower rights by providing that a dower right is abolished and unenforceable either through statute or at common law; revising reference to dower in Estates and Protected Individuals Code to reflect the abolition of dower; and removing provisions that judgments of divorce and separation maintenance include a provision in lieu of dower.

Mortgage Insurance:

Arch MI and United Guaranty are Now One Company

As of January 1, 2017, two mortgage insurance providers have merged to provide the value of private MI, and support lending partners with products and services.

United Guaranty is an approved provider of UHM and the merger will be reviewed by Vendor Management to determine the impact of this change. Further guidance will be provided through the Huddle network and the Production Bulletin.

Recent Releases:

Communications Policy Group Updates:

- Freddie Mac Overlays, 1/5/17



UHM Production Bulletin

January, 2017

Bulletin U17-0001
Issued 1/13/17

- Fannie Mae Overlays, 1/5/17
- Retail Lending Guide, 1/5/17
- Student Loan Matrix, 1/5/17
- UHM Disclosure Requirements, 1/7/17
- Michigan Site Condos, FHA, 1/9/17
- Updated Fannie Mae Selling Guide, 1/11/17
- Updated HUD 4000.1, 1/11/17
- Updated USDA 3555 Handbook, 1/11/17
- Updated Freddie Mac H33 Manufactured Housing Guide, 1/11/17

Secondary:

- Wells Fargo Suspense Notification, 1/11/17

Forthcoming Releases:

1. Updated Fair Housing Policies and Procedures
2. Updated ECOA Policies and Procedures

Reminder:

All scenarios cannot be addressed, please continually review any and all internal and external updates.