



Your Easiest Path
to Homeownership™

Issue Date 09/17/18

Effective Date As Noted

GA 2018-012

RD Commitment Authority, HARP, IRS Business Tax Transcripts, FHLMC Revisions, and Holiday Closure

Purpose

This announcement includes the following topic:

- ✓ USDA Commitment Authority
- ✓ HARP program expiration
- ✓ IRS Business Tax Transcripts
- ✓ Freddie Mac Updates to student loans, no cash-out refinances & rental income
- ✓ Columbus Day

USDA Commitment Authority

USDA has issued notice that they will begin issuing Conditional Commitments with language “subject to the availability of commitment authority”:

As happens at the beginning of each fiscal year, funding for the Single Family Housing Guaranteed Loan Program (SFHGLP) will not be available for a short period of time at the beginning of Fiscal Year 2019 (FY 2019), which starts October 1, 2018. During the temporary lapse of funding, Rural Development will issue Condition Commitments “subject to the availability of commitment authority” for purchase and refinance transactions. An upfront guarantee fee of 1 percent accompanied by an annual fee of .35 percent will apply to both purchase and refinance transactions in FY 2019.

- When funds become available, Rural Development will “Obligate” funds for Condition Commitment issued for loans subject to the availability commitment authority
- Once loans are obligated, Rural Development will process lender’s Loan Note Guarantee (LNG) request as soon as the loans are verified as being closed and all conditions of the Conditional Commitment are satisfied.

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USDA Commitment Authority, continued

- Lenders assume all loss default risk for the loan until Rural Development is able to fund it and the Loan Note Guarantee is issued.

MSI Process:

- ✓ MSI will continue to close loans with a Conditional Commitment subject to availability of funds.
- ✓ **However**, the loan may need additional documentation to ensure Guarantee post-closing
 - **Important Note:** The “LNG is subject to Congressional funding of the USDA Program; no adverse changes to the Borrower’s financial condition since the date the commitment was issued by USDA can occur or loan is subject to repurchase by Originator”

HARP Program Expiration

Due to the expiration of the Fannie Mae and Freddie Mac HARP program, DU Refi Plus and LP Open Access transactions must have an application date on or before **December 31, 2018**.

Accordingly, these loans must also be:

- ✓ Locked on or before December 31, 2018
- ✓ Delivered by March 15, 2019

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IRS Business Tax Transcripts **Effective immediately:** MSI will no longer require IRS Business tax transcripts unless the following applies:

- ✓ AUS requires
- ✓ Underwriter discretion

NOTE: The 4506T for the business(s) must still be in the loan file.

Freddie Mac Revised Student Loan Payment Calculation

Effective for Mortgages with Settlement Dates on or after November 1, 2018.

For student loans in:	Previous Requirement	New Requirement
Repayment	Use the greater of: <ul style="list-style-type: none"> • The payment on the credit report • 0.5% of the original loan balance • 0.5% of the current loan balance 	If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, OR
Deferment	Use the greater of: <ul style="list-style-type: none"> • The payment amount on the credit report • 1% of the original loan balance • 1% of the outstanding balance 	
Forbearance		

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Freddie Mac Revised “No Cash-Out” Refinance Mortgages

Effective for Mortgages with Settlement dates on and after October 27, 2018.

No Cash Out Refi Mortgages

Previous Requirement	New Requirement
Cash proceeds to the borrower (or other payee) not to exceed <ul style="list-style-type: none"> • 2% of new refinanced mortgage amount, OR • \$2,000 whichever was less 	Cash proceeds to the borrower (or other payee) up to the greater of <ul style="list-style-type: none"> • 1% of the new refinanced mortgage amount, OR • \$2,000

Freddie Mac Rental Income Requirements

The effective date for rental income requirements has been extended to March 1, 2019. The requirements were previously announced in Freddie Mac Bulletins 2017-12 and 2018-1 and announced by MSI in Guide Announcements 2018-008 (Retail) and 2018-010 (Mod Corr).

*Note: Loans underwritten using current Freddie Mac rental income guidelines **MUST** close on or before **February 28, 2019**.*

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Guide Announcement

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**Holiday
Schedule
Reminder**

MSI will be closed in observance of Columbus Day
• **Monday, October 8, 2018**

Effective Dates

As Noted within

Questions

Retail – Please contact your immediate Manager with any questions
Mod Corr – Please contact your Account Executive with any questions

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