

**BULLETIN #2016-25**

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**TO: Distribution**

**DATE: June 15, 2016**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Reminder: VVOE
- FHA TOTAL Scorecard Messaging Change for MIP
- VA FAQs from VA Lender's Conference

**REMINDER: VVOE**

**Summary:** The verbal VVOE requirement is intended to help lenders mitigate risk by confirming, as late in the process as possible, that the borrower remains employed as originally disclosed on the loan application. A change in the borrower's employment status could have a significant impact on that borrower's capacity to repay the mortgage loan and must be fully reevaluated. In order to re-verify borrower's employment prior to closing, the employer's phone number and address must be obtained independently using directory assistance or the Internet. The conversation for the VVOE must be documented. It should include the following:

- Name and title of the person who confirmed the employment for the lender,
- **name and title of the person who completed the verification for the employer,**
- date of the call
- and the source of the phone number.

Regarding the name and title of the person who completed the verification for the employer:

- For a borrower employed by a corporation or large business the most appropriate verification is completed via contacting the corporate human resources department.
- For smaller companies, the owner of the business, the payroll accountant, or similar job title that would have knowledge of current employment status should be contacted via the number independently verified.

**FHA TOTAL SCORECARD MESSAGING CHANGES FOR MIP**

**Summary:** Effective on June 11, the TOTAL Mortgage Scorecard will no longer return either Upfront or Annual Mortgage Insurance Premium (MIP) factors to an Automated Underwriting System (AUS) for subsequent return on the AUS's feedback certificate.

Applicable MIP factors are referenced in Appendix I of the *FHA Single Family Housing Policy Handbook* 4000.1.

**Link:** [http://portal.hud.gov/supportable/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1](http://portal.hud.gov/supportable/HUD?src=/program_offices/housing/sfh/handbook_4000-1)

**Effective Date:** Immediately

## VA FAQs FROM VA LENDER'S CONFERENCE

**Summary:** In the June LGY Newsletter from VA the VA addresses a number of FAQs that came up during the Annual VA Lenders Conference last month. Below are some of the FAQs and their answers:

### Amendatory Clause

**QUESTION (#9):** Is the Amendatory Clause mandatory for all purchase loans?

**ANSWER:** Yes, the Amendatory Clause is mandatory for all purchase loans. Refer to VA Pamphlet 26-7, Chapter 9, Section 1.

### Judgments

**QUESTION (#3):** VA Pamphlet 26-7, Chapter 4, Section 7c states: "Account balances reduced to judgment by a court must either be paid in full or subject to a repayment plan with a history of timely payments." What is considered "timely payments"?

**ANSWER:** A history of timely payments would be considered like any other credit obligation. Seasoning is generally 12 months. However, in certain cases when a judgment has only been in place for a few months, an underwriter could justify a shorter seasoning if the record shows the Veteran immediately addressed the judgment after it was filed and began a repayment plan without delay.

### NPS Credit

**QUESTION (#1):** Please clarify VA's policy (VA Pamphlet 26-7, Chapter 4, Section 7.c) regarding a Non-Purchasing Spouse's (NPS) credit?

**ANSWER:** The NPS's credit history does not need to be considered; however, the NPS's liabilities must be considered.

### NPS Business Loss

**QUESTION (#2):** Please clarify VA's policy regarding a loss that a NPS reports on a joint tax return?

**ANSWER:** If a joint tax return shows a business loss, then that loss will have to be deducted from the Veteran's income in both community and non-community property states. What is reported to the IRS on a joint return must be used when applying for a federally guaranteed loan. In a situation where a couple has been faced with business losses, the Veteran and his or her spouse may want to consider both being on the loan in order to potentially qualify.

### Reserves

**QUESTION (#13):** Can cash out from a refinance be counted as required PITI reserves on rental property?

**ANSWER:** Cash out from a refinance cannot be counted as the required PITI reserve on rental property. The reserve must be in the borrower's account before the loan closes. Refer to VA Pamphlet 26-7, Chapter 6.

### Road Service Agreements

**QUESTION (#11):** When Road Service Agreements are provided by state law, am I required to obtain a waiver from the RLC?

**ANSWER:** When provided by state law, Road Service Agreements are acceptable and don't require waiver requests from the RLC.

### Separation Agreements

**QUESTION (#14):** Does a separation agreement need to be signed by an officer of the court?

**ANSWER:** Lenders have latitude to use their judgment and expertise when processing and approving VA loans. In this situation, a lender should make an informed decision based on local law and available information, while documenting the reasoning behind the decision.

### **Spousal Support**

QUESTION (#12): Is spousal support treated as a reduction in income or as a liability?

ANSWER: Spousal support may be treated as a reduction in income; however, child support is treated as a liability. Refer to VA Pamphlet 26-7, Chapter 4.

### **Student Loan Payments**

QUESTION (#7): How should an underwriter address the payment on student loans that have no established payment?

ANSWER: We are currently reviewing this and expect to release a Circular on this topic.

### **Termite Inspection**

QUESTION (#16): Should decks be included in the inspection for termites?

ANSWER: Yes, wooden decks should be included in the inspection.

### **TRID-CD**

QUESTION (#8): If the TRID-CD changes after the Veteran signs it, does the lender have to have the Veteran sign it again?

ANSWER: The short answer is yes. The lender is required to provide the TRID Closing Disclosure no later than three business days before consummation (closing in most states) as instructed in 12 CFR §1026.19(f). The lender is required to provide a corrected CD to the borrower 3 days before consummation in certain instances, and at or before consummation if other types of changes occur, such as adjustment of costs or credits. Therefore, any changes made that require a changed CD must have the borrower's signature.

**Note:** Although not defined in VA's Q&A, this does include post consummation CDs.

**Link to full newsletter:** [http://www.benefits.va.gov/HOMELOANS/documents/docs/2016\\_newsletter.pdf](http://www.benefits.va.gov/HOMELOANS/documents/docs/2016_newsletter.pdf)

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