

# Compendium of FHA, VA, Ginnie, Fannie, Freddie Updates Including LPMI & TRID Policies

By: Rob Chrisman | Tue, Jul 7 2015, 12:23 PM

Are you in debt? You're not alone - and check out this [United States debt clock](#) - enough to make your stomach turn over.

Back in February the Collingwood Group wrote about President **Obama's housing plan**. "A [new survey](#) finds mortgage and housing industry professional believe President Obama's recent announcement to reduce the price of **FHA annual premiums** will have a minimal impact on the size of the home purchase market. The White House says the President's plan to reduce fees, which the FHA charges borrowers, is designed to help jump-start the housing market. But 47% of respondents to the Collingwood Mortgage Outlook Report for February say that President Obama's estimate that 250,000 new mortgage borrowers will be added as a result of a reduction in the FHA annual premium is 'too high,' while only 34% said it is 'on the mark' and 19% said it is 'too low.'

"In addition, approximately twenty-five percent of respondents opined that this announcement was **more of a political move** by the Obama administration than a major change in the market. They said the impact, while positive, will be minimal." In something more prescient, False Claims Investigations placed first on the survey's list of the most concerning type of FHA monitoring and associated enforcement actions."

Moving through the months, FHA reported that it has updated the [Settlement Certification](#) model language document, formerly known as the Addendum to HUD-1 Settlement Statement, to conform to the future replacement of the Settlement Certification form. **FHA erroneously** reported that mortgagees must begin using the model language in the Settlement Certification for FHA-insured Title II forward mortgages closed on or after August 1, 2015. The actual language, however, should have read: Mortgagees must begin using the model language in the Settlement Certification for FHA-insured Title II forward mortgage applications received on or after August 1, 2015.

FHA published its [final Servicing and Loss Mitigation \(servicing\) section](#) for Title II Forward Mortgages and the **Servicer Tier Ranking** System II (TRS II). These servicing-specific sections are the next in a series of SF Handbook updates and additions that continue FHA's progress toward a single, authoritative source of Single Family Housing policy. The policies in these sections become effective on March 14, 2016.

FHA posted its [Single Family Housing Policy Handbook \(Handbook 4000.1\) Information Page](#) which includes new Frequently Asked Questions (FAQs)\* dealing primarily with the published sections of the Single Family Housing Policy Handbook (SF Handbook; [HUD Handbook 4000.1](#)) that are scheduled to go into effect on September 14, 2015.

**Ginnie Mae** has added "Ginnie Mae Reform Document Custody Policies to Enhance Risk Management Program." Click the link to view the [Ginnie Mae press release](#).

FHA's [Loan Quality Assessment Methodology](#), also known as "**Defect Taxonomy**", which explains how FHA intends to categorize loan defects found in Single Family FHA-endorsed loans, is available for review. The taxonomy is part of FHA's effort to provide greater clarity and transparency to Single Family FHA-approved lenders, and to encourage lending to qualified borrowers across the credit spectrum. Defect Taxonomy includes: identifying a defect; capturing the sources and causes of a defect and assessing the severity of a defect. The schedule for implementation has not been determined.

As announced in its March 26, 2015 [Mortgagee Letter 2015-08](#), mortgagees will be **required to use the EAD portal** to submit appraisal data to FHA for all case numbers assigned on or after June 27, 2016. In order to migrate to the portal before the mandatory use date, mortgagees must register for one of the available migration phases to be established by FHA. Familiarize yourself with the new process by clicking a link: New, pre-recorded, self-paced training accessible from FHA's [SF Archived Webinars](#) web page: [FHA Training for Lender Users: 100 - FHA Electronic Appraisal Delivery \(EAD\) Portal](#); [FHA Training for Lender Administrators: 101 - FHA Electronic Appraisal Delivery \(EAD\) Portal](#). Fact sheets and user guides available on the [EAD Resources](#) web pages: [FHA EAD Lender Admin Guide](#) and [FHA EAD General User Guide](#). Revised [EAD Hard Stop Checks and Error Messages](#) fact sheet. [EAD Overview](#), [EAD Administrator Role](#), and [EAD Data Formats and Forms](#) fact sheets.

**Sun West** updated its Sunsoft system to allow loan submissions and locks on FHA Streamline Refinance loans with odd amortization terms from 16 to 29 years allowing Customers to lower their monthly mortgage payment without increasing their term back to 30 years. Log into [Sun West's Sunsoft system](#) for details.

FHA is **extending** the implementation dates for the policy changes originally announced in [Mortgagee Letter \(ML\) 2015-07: Trial Payment Plans Associated with HUD's Loss Mitigation Loan Modification Options for Forward Mortgages](#), issued on March 18, 2015. The policy

changes announced in ML 2015-07 will now become effective with the Servicing section of the Single Family Housing Policy Handbook (HUD Handbook 4000.1) and on a date that will be established at the time of publication of that handbook section.

In **Ginnie Mae** news, two new bulletins were posted. [Single Source for Platinum Pools Disclosure Data](#) and [Discontinuing the Legacy Pool-Level Disclosure Files](#).

What is the latest news out of **Fannie & Freddie**? The popular press seems to have latched on to [raises received by their CEOs](#).

Fannie Mae has published its [Selling Notice Area Median Incomes 2015](#) implementation in Desktop Underwriter has been scheduled for the weekend of Aug. 15, 2015. Lenders are required to use these AMIs to determine borrower eligibility for MyCommunityMortgage® (MCM®) loans.

[Mortgage lenders are more optimistic about 2015 than mortgage consumers](#), according to the Fannie Mae quarterly survey of lender sentiment.

**Citi Correspondent Lending** will be implementing changes to Best Efforts and Single Loan Mandatory as well as Mandatory Pricing (AOT, Direct and Block Trades). New Loan Level Price Adjusters (LLPAs) will be applicable for all conventional loans - existing pipeline, new registrations and new commitments - effective July 30, 2015. Updated LLPAs will be applied to all conventional loans purchased on and after July 30, 2015, regardless of registration, lock or commitment established date.

**Fannie Mae** and **Freddie Mac** released **updated capital standards** for lender-paid mortgage insurance (**LPMI**) in an update to the Private Mortgage Insurer Eligibility Standards (PMIERS). LPMI written after January 1, 2016 will have additional capital charges of either 10% or 35% depending on the LTV of the mortgage. This should reduce industry usage of LPMI since mortgage insurers will be required to use a multiplier of 1.1x for LPMI with an LTV above 90 and 1.35x for LPMI with an LTV equal to or below 90 on the otherwise applicable risk-based capital requirements. Watch those LPMI premiums go up.

**Wells Fargo Funding** has updated its overlays regarding Payoff of Revolving Debt on Conventional Conforming Automated Underwritten Loans; Refinancing Loans Seasoned Less than One Year on Conventional Conforming Automated Underwritten Loans and Overlay Removal and Policy Update regarding Discount Point Fee Disclosure Requirement. Also updated, Policy expansions regarding High Balance VA Loan Program Requirements; Payoff of Revolving Debt on Conventional Conforming Manually Underwritten Loans, and no Usable Credit Score on Conventional Conforming Manually Underwritten Loan. [Use your Log-in on Wells Fargo website for details](#).

Fannie Mae has updated its Selling Guide and [TRID Disclosure Policy](#). The Guide includes updates to **unreimbursed employee** business expenses, stocks, bonds and mutual funds, tip income, use of IRS W-2 transcripts in lieu of W-2's, permitting prepayment penalties on subordinate liens and seller/servicer net worth and liquidity requirements. The Selling Guide has also been updated to reflect the use of the Closing Disclosure and Loan Estimate as Fannie Mae will not require that the borrower and seller sign the CD or LE but lenders may obtain borrower and seller signatures, which Fannie Mae supports as best practice, particularly for the CD.

Fannie Mae's [June 2015 Economic Housing Outlook](#) reports that the U.S. is facing a moderate rebound in economic growth in the current quarter despite a temporary drop in activity seen in Q1. Economic growth should reach to 2.4 percent annualized in Q3 before climbing to 3 percent in the latter half of the year due to growth in employment and household income. The drop in oil prices could also be indicative of a delayed surge in consumer spending. Fannie Mae's Chief Economist suggests that total housing starts and total home sales in 2015 should rise about 10 and 5 percent, respectively and mortgage originations should increase 23 percent to \$1.46 trillion.

Freddie Mac published its [June 2015 U.S. Economic and Housing Market Outlook](#). The outlook suggests that single-family Mortgage Debt Outstanding (MDO) will increase this year alongside the growth in home prices and home sales. The cash share of home sales are also expected to decline, accelerating the single-family MDO growth within the next two years. According to an analysis by Freddie Mac, the resale of existing home results in an increase in aggregate mortgage debt of 30 percent with each new home purchase loan. The increase in mortgage debt is a sign that the economy and housing markets are returning to normal levels but Freddie Mac believes the homeownership rate may decline as demographics trump demand in the coming year.

The [June Multi Indicator Market Index \(MMI\)](#) points to a recovering housing market, with the most recent spring season boosting housing markets nationwide. The national MMI index reached 78.7 which normally suggest a weak housing market but is an improvement from March to April. The YoY level has improved 3.57 percent but is still off from its high of 121.16 in 2010. More than half (26) of the 50 states have MMI values in a stable range, with the top states to include North Dakota (96.3), Montana (92), Hawaii (91) and Alaska (87.4) whereas 35 of the 100 metros are in a stable range. The top five metros include Fresno (94.8), Honolulu (92.3), Austin (92.1), Los Angeles (89.1) and Salt Lake City, Texas (88.9). The metros experiencing the greatest improvement MoM were Palm Bay, Florida (+1.51%), Portland, Oregon (+1.32%) and Indianapolis, Indiana (+1.22%). The index has identified ten more metros and nine more states moving within range of their benchmark, indicative of stable housing activity.

Moving on to the markets...

Taking a broad view about Greece, everyone pretty much agrees that our Fed is in a difficult situation but that Angela Merkel's position may be direr: she has to decide whether the German people will be willing to foot the bill for a united Europe. What's it worth. Our Janet Yellen only has to decide whether Fed credibility and legitimacy about "data dependency" and "getting behind the curve" can survive backing off a long delayed liftoff. And under the "be careful what you wish for" heading, our rates headed lower to start the week after Greece voters rejected the latest proposal from their government's official creditors and Greece's finance minister set sail. Who cares about stuff like ISM Non-manufacturing or Employment Index numbers?

But today is a new day. There is little in the way of market-moving news coming out - maybe the trade balance figures have a shot. We do have a \$24 billion 3-year note auction. We had a 2.29% close on our 10-year and this morning we're at 2.24% and agency MBS prices are better by nearly .250. And yes, the deterioration in Greece, and the problems in other countries, continues to dominate the news.

### Jobs and Announcements

On the Ops job front in Northern California, "Join the winning team that just partnered with the Sacramento Kings! We are experiencing growth on all levels. If you're looking for stability, career development, great benefits, new challenges, an amazing corporate culture, then [Golden 1 Credit Union](#) is the place for you. We recruit and employ "top talent"! Our Home Loans Team is growing and we are looking for experienced professionals in the areas of underwriting, processing, doc drawing, and funding. If you are specifically looking for a role within Home Loans, feel free to e-mail your resume directly to [Lori Guerrieri](#) or by contacting her on LinkedIn. Feel free to visit our Career Center for [a list of all available jobs](#)."

And Dr. Rick Roque spoke at the MBA Emerging Market conference held just over a week ago in Washington DC. His focus was Mortgage Banking Retail growth in emerging markets, defined as Blacks, Hispanics and Latinos. "When you add the 90M millennials, coupled with traditionally underserved communities, there is a \$400B Retail market that is essentially ignored by most non-depository lenders - the fear in these markets rests in a hidden racism that lies in the shadows of credit criteria and underwriting overlays," says Dr. Roque.

"Underwriters need to be trained to better and more flexibly account for varied income sources and companies need to invest heavily in recruiting and training a new generation of loan officers who mirror these communities". Dr. Roque is heavily investing in Florida, Texas, New Mexico, Arizona and California to support Retail Production growth for MIMutual Mortgage in these markets. If your Retail Production team or company is interested in being acquired, for a confidential discussion, call [Dr. Rick Roque](#) at 408.914.5895.

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