

TOWNE MORTGAGE COMPANY

BULLETIN

TO: Our Valued Clients

DATE: January 13, 2016

SUBJECT: NSF/Overdraft Fees on FHA Loans

BULLETIN: 16-02

***** IMPORTANT NOTICE *****

During a recent origination audit, FHA cited Towne Mortgage for failure to address situations where borrower's bank statements show overdraft fees (NSFs). We have recently received an indemnification request with a similar finding.

FHA guidelines state a manual downgrade to Refer/Eligible becomes necessary if additional information, not considered in the AUS decision, affects the overall insurability of the mortgage that is otherwise rated as Approve/Eligible. It is becoming clear that FHA is taking NSFs **seriously** and expects lenders to consider NSF fees on borrower's bank statement when analyzing the ability and willingness to make timely mortgage payments. This is REGARDLESS of whether the loan has Approved/Eligible findings and regardless of when the fees were incurred.

Therefore, effective immediately underwriters will condition for an explanation for any overdraft fees on borrower's bank statements AND/OR YTD overdraft fees, even if the loan is approved/eligible through the AUS system. Excessive NSF fees may result in denial of loan, especially if other risk layers exist.

Please contact your Account Executive with any questions regarding these changes.

Thank you,
Operations Group
Towne Mortgage Company