

TOWNE MORTGAGE COMPANY

BULLETIN

TO: Our Valued Clients

DATE: March 27, 2017

SUBJECT: Fannie Mae Selling Guide Changes

BULLETIN: 17-03

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

We are pleased to announce that Fannie Mae has made **positive** guidelines changes. The following changes are effective immediately:

Student Loan payment calculation:

If a payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the credit report does not identify a payment amount (or reflects \$0), the lender can use either 1% of the outstanding student loan balance, or a calculated payment that will fully amortize the loan based on the documented loan repayment terms.

This policy applies whether the student loan is deferred or not.

Debts paid by others

Fannie Mae has simplified their requirements for excluding non-mortgage debts from the debt-to-income ratio. Non-mortgage debts include debt such as installment loans, student loans, and other monthly debts.

If the lender obtains documentation that a non-mortgage debt has been satisfactorily paid by another party for the past 12 months, then the debt can be excluded from the debt-to-income ratio. **This policy applies regardless of whether the other party is obligated on the debt.**

Student Loan Cash out Refinance

Fannie Mae is introducing the student loan cash-out refinance feature, a cost-effective alternative to use existing home equity to pay off student loan debt. This feature provides the opportunity for borrowers to pay off one or more student loans through the refinance transaction, potentially reducing their monthly debt payments. The loan-level price adjustment that applies to cash-out refinance transactions will be waived when all requirements have been met.

The student loan cash-out refinance feature contains elements of both a cash-out refinance and a limited cash-out refinance transaction as described in the table below. The loan must be submitted to DU as cash out refinance. Special Feature Code 841 will be used to identify and deliver these loans to Fannie Mae.

| STUDENT LOAN CASH OUT REFINANCE FEATURES | | |
|--|---|--|
| Student Loans Eligible for Payoff | <ul style="list-style-type: none"> At least one student loan must be paid off. Loan proceeds must be paid directly to the student loan servicer at closing. Only student loans for which the borrower is personally obligated can be paid through the transaction. Student loan debt must be paid in full with the proceeds – partial payments of student loan debt are not permitted. | New policy |
| Eligibility | The standard cash-out refinance LTV, CLTV, and HCLTV ratios apply per the <i>Eligibility Matrix</i> | Aligns with cash-out refinance |
| Underwriting Method | DU only | New policy |
| Maximum Cash Back | Lesser of 2% or \$2k (over and above the student loan payoff) | Aligns with limited cash-out refinance |
| Mortgage Payoff | 1 st mortgage and purchase-money seconds | Aligns with limited cash-out refinance |
| Other Requirements | <ul style="list-style-type: none"> Property cannot be listed for sale at time of disbursement Payoff of taxes ineligible unless escrow account is established Payoff of delinquent taxes ineligible | Aligns with limited cash-out refinance |

Properties listed for sale in the last six month

The current policy on cash-out refinances has been updated to eliminate the additional eligibility restrictions that apply when a property has been listed for sale in the previous six months. With this update, properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan.

Truncated Asset Account numbers

We are updating our policy to permit truncated account numbers that display at least the last four digits of the borrower's asset account. This change will help provide a greater degree of protection of borrowers' non-public information.

Truncated or masked account numbers for bank and portfolio or investment accounts where at least the last four digits are displayed are permissible on the loan application, in DU, and on asset documentation, including verification reports obtained through the DU validation service.

Please contact your Account Executive with questions.

Operations Group
Towne Mortgage Company