



May 2019 Origination Rules Update Overview

Dear Client,

One of TENA's goals is having timely communication with our clientele, making sure you are aware of recent industry changes and what modifications TENA implemented to stay on top of the ever changing QC requirements. This overview contains information regarding the biggest changes we've seen over the last month and specifies what we've done in response those changes.

The following guidelines have been incorporated as part of TENA's May 2019 testing script updates for Origination:

FHA

- [FHA Mortgagee Letter 2019-05](#)

This Mortgagee Letter eliminates the 10-year protection plan requirements, allowing borrowers to qualify for FHA mortgage insurance on high loan-to-value mortgages where the dwelling was not approved for guaranty, insurance, or a direct loan before the beginning of construction and where the dwelling is less than one year old.

Checklist section affected: Appraisal

[FHA Rule Adoption - Removal of 10-Year Protection Plan Requirements \(12/14/18\)](#)

This rule adoption streamlines the home warranty requirements for FHA single-family mortgage insurance by removing the regulations that require borrowers to purchase 10-year protection plans in order to qualify for certain mortgages on newly constructed single-family homes.

Checklist section affected: Underwriting

[FHA Info 19-09](#)

The Federal Housing Administration (FHA) published an update to its *Single Family Housing Policy Handbook* 4000.1 (SF Handbook), the first update since December 2016. The March 27, 2019 update contains technical changes for consistency and clarity, and policy updates.

Checklist sections affected: Appraisal, Underwriting

VA

- [VA Circular 26-19-09](#)

This Circular announces revisions to VA's underwriting guidelines to remove the requirements for Internal Revenue Service (IRS) Form 2106 with the exception of Armed Forces Reservist, qualified



performing artists, fee-basis state or local officials, and employees with impairment-related work expenses. As a result of the tax law changes, the different treatment of commission income based on the percentage of employment income and unreimbursed business expenses is being removed.

Checklist sections affected: Self-Employment, Underwriting

- [VA Pamphlet 26-7, Revised Change 24 \(02/22/19\)](#)

This update announces revisions to Chapter 11 of the Lender's Handbook. Per the update, Chapter 11 has been revised to provide information about VA appraisal policies, emphasizing the importance of an accurate appraisal in protecting the interests of Veterans, lenders, servicers and VA.

Checklist section affected: Appraisal

FHLB

- [MPF Announcement 2019-19](#)

This Announcement sets forth MPF Xtra Selling Guide updates. Eligibility requirements for manually underwritten loans were updated to match recent DU Version 10.3 adjustments. In addition, the provision that a principal residence includes a property owned by parents or legal guardians of a “physically handicapped or developmentally disabled” adult child, even if they do not occupy the property, was updated to remove the terms “physically” or “developmentally,” clarifying the policy as inclusive of all disabilities.

Checklist section affected: Owner Occupancy

Fannie Mae

- [FNMA Selling Guide Ann. SEL-2019-02: Selling Guide Updates \(03/06/19\)](#)

The Selling Guide has been updated to include changes to eligibility requirements for manually underwritten loans. As a result of the adjustment to the credit risk assessment in Desktop Underwriter® (DU®) Version 10.3, Fannie Mae is making corresponding updates to our eligibility requirements for manually underwritten loans. These updates address loans with multiple risk factors, such as lower credit scores and higher debt-to-income ratios.

Checklist sections affected: Credit Report, Underwriting

Freddie Mac

- [FHLMC Bulletin 2019-05: Selling \(03/06/19\)](#)

Currently, the Guide states alimony or maintenance payments with more than 10 months of payments remaining must be included as a debt when calculating the monthly debt payment-to-income ratio. In response to seller requests, Freddie Mac reviewed and revised this requirement to reflect that alimony or maintenance payments with more than 10 months of payments remaining



must be deducted from the borrower's gross monthly income. The reduced monthly income amount should be used to qualify the borrower. Child support will continue to be treated as a debt when calculating the monthly debt payment-to-income ratio.

Checklist section affected: Underwriting

State (applicable for clients signed up for State Compliance Reviews)

- [New York - N.Y. Exec. Law § 296-a\(1\)](#)

This bill prohibits discrimination on the basis of gender identity or expression.

Checklist section affected: Other State Factors

- [Ohio Rev. Code Ann. § 1343.011\(C\)\(1\), \(2\)](#)

Ohio prohibits a prepayment penalty in connection with a 1st residential mortgage loan under a certain dollar threshold. The threshold for 2019 increased to \$91,466 (from \$89,261 in 2018). In addition, the content of the Ohio Homebuyers Protection Act Information Document has been updated.

Checklist sections affected: Note, State Disclosures

Want more TENA information? Check out TENA's Help and Support Communities page which hosts answers to commonly asked QC questions. Go to <https://www.tenaco.com/client-login/>, scroll to the bottom of the page to look at "Help & Support". If you do not have a log-in to the Help & Support Communities page yet, you are able to sign up there.

If you have any questions or would like to be removed from this monthly update, please reach out your specific Solutions Desk Advisor or contact Solutions@tenaco.com.

Thank you,

TENA's Solutions Desk