

# WHOLESALE BULLETIN

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## 19W-101

Attention: AEs, Business Development Managers & Mortgage Brokers December 2, 2019

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: Multiple UW Guideline Additions and Changes – November

### What's New?

The following Underwriting Guideline changes have been implemented within the UW Manuals/Product Matrices (Note: these changes may not have been announced in a prior bulletin):

(Click on the link listed under "Manual Affected" below to find the topic listed in **YELLOW** within the Table of Contents.)

Topic	Manual Affected	Detail
Escrow Withholds	<a href="#">VA</a>	<p><b>Updated Section 7.9 Escrow Withholds</b> Escrow withholds are not required when the following is met:</p> <ul style="list-style-type: none"> <li>the incomplete work is limited to the installation of landscaping features due to inclement weather (lawns, shrubbery, etc.),</li> <li>the estimate of the cost to complete the work is not greater than \$2,500, AND</li> <li>there is adequate assurance that the work will be completed timely and satisfactorily (usually 90 to 120 days).</li> </ul>
Power of Attorney and Live and Well Certificate	<a href="#">VA</a>	Added New Sections: <b>9.1.10 Power of Attorney and 9.1.11 Live and Well Certificate</b>
Sales contract - Escape Clause	<a href="#">VA</a>	<p><b>Added New Section: 6.2.4. Sales contract - Escape Clause</b> The Escape Clause must be contained in the sales contract for all VA-Guaranteed Loans.</p>
Net Tangible Benefit	<a href="#">VA</a>	<p><b>Added New Section 7.6.7. Net Tangible Benefit</b> A Net Tangible Benefit is required on all VA IRRRL's.</p> <p><u>Fixed Rate to Fixed Rate IRRRLs</u> In cases where the loan being refinanced has a fixed interest rate and the refinance loan will also have a fixed interest rate, the refinance loan's interest rate must not be less than 0.50 percent (.50%) lower than the interest rate</p>

		<p>of the loan being refinanced. For example, if the interest rate of the loan being refinanced is 3.75% (fixed), then the interest rate of the refinance loan may not be greater than 3.25% (fixed).</p> <p><u>Fixed Rate to Adjustable Rate (Fixed to ARM) IRRRLs</u>  In cases where the loan being refinanced has a fixed interest rate and the refinance loan will have an adjustable interest rate, the refinance loan's interest rate must not be less than 2.00 percent (2%) lower than the interest rate of the loan being refinanced. For example, if the interest rate of the loan being refinanced is 3.75% (fixed), then the initial interest rate of the refinance loan may not be greater than 1.750% (adjustable).  In Fixed to ARM cases, discount points may be added to the principal loan amount of a Fixed to ARM refinancing loan ONLY if one of the following circumstances exist:</p>
Student Loans	<a href="#">USDA</a>	<p><b>Updated Section 6.7.8 Student Loans</b>  Must include the payment for student loans as follows:</p> <p><u>Fixed Payment Loans</u>  A permanent amortized, fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed and the repayment term is fixed.</p> <p><u>Non-Fixed Payment Loans</u>  Payment for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable and other types of repayment agreements which are not fixed cannot be used in the total debt ratio calculation. One percent of the loan balance reflected on the credit report must be used as the monthly payment. No additional documentation is required.</p>
Multiple Number of Financed Properties	<a href="#">MWF Jumbo RC</a>	<p><b>Updated Section 3.3 Multiple Number of Financed Properties</b></p> <ul style="list-style-type: none"> <li>• The borrower(s) may own a total of four (4) financed, 1-4 unit residential properties including the subject property regardless of the occupancy type of the subject property.</li> <li>• Second home cash-out transactions limit the number of financed properties to the subject property and a primary residence.</li> <li>• All financed 1-4 unit residential properties require an additional three (3) months reserves for each property, unless the exclusions below apply. 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage.</li> <li>• Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation.</li> </ul>

Maximum Number of Borrowers	<a href="#">MWF Jumbo 2</a>	<p><b>Added New Section: 2.2 Maximum Number of Borrowers</b> Maximum number of borrowers is four (4).</p>
Foreign Assets	<a href="#">Non-QM Elite</a>	<p><b>Added New Section 4.7.4. Foreign Assets</b> When the source of funds needed for closing is, or otherwise originates from, asset(s) located outside the United States and its territories:</p> <ul style="list-style-type: none"> <li>• Funds must be transferred into a United States or State regulated financial institution at least 15 days prior to the closing of the Mortgage transaction and the funds must be currently available to the borrower.</li> <li>• All documents of foreign origin must be filled out in English or the originator must provide a translation, attached to each document, and warrant that the translation is complete and accurate. Translations are to be completed by a disinterested party, artificial intelligence translations are not acceptable. If the state requires the document to be notarized, the translation will need to be completed in a live environment in order to complete the notarization.</li> </ul>
Large Deposits	<a href="#">Non-QM Elite</a>	<p><b>Updated Section 4.7.2 Large Deposits</b> Examples of acceptable documentation include:</p> <ul style="list-style-type: none"> <li>• Borrower's written explanation</li> <li>• Proof of ownership of an asset that was sold</li> <li>• Earnest money, if it is being used in the transaction, must always be documented, regardless of the date of deposit.</li> <li>• For business accounts, review the most recent bank statements provided along with business income documentation to ascertain what is normal and typical for the business. The underwriting loan file must include written documentation or the rationale for using the funds.</li> </ul>

**Refer to Underwriting Guidelines for complete details.**