

MPF Announcement

March 20, 2018 2018-19

Alert

Policy Update ■

New Policy
Reminder
Clarification
Training Information

Audience

Program Management ■

Origination ■
Quality Control ■
Servicing
Underwriting ■
Compliance/Legal ■

Product

MPF Xtra®
MPF® Direct ■
MPF Government MBS
MPF Traditional

Effective Date:

Immediately

MPF Direct Origination and Underwriting Updates

MPF Direct Select QM, Select 90 QM, and Choice QM Guides

Student Loans

Revised the monthly payment calculation for student loans. The update mirrors Fannie Mae's current approach to student loan payments.

Income/Employment Documentation

Revised requirement for tax transcripts. Current guidelines require 2 years tax transcripts to validate all income for qualifying. New guideline will allow for 2 years W-2 transcripts in lieu of tax transcripts when borrower's income is limited to strictly W-2 wages.

Also, added requirement for self-employment documentation to include a copy of the liquidity analysis if self-employment income analysis includes income from boxes 1, 2, or 3 on the K-1 that is greater than distributions indicated on the K-1. Additionally, if a liquidity analysis is required and the borrower is using business funds for down payment or closing costs, the liquidity analysis must consider the reduction of those assets.

Disability Income

Added requirements for long-term disability from a private policy or employer-sponsored policy. A copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date. If a termination date is indicated, it may not be within 3 years of the Note date.

Retirement Income

Changed time for existing distributions for IRA/401(k) or similar retirement asset to be 6 months prior to Note date. Prior guideline was 6 months prior to application date. This is for borrowers with no prior 2-year history of receipt of distributions.

Condominiums

Updated detached condominiums to no longer require project review.

MPF Direct Select QM and Choice QM Updates

Eligibility Matrix | Texas 50(a)(6)

Refinance

Removed the overlay for “retail originations only” for Texas 50(a)(6) refinances.

Jumbo Program Eligibility Supplement

Texas Owner Occupied Homestead

Removed language that allowed a rate and term refinance to pay down or pay off a tax lien. Additionally, removed the requirement for Texas 50(a)(6) loans to be retail origination only.

Tax Transcripts

Revised requirement for tax transcripts. Current guidelines require 2 years tax transcripts to validate all income for qualifying. New guideline will allow for 2 years W-2 transcripts in lieu of tax transcripts when borrower’s income is strictly W-2 wages with income sources that would not normally require tax returns be provided. See guidelines for specific details.

Closing Disclosure

Redwood requires proof of delivery, letter of explanation, and post-consummation closing disclosure (CD) must be provided to the borrower to cure/correct a defect called out during the pre-purchase review. Additionally, if the post-consummation CD is being issued due to a change in the fee disclosed pursuant to 1026.19(f)(2)(iii), a final ALTA/settlement statement will also need to be provided to ensure the fees disclosed are accurate.

Updated Exhibits

The Exception Request Form (Exhibit K-D) has been updated to require the APR to be provided. The most current version of the Exception Request Form must be used. The ULI (Universal Loan Identifier) must be entered before completing upload for the exception.

The policies described above have been incorporated into the following exhibits:

- MPF Direct Exhibit Q-D: Select QM Program Eligibility Guide
- MPF Direct Exhibit R-D: Select 90 QM Program Eligibility Guide
- MPF Direct Exhibit S-D: Choice QM Program Eligibility Guide
- MPF Direct Exhibit T-D: Jumbo Program Eligibility Supplement