

MPF Announcement

October 22, 2018

2018-50

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:

Effective Immediately Unless
Otherwise Noted

REFERENCE

The MPF Program Announces Updates and Clarifications to the MPF Direct Selling Guide and MPF Direct Origination and Underwriting Product Guides

MPF Direct Selling Guide:

The Investor for the MPF Direct Product, Redwood Residential Acquisition Corporation, has recently made updates and clarifications to their requirements which have resulted in the following revisions to the MPF Direct Selling Guide:

- Chapter 1.6.3 - Lock Extensions- Added that lock extensions may also be requested for 1 day.
- Chapter 1.7.3.2- Collateral File: Required Document Shipping and Contact Information- Updated the documents required to be sent to the custodian for Co-ops.
- Added Chapter 1.7.3.2.1 which provides the methods to prove receipt for the Final LE, Initial CD and Revised CDs requiring a new waiting period.

- Added Chapter 1.7.3.2.2 which provides the delivery and receipt requirements for non-borrowing vested individuals.
- Chapter 1.10.1.4- Flood Insurance- Added clarification that mandatory flood insurance escrows can be subject to state regulation.
- Chapter 1.10.1.13- Recasting Guidelines- The recasting guidelines have been reincorporated into the MPF Direct Selling Guide and are updated to include that there is no limit on the number of recast requests and that there is no waiting period for recast requests.
- Exhibit A-D: Mortgage File Documentation Requirements- Updated list of required documents (Exhibit A-D effective with closings on or after 9/17/2018)

MPF Direct Origination and Underwriting Updates

Redwood Residential Acquisition Corporation, has also recently made the following updates and clarifications which affect the Select QM, Select 90 QM, Choice QM Product Guides and Jumbo Program Eligibility Supplement.

Eligibility Matrix | Primary Residence | Purchase, Rate and Term Refinance

Select QM - Effective for locks on or after 10/08/2018.

- Lowered the minimum FICO score

requirement from 720 to 700 for loan amounts up to \$1,500,000 with 80% LTV/CLTV/HCLTV maximum.

- Lowered the minimum FICO score requirement from 700 to 680 for loan amounts up to \$1,000,000 with 60% LTV/CLTV/HCLTV maximum.

Eligibility Matrix | Primary Residence | Cash-Out Refinance

Select QM - Effective for locks on or after 10/08/2018.

- Added cash-out refinance transactions allowed for 2-unit properties up to \$1,000,000 with minimum 700 FICO, 60% LTV/CLTV/HCLTV maximum and cash out maximum of \$250,000.

Eligibility Matrix | Primary Residence | Cash-Out Refinance

Choice QM and - Effective for locks on or after 10/08/2018.

- Added cash-out refinance allowed for 3-4-unit properties up to \$1,500,000 with minimum 661 FICO, 60% LTV/CLTV/HCLTV maximum and cash out maximum of \$250,000.

Eligibility Matrix | Second Home | Purchase and Cash-Out Refinance

Select QM - Effective for locks on or after 10/08/2018.

- Removed footnote 5 – Second home purchases with LTVs between 75.01 and 80% limited to 20, 25, 30-year fixed rate only. All Select QM products will be available.
- Removed footnote 6 – Second home

cash-out refinances limited to 20, 25, 30-year fixed rate only. All Select QM products will be available.

Eligibility Matrix | Investment | Purchase, Rate and Term and Cash-Out Refinance

Select QM and Choice QM - Effective for locks on or after 10/08/2018.

- Increased maximum loan amount on all investment transactions from \$1,000,000 to \$1,500,000.

Underwriting Guidelines | Credit | Derogatory Credit

Select QM and Choice QM - Clarification therefore no effective date.

- Added clarification regarding credit events and what is considered one credit event or multiple credit events.

Underwriting Guidelines | Assets | Asset Requirements

Select QM, Select 90 QM and Choice QM - Effective Immediately.

- Asset verification by a Fannie Mae approved asset validation provider is allowed in lieu of 2 months statements provided by the borrower. The asset verification must provide 60 days of account activity and include all items normally indicated on bank statements.
- Added language for stock accounts to have margin account and/or pledged asset balances deducted

from available assets.

- Added reserve requirement for investment transactions with loan amounts between \$1,000,001 - \$1,500,000 (does not apply to Select 90).

Underwriting Guidelines | Assets | Reserve Requirements

Select QM - Effective for locks on or after 10/08/2018.

- Removed the requirement for additional 3 months reserves when the loan product is an ARM.

Underwriting Guidelines | Income/Employment | Retirement Income

Select QM, Select 90 QM and Choice QM - Clarification therefore no effective date.

- Added requirement for 2 years tax transcripts for retirement income.

Underwriting Guidelines | Eligible Properties | Properties with ≤ 40 Acres

Select QM and Choice QM - Clarification therefore no effective date.

- Added clarification in determining the 5-10% reduction to LTV when the subject property is over 20 acres.

Underwriting Guidelines | Eligible Properties | Non-Warrantable

Condominiums

Choice QM - Effective for loans locked on or after 10/08/2018.

- Updated non-warrantable condominiums to allow up to 50% commercial space regardless of whether commercial space is owned and controlled by an HOA that is separate from the residential HOA.

Regulatory Compliance | TRID

Jumbo Program Eligibility Supplement- Effective 10/01/2018

- Redwood has made changes to the TRID requirements below, this is in adherence to regulatory changes/updates effective 10/01/2018.

Loan Estimate

- Revised Loan Estimates – removed the following language – “However, increased charges that do not exceed the tolerance threshold and therefore do not necessarily require a revised LE may still be included in the revised LE even if the date of the changed circumstance occurs more than three General Business Days prior to the issuance of the revised LE.”
- Delivery and Receipt of Final LE – added new section – The final LE must be delivered and received prior to the delivery of the initial CD. The initial CD must be delivered at least one business day after the receipt of the Final LE. Additionally, the final

LE must be received at least four specific business days prior to consummation.

Closing Disclosure

- Rescindable Transactions – added the following language – In adherence with 1026.17(d), a table has been added that outlines the requirements when a Non-Borrowing Vested individual who has the right to rescind (typically spouse) must receive the initial CD three (3) specific business days prior to consummation. 1026.19(f)(1)(ii)(A). See actual update for table.
- Home Seller’s Closing Disclosure – removed the following language – “Seller credits (either specific or general) disclosed on the Seller’s CD should match the same credits on the Borrower’s CD.”
- Replaced with the following language - Seller credits must match on both the borrowers and seller CD as follows:
 - a) If a seller credit is attributed to a specific borrower-imposed fee than that fee must be disclosed on both the seller and borrower CD on page 2 in the Seller Paid column.
 - b) General seller credits must match as disclosed on page 1 of the seller CD and page 3 of the borrower CD in the summaries of transaction table.
 - c) All real estate related fees (sales commission, inspection fees,

- Seller Fees Required on Borrower's CD – removed the following language – “Seller real estate related fees (sales commission, inspection fees, etc.) must be included in section H of the borrower's CD.”
- Post-Consummation Tolerance Cure – removed the following language – “Redwood will not purchase any loan where a required tolerance cure or clerical correction was not delivered to the consumer within sixty (60) calendar days of consummation.”

The policies described above have been incorporated into the MPF Direct Selling Guide and 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

Loan Level Pricing Adjustments

Effective for loans locked on or after 10/08/2018.

The following updates to Loan Level Pricing Adjustments (LLPAs) will be made in conjunction with the eligibility and guideline changes:

- FICO/LTV/CLTV/HCLTV grid(s) are now purpose specific - Unique grids added for Purchase, Rate-Term and Cash-Out transactions.
- Purchase Feature adjustment no longer applies.
- Cash-Out Feature adjustment no longer applies.
- LTV/CLTV/HCLTV \leq 60% is now broken out into three (3) buckets: \leq 50%, 50.01-55% & 55.01-60%.
- FICO \geq 760 is now broken into two (2) buckets: 760-779 & \geq 780.
- Max Price on CHOICE 30YR FRM increased to 103.00 on loan amounts \leq 1.0mm.

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