

MLBWHOLESALE
 Making Lives Better

INS AND OUTS OF FHA AND VA STREAMLINES

Making Lives Better

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 NMLS #1101220

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FHA NON CREDIT QUALIFY VS. CREDIT QUALIFY

Non Credit Qualify (NCQSL):

- No Income Documentation
- No Collateral
- No Assets (unless closing costs exceed 1 month PITI)
- No AUS/Total Scorecard
- Mortgage only credit report (accepting a SOFT PULL Mortgage Credit with 3 FICO's)

Individuals may be added to the mortgage and title without a credit review however, If any existing Note Holder is removed from the new FHA Streamline, then the loan must be treated like a Credit Qualifying Streamline unless there is a Legal document such as Divorce, Legal Separation or death of an existing note holder which requires:

1. Copy of the court order or death certificate, AND
2. Proof the remaining borrower can demonstrate they have made the 6 months mortgage payments prior to the case assignment date.

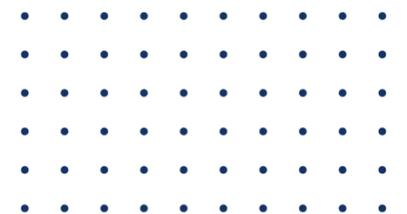


FHA NON CREDIT QUALIFY VS. CREDIT QUALIFY

Credit Qualify (CQSL):

- Income Documentation required
- Assets required
- Full Credit Report with all debts (mortgage and non-mortgage related)
- Must meet all Manual requirements such DTI(LTV and Collateral requirements are the only items not needed for CQSL)

*** If any existing Note Holder is removed from the new FHA Streamline and does not meet the exception of Divorce, Legal Separation or Death of existing note holder, then the loan must reviewed as a Credit Qualifying Streamline





FHA NON CREDIT QUALIFY VS. CREDIT QUALIFY – PRIOR FORBEARANCE EXISTS

For both NCQSL and CQSL, if a mortgage reflects payments under a Modification or Forbearance* plan within 12 months prior to the case assignment date of the New/Proposed loan, we must obtain:

1. A copy of the modification or forbearance agreement, AND
2. Evidence of the payment amount and date of payments during the agreement term
3. Must document forbearance plan has ended with 3 payments made after completing the forbearance plan



FHA SL - OCCUPANCY – OWNER OCCUPIED ONLY

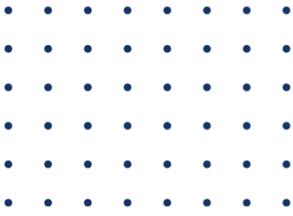
*MLB Wholesale only permits Owner Occupied FHA Streamlines



Borrower must provide 1 of the following in order to document Owner Occupancy

- An Employment Document (although this is not needed for NCQSL, we can accept to document occupancy) , OR
- Utility bills, OR
- Direct verification from a Third Party Vendor verifying borrowers address is the same as the subject property address

** If the borrower(s) are unable to document occupancy per the above, the loan would be considered an Investment Property



FHA SL - PAYMENT HISTORY AND SEASONING REQUIREMENTS

Must have made all mortgage payments on the subject property within the month due for the 6 (six) months prior to case assignment date (borrower can not be Past Due the month prior to disbursement).

If the mortgage does not appear on credit, HUD requires 12 months verified. Also:

- Borrower must have been made at least 6 (six) payments on the existing mortgage being refinanced
- At least 6 FULL MONTHS have passed since the first payment due on the note
- At least 210 days have passed from the closing date of the mortgage that is being refinance

*If the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption.



FHA NET TANGIBLE BENEFIT - NO TERM REDUCTION OR REDUCTION IN TERM < 3 YEARS

If borrower is not reducing their term OR reducing term less than 3 years, FHA requires that NTB (Net Tangible Benefit) is met by comparing the COMBINED RATE from the existing loan to the proposed/new loan. Once you determine the existing Combined Rate, you compare to the proposed/new Combined Rate and must show a minimum of 0.50% reduction from the existing to new loan

COMBINED RATE - Combined rate is when you take the interest rate on your loan and add in the MIP Rate

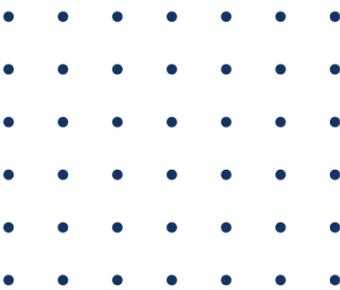
From	Fixed Rate New Combined Rate
Fixed Rate	At least 0.5 percentage points below the prior Combined Rate.



FHA NET TANGIBLE BENEFIT - NO TERM REDUCTION OR REDUCTION IN TERM < 3 YEARS

EXISTING INTEREST RATE - Found on the Note

CURRENT MIP RATE - Found on the Refinance Authorization pulled by MLB Wholesale



EXAMPLE:

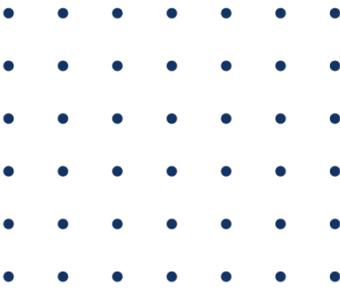
Interest rate on the existing loan is 6% and the MIP rate is 0.85% = 6.85%

Interest rate on the proposed/new loan is 5.5% and the MIP rate is 0.55 = 6.05%

The New loan COMBINED RATE is a 0.80 reduction from the EXISITNG loan, meeting the NTB requirements

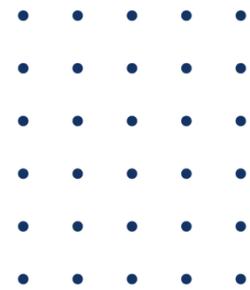


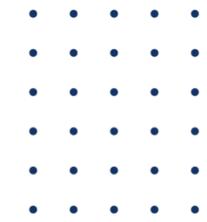
FHA SL - NET TANGIBLE BENEFIT – MIP RATE



For All Streamline refinances, the Annual MIP is 0.55%

Upfront Mortgage Insurance Premium (UFMIP)
All Mortgages: 175 Basis Points (bps) (1.75%) of the Base Loan Amount.
Exceptions: <ul style="list-style-type: none">• Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA-endorsed Mortgage on or before May 31, 2009• Hawaiian Home Lands (Section 247)• Indian Lands (Section 248)
Indian Lands (Section 248) do not require a UFMIP.

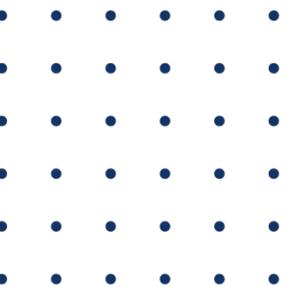




FHA SL NET TANGIBLE BENEFIT - WITH TERM REDUCTION > 3 YEARS

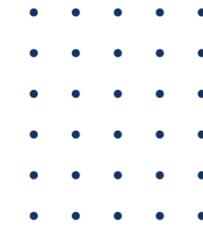
When the existing Term is being reduced by more than 3 years, to meet the Net Tangible Benefit you must:

1. Have a proposed COMBINED RATE that is below the existing COMBINED RATE
(0.50 is not the required minimum. Just needs to be less)
2. The proposed PITI+MIP payment can not be more than \$50 greater than the existing PITI+MIP payment





FHA SL MAXIMUM MORTGAGE CALCULATION - OWNER OCCUPIED ONLY



When determining your maximum loan calculation you take the LESSER of:

- Outstanding Principal Balance, PLUS:
 - Interest Due on the existing mortgage, plus
 - Late Charges (if any), PLUS
 - Escrow Shortages (if any), PLUS
 - MIP due on existing mortgage (found on the payoff if applicable), MINUS
 - any UFMIP refund (if applicable)

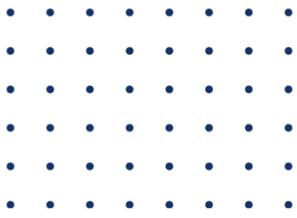
OR

- The Original principal balance of the existing mortgage (including any financed UFMIP), MINUS
 - any UFMIP refund (if applicable)



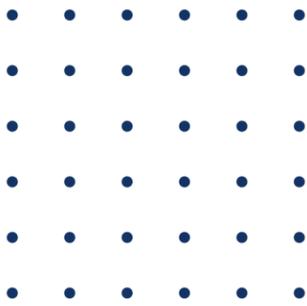
FHA SL - CASH BACK ON STREAMLINE

The borrower may receive up to \$500 cash back at closing. However if the cash back at closing exceeds \$500 than a principal reduction will be applied



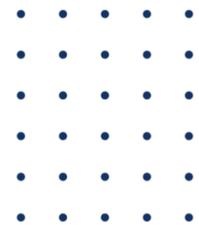


REQUIRED DOCUMENTATION FOR ALL FHA STREAMLINES



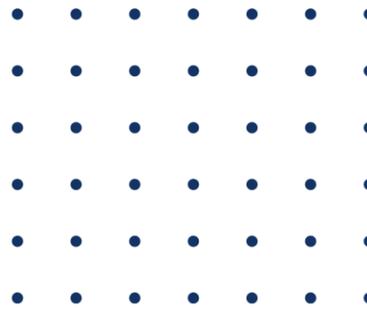
In addition to requirements noted in prior slides, all streamline refinances (NCQSL and CQSL) must have the following items prior to clearing your file from underwriting:

1. Copy Note on existing loan
2. Document occupancy (see prior slide on how to document)
3. Government Issued ID with Photo
4. Copy of SS card
5. Payoff on existing loan, good through funding of proposed loan, not to reflect more than 60 days Per Diem Interest





VA IRRRL



VA to VA refinance

- No Income Documentation
- No Asset Documentation (unless needed for funds to close)
- No Ratios
- NO TERMITE INSPECTION REQUIRED
- Maximum loan term increase can not exceed 10 years + 32 days

**If the PITI on the new loan increases greater than 20% than Full Credit Qualification is required

**VA IRRRL is for Owner Occupancy Only





VA IRRRL – NET TANGIBLE BENEFIT



1. Interest rate on the new loan must be lower than the interest rate on the existing loan being refinanced
 - a. MUST MEET 36 MONTH RECOUPMENT (Total closing costs, divided by the new monthly PI Savings must not exceed 36 months)* see following slide
2. Principal and Interest payment on the new loan must show a reduction in payment from the existing loan UNLESS:
 - a. the term of the new loan is a shorter term than the existing loan term, and/or
 - b. You are financing closing costs, and/or
 - c. Financing up to 2 discount points, and/or
 - d. Financing the funding fee

If the PITI is increasing more than 20% we must determine borrower qualifies for the new payment AND must have veteran sign a certification acknowledging the increase in payment and their intent to pay



RECOUPMENT

VA requires that the borrower has 36 months recoupment to qualify for a VA IRRRL. This means, all closing costs divided by the new PI Monthly savings can not exceed 36 months

All closing costs that are included in this calculation are listed here →

<u>Included FECC</u>	<u>Excluded FECC</u>
<ul style="list-style-type: none"> • Allowable fees and charges <ul style="list-style-type: none"> - Included in the loan amount - Paid outside of closing • Credit report (if required) • Appraisal fee¹ (if applicable and the lender requires Veteran to pay) • Reasonable discount points <ul style="list-style-type: none"> - Included in the loan amount - Paid outside of closing <p>Note: Lender credits may be used to offset allowable fees and charges (including discount points).</p>	<ul style="list-style-type: none"> • VA funding fee • Per diem interest • Escrow • Prepaid expenses <ul style="list-style-type: none"> - Insurance - Taxes (including delinquent taxes) - Special assessments - Homeowners' association (HOA) fees <p>Note: This is not an all-inclusive list of prepaid expenses.</p>



VA IRRRL – INTEREST RATE REDUCTION WORKSHEET (IRRRL WS)

VA Allows all loan balances plus any Late payments or charges per payoff, up to 2 discount points financed, cost of energy efficient improvements AND the VA funding Fee

*If including delinquent payments in the loan, the loan must be sent to VA for prior approval



VA IRRRL – REQUIREMENT DOCUMENTATION



The following documentation is required on all VA IRRRLS:

- Copy of Existing Note
- Government issued ID with Photo
- Copy of SS card
- Mortgage only credit report with 3 FICO scores (accepting a SOFT PULL Mortgage Credit with 3 FICOs)
- Payoff reflecting no more than 60 days per Diem Interest
- Veteran to sign a Veterans Statement acknowledging the effect of the refinancing loan on the veterans loan payments and interest rate



WHEN **ASSETS** WILL **NOT** BE NEEDED



If the funds to close exceed the total Mortgage Payment of the new Mortgage, the mortgage must verify the full amount of the Borrower's funds to close in accordance with Sources of Funds.



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