



Important Update – Government Shutdown

Government Shutdown – Guidance and Temporary Changes for Flanagan State Bank programs

In response to the shutdown of the federal government, Flanagan State Bank is providing guidance and implementing *temporary changes* to underwriting and purchase requirements for loans closed during this event. FSB will continue to monitor the shutdown and provide further guidance as needed.

Flanagan State Bank Products – Guidance

Fannie Mae & Freddie Mac: There is little to no impact expected to the GSE's during the government shutdown. Loans may proceed during this time period. Refer to temporary changes in this memo for further instructions and guidelines.

FHA Loans: HUD is on the list of Federal Department shutdowns therefore, be prepared that FHA TOTAL Scorecard, Case Numbers and Endorsements may have limited or no functionality. Support personnel at HOC locations will be limited, if available at all. With proper documentation and underwriting to FHA guidelines, loans may proceed during this shutdown period. Refer to temporary changes in this memo for further instructions to FSB guidelines.

VA Loans: VA is expected to function as normal. Case Number assignments, Appraisal ordering, etc are currently functional. With proper documentation and underwriting to VA guidelines, loans may proceed during this shutdown period. Refer to temporary changes in the memo for further instructions to FSB guidelines.

USDA Loans: USDA offices are closed during the shutdown period. Loans must have Conditional Commitment from USDA Office in file prior to loan closing or loan delivery to FSB. Loans without a USDA Conditional Commitment cannot close or be purchased by FSB during the shutdown.

Temporary Guideline Updates

Temporary procedures apply to FNMA, FHLMC, FHA and VA loans. These changes are effective immediately for loans with note dates on or after December 22nd, 2018 and are in effect through the government shut down period.

Tax Transcripts: FSB is temporarily suspending the requirement for IRS Tax Transcripts to close a mortgage loan during the shut down period. This is for note dates during the government shut down only. In addition, IRS Tax Transcripts will not be required for loan delivery to FSB through our third party channels for loans with note dates during the shut down period. Please note that ALL files will require a valid and correct 4506T form to be signed as part of the application process. A 4506T form will also be required at closing, which is standard procedure with FSB. Please note that FSB may execute the 4506T forms when the IRS is available after the shutdown. Loans with discrepancies may be subject to repurchase. During this time, we will condition for tax returns on all files to help alleviate any discrepancies on files and validate income to the best of our abilities.

USDA loans will still require tax transcripts prior to funding. As USDA is currently shut down and not operating, the transcripts should be able to be obtained prior to funding. If there is an issue when the government shut down ends, we will review USDA tax transcripts on a case by case basis. All USDA files should be prepared to order tax transcripts as soon as the shut down is over to help eliminate any delays.

Verbal Verification of Employment: All VVOE's need to be updated for closings that take place after 12/22/2018. Loans are ineligible for loan sale or loan guarantee without accurate and up to date income verification in file, including but not limited to, a verbal verification of employment.

Loans may not close if the borrower(s) are employed by the federal government and verification is not able to be obtained within 10 days prior to closing for verbal verification of employment.

Borrowers on Mandatory Furlough from their jobs must return to work prior to closing in order to use the income for qualification purposes. FSB will also require:

- Verbal verification of employment reflecting that the borrower has returned to work under the same terms as prior to furlough
- Updated paystubs may also be required verifying that the borrower has returned to work and supporting the qualifying income used for the loan

If the borrower is in the military, a military Leave and Earnings Statement (LES) dated within 30 days of closing is acceptable in lieu of a VVOE.

Social Security Number Validation: This requirement remains unchanged. Social Security number discrepancies must be clarified and if clarification includes validation through the Social Security Administration this will not be waived.

Flood Insurance: *As of December 28, 2018, all NFIP insurers have been directed to resume normal operations immediately and advised that the program will be considered operational since December 21, 2018 without interruption.*

Although the National Flood Insurance Program (NFIP) received funding through May 2019, historically it is closed during the shutdown. However, the requirement for flood insurance remains unchanged for loans. Loans that are in need of a renewal of flood insurance or a new policy issued are unable to be closed or purchased by FSB without applicable flood insurance coverage in place.

When flood insurance is required utilizing National Flood Insurance Program, proof of a complete current "in-force" flood insurance policy, with content enough to be able to determine adequacy of coverage and appropriate dates of coverage that is dated on or before December 21, 2018 is required.

Policies from private insurers are not impacted by NFIP expiration and are an acceptable form of flood insurance. In areas that NFIP coverage is available, the insurance must be from NFIP. If the borrower is unable to provide acceptable documentation of flood insurance coverage for the minimum amount required, the loan is not able to close or be purchased by FSB.

FSB will accept evidence of Flood Insurance using a complete application for flood insurance (NFIP) signed by the insurance agent whose content is sufficient to be able to determine adequacy of coverage, appropriate dates of coverage and a paid receipt with premium information clearly stated. When the premium will be paid at closing, an invoice for the amount due will be required.

If there are any questions regarding the information contained in this notice, please contact your Account Executive, Sales Manager or Mortgage Support Team for clarification.

Sincerely,

Flanagan State Bank Mortgage Department