

GVMS Bulletin #060110

In order to guarantee compliance with FNMA's Loan Quality Initiative (LQI) that will be effective for all loan applications taken on or after June 1, 2010 please be aware of the following:

- FNMA is requiring Lenders to determine if any additional credit debt has been incurred by each borrower during the interval between the original credit report obtained at the commencement of loan processing and the closing of the loan.
- Most of your current credits reporting vendors are offering an enhancement to their reports that provides full compliance with this new responsibility. Please contact your account representative at your earliest opportunity, and add this feature to your account. Credco, for example, is offering the Instant Merge LQ Credit Report (tri merge) that will update credit inquiries 5 days prior to closing, but will not reissue scores that could be a disadvantage to your applicants. If new inquiries do appear with the update, your processor will follow up with the identified creditor, to be sure that all the borrower(s) credit has been appropriately considered in their loan approval. A letter of explanation from your borrower will no longer be sufficient to satisfy this FNMA initiative. A new inquiry could mean additional documentation will be required, and may delay a closing or disrupt a lock date or loan approval.
- This new step makes it even more important than before to advise your customer of the need to refrain from opening new credit accounts prior to loan closing. It's tempting; especially in the excitement of getting their new home or refinance, but the borrowers need to be informed of the repercussions that new credit inquiries or accounts could cause. Reviewing the debts, and informing the customers of the probable delays if previously unidentified debt shows up in the pre-closing review, is strongly recommended.
- To help make this point a part of your application interview, we have provided the attached disclosure, to be executed by your borrowers, that affirms their understanding of their responsibilities in this aspect of the loan transaction.
- For more information about FNMA's Loan Quality Initiative, please visit the website at www.efanniemae.com.
- This Bulletin will be posted on our website for future reference, and the attached disclosure can be found on our website under the forms section.
- Call or email GV Mortgage Services with any questions or scenarios you may want to discuss. We're here to help!