

# NEWSFLASH

Important information: Please read immediately



Date: 2/23/2010

## Topics in this newsflash include:

- **FHA High Balance 2<sup>nd</sup> Appraisal Requirement**
- **Fannie Mae Condo Approval change**
- **Re-negotiated Purchase agreements**

## FHA High Balance 2<sup>nd</sup> appraisal

Effective immediately, a second appraisal requirement for High Balance loans that are >95% LTV in declining markets is no longer required.

*A second appraisal is still required when the specific criteria for a flip policy is met.*

## Fannie Mae Condo Approvals

Reminder -effective with applications dated on or after Feb 1, 2010, FHA condominium project approvals are no longer eligible as a conventional approved project type.

## Re-negotiated Purchase Agreements

Our investors have observed an increased market trend where the sales price was re-negotiated and INCREASED after the original appraisal was completed. This could be an indication that money is being passed from the seller to the borrower that is not appropriately reflected on the HUD1. As a result, the following policy will be implemented for conventional and market rate government (CHFA not included) with all locks on or after February 23, 2010:

McCue Mortgage will not accept re-negotiated purchase agreements that increase the sales price AFTER the original appraisal has been completed if:

- The Appraised Value is higher than the contracted sales price provided to the appraiser, **and**
- The new purchase agreement and/or addendum used to modify the sales price is dated AFTER the appraisal is received, **and**
- The only change to purchase agreement is an increase in sales price.

If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the LTV will be based on the lower of the original purchase price or the appraised value, unless:

A re-negotiation of only seller paid closing costs occurs (if common/customary for the market) and supported by the comparables, **or**

An amended purchase agreement for a new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of modifications.