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Loan Documentation Updates

LOS UPDATE FOR QUALIFYING BORROWERS

Mortgage Cadence has made changes in 21.1.1 release to “Qualifying the Borrower”. Some of our partners are using Other Credit Type of “Other” and Source Type “Other” to enter tax proration to balance the Closing Disclosure with the Loan Summary and the DU Findings. Source Type “Other” is no longer available in the 21.1.1 release. For tax proration, the Source Type “Not Applicable (FNMA)” should be used.

Other Credit Type *

Source Type *

Amount *

CLOSING DOCUMENT PREPARATION

The tax proration will be subtracted from the Cash from Borrower on the Loan Summary but not from the Funds Required on the DU Findings. Lenders must verify that the borrower has sufficient funds to close without consideration of the tax proration, even though the borrower is required to bring less for closing costs. This is consistent with the FNMA guide, as FNMA does not allow the tax proration to be used for qualification.

For clarification, when the seller is paying borrower closing costs, the seller credits should be applied to closing costs and not to prepaid items. DU does not recognize seller paid prepaid items in the calculation of funds needed to close. Seller credits for loan costs should not be applied to prepaids until all other loan costs have been exhausted.