

## PRESIDENT'S CORNER

### Immediate Past

#### President's Message

Thank you for making 2003 a very successful year for the VMLA. The Virginia Mortgage Lenders Association's annual conference in Williamsburg provided many opportunities for you to learn, network with other professionals and perhaps most importantly, take a much-needed break from the hectic pace that all of us have been keeping during the past year.

Now that mortgage rates are starting to edge back up, it appears our business volumes may slack off a bit. And for many of us, that means a welcome respite. That's why our conference theme this year was especially appropriate – *Strike a Successful Balance: How to Stay on Top of Your Professional Game...and Live a Rewarding Personal Life*. I hope that the conference provided creative, practical tips that

will put you on the path to a more balanced ...and ultimately, a more satisfying life.

Again, thank you for your support in 2003. I encourage you to continue supporting the Virginia Mortgage Lenders Association in 2004!

Sincerely,

Steve Rockefeller  
Past-President

#### President's Message

I am honored to represent the Virginia Mortgage Lenders Association as President in 2004!

It is amazing to think that the VMLA just celebrated its 40<sup>th</sup> anniversary! In those 40 years, we have witnessed many changes in our industry, as well as the VMLA. I believe that we will continue to experience change. How can we position the VMLA for the future? By building this organization into an active, financially strong and diverse organization!

Remember the VMLA is YOU! Be Active-the VMLA wants and needs your participation. Further your education and expertise in mortgage lending by enrolling in the VMLA's AMB courses offered throughout the state. Attend activities sponsored by the VMLA-such as the annual golf tournament and convention. Volunteer to participate on one of the many VMLA committees. There are numerous ways to "plug in" to the VMLA and create a vibrant and exciting organization.

Make a difference in YOUR future and ensure the financial stability of the VMLA by contributing to VAMPAC. Educating the policy makers of state government and lobbying the legislature on behalf of our members is the primary purpose of VMPAC. You personally have a stake in the success of the VMLA's lobbying efforts –so make a commitment to contribute.

To continue to be successful and flourish, our industry, as well as the VMLA, needs to be more representative of the people we serve. Census data reveals that in the future 50% of new homebuyers will be minority and new immigrants. The VMLA needs to educate students to the benefits of a career in the mortgage banking industry. This can be accomplished by promoting educational tools such as CampusMBA and the VMLA AMB courses and participating in career days at local colleges.

Remember, YOU have made the VMLA what it is today and YOU have an opportunity to shape the VMLA of the future. I urge you to support your organization financially, but most importantly to support the VMLA with your time and enthusiasm.

Sincerely,

Toni Ostrowski  
President, 2004

## CHAPTER CORNER

### Tidewater

TMBA elected their 2004 Board of Directors in November. Chip Simkins, III will serve as President.

To get members ready for the elections, at the October membership meeting, TMBA educated members on the function of TMBA and following this session we held an orientation for those members interested in running for a leadership position.

TMBA will be holding their annual planning session in December where they set their goals for the upcoming year.

Rob Coach, Chairman for the National Mortgage Bankers Association, is confirmed as our guest speaker for the January 17 Installation Dinner at the Princess Anne Country Club.

Also, in 2003 TMBA also partnered with VMLA to offer two joint education courses that offered elective credits towards members AMB designations.

### Charlottesville

No Report.

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## COMMITTEE REPORTS

### **VAMPAC**

VAMPAC is the voluntary, non-partisan political action committee of the Virginia Mortgage Lenders Association. It exists to help provide a voice for our business. The VAMPAC Board of Trustees is comprised of four ex-officio participants, plus five additional Trustees and the Executive Director. The VMLA Board of Directors appoints the At-Large Trustees.

The 2004 VAMPAC Trustees are:

Toni Ostrowski, VMLA President  
 Frank Malbon, VMLA President-Elect  
 Margaret Sutherland, Chairman of the VAMPAC Finance  
 (Fundraising) Committee  
 Boyd Allison, Appointed At-Large Trustee  
 Chris Beale, Appointed At-Large Trustee  
 Ted Yoder, Appointed At-Large Trustee  
 Peggy Ziegler, Appointed At-Large Trustee  
 Fay Silverman, Appointed At-Large Trustee  
 Mike Reitelbach, Executive Director.

### **Education**

Look for AMB (Accredited Mortgage Banker) course offerings in your local chapter and soon on the INTERNET! We will have class schedules posted on the Virginia MLA website for 2004. Be prepared for the future by getting your education today. See your local education chair or check the website for course offerings, list of education chairs, the AMB program description and more: [www.virginiaml.com](http://www.virginiaml.com)

### **We have had a great year!**

We have trained almost 200 mortgage-banking personnel with the AMB Program in 2003. The following members have attained the Accredited Mortgage Banker designation this year: Dan Acampora, Pat Avery, Roger Garrett, Leigh Ann Graham, Jolynn Musel, Keith Rowe, Cathy Walton and Linda Wine. Congratulations one and all!

**Help Wanted:** Looking for Instructors! We need your expertise! Certified Faculty Members earn \$200 to teach each eight-hour course. Courses include Mortgage Banking Basics I & II, Regulatory Compliance, Processing, Closing, Shipping & Warehousing, and Secondary Marketing.

Criteria for faculty membership:

- Have at least five years experience in the mortgage business
- Have two years experience in your field of expertise
- Agree to assist in the evaluation of the course content for your specialty once each year
- Submit a written request (form) for candidacy
- Submit Instructor Credential Reports as you teach future classes to maintain your status

Please contact your local education chair or Dotty Acampora, Accredited Mortgage Banker, TMBA and VMLA Education Chair at cell phone (757) 434-3890 or please email: [dotty@home-world.com](mailto:dotty@home-world.com).

### **Residential Committee Report**

The internet readily provides information on FHA, VA, RD and VHDA issues. However, often questions arise from various interpretations of this information. The Residential Committee invites you to e-mail mortgage related questions for any of these agencies to [sheila.pollard@vhda.com](mailto:sheila.pollard@vhda.com). We will make every effort to obtain the correct answer and respond to you directly. The quarterly newsletter will contain all of the questions and answers so that all members can benefit from answers and clarifications on various issues.

Have you heard of the new FHA TOTAL Scorecard? Confused?...Below are several FAQ's that should be of assistance.

#### **Overview:**

#### ***Q1. What is the FHA TOTAL Scorecard?***

A1. The FHA TOTAL Scorecard was developed by HUD to evaluate the credit risk of FHA loans that are submitted to an automated underwriting system (AUS).

#### ***Q2. What does TOTAL stand for?***

A2. Technology Open To Approved Lenders. Only FHA-approved mortgagees will be able to obtain risk-assessments using the TOTAL Mortgage Scorecard.

#### ***Q3. Why was the TOTAL Scorecard developed?***

A3. The TOTAL Scorecard was developed to: 1) broaden FHA's reach to additional underserved borrowers; 2) standardize the credit decision for FHA; and 3) enhance FHA's ability to assess and manage risk.

#### ***Q4. What are the TOTAL Scorecard factors?***

A4. The TOTAL Scorecard factors include: credit score (FICO score), monthly housing expense, number of monthly payments in reserve, loan to value ratio (LTV) and loan term.

The TOTAL Scorecard also contains certain review rules. When a review rule is triggered, the borrower automatically receives a "refer" underwriting decision. Review rules will be triggered for the following loan application variables: front-end ratio (above a certain range), back-end ratio (above a certain range), bankruptcy (within last two years), foreclosure (within last three years), late mortgage payments.

#### **Use of the FHA TOTAL Scorecard:**

#### ***Q5. How do lenders access the FHA TOTAL Scorecard?***

**Residential Committee Report (continued)**

A5. A lender does not access the FHA TOTAL Scorecard directly. The FHA TOTAL Scorecard works in conjunction with an AUS. The lender will input the data into the AUS and that data will be transmitted to the FHA TOTAL Scorecard. The TOTAL Scorecard will evaluate the data and issue a risk classification. The risk classification will be sent to the AUS and transmitted to the lender via a feedback/findings report.

**Q6. *Will lenders have the option to select or not select to utilize the FHA TOTAL Scorecard when submitting FHA loans to an automated underwriting system?***

A6. Effective for all mortgage loans initially scored on or after May 1, 2004, FHA documentation relief and credit policy revisions will only be permitted if the mortgage is risk scored by the FHA TOTAL Scorecard.

For a mortgage loan rated as acceptable risk by the FHA TOTAL Scorecard, a Direct Endorsement underwriter need not certify that he/she has personally reviewed the credit application. These loans do not require the individual underwriter's CHUMS identification number on the Mortgage Credit Analysis Worksheet (MCAW) or the DE Approval (HUD-92900-A, page 3).

**Q7. *How long will a score remain valid if scored on a existing proprietary scorecard prior to May 1, 2004?***

A7. In order not to disrupt lender and vendor processes, FHA will continue to recognize the documentation relief and credit policy revisions for mortgage applications scored by the existing approved proprietary scorecards provided the mortgage is initially risk-scored before May 1, 2004, and any subsequent rescues are made within 90 dates of that date.

**Additional Required Data Fields:**

**Q8. *What additional data fields are required with the FHA TOTAL Scorecard?***

A8. FHA requires two new data fields, the FHA Lender ID and the FHA Sponsor ID to be added to all AU systems that process FHA loans.  
All users must complete these data fields before a loan can be submitted to the FHA TOTAL Scorecard.

**Q9. *Can a loan be scored by the TOTAL Scorecard even if the Lender ID or the Sponsor ID are not valid?***

A9. No. The lender will receive an error message through the AUS. The relationship between the Lender and the Sponsor is validated when an FHA case number is requested through the FHA Connection.

**Property and Program Eligibility:**

**Q10. *Which programs are eligible to use the FHA TOTAL Scorecard?***

A10. The programs eligible to use the FHA TOTAL Scorecard are: Purchases, Construction to Permanent Mortgages, Regular Credit Qualifying Refinances, Cash-out Refinances, Streamline Refinances and Credit Qualifying Assumptions.

**Q11. *Which FHA products are eligible to use the FHA TOTAL Scorecard?***

A11. The FHA products that are eligible to use the FHA TOTAL Scorecard are: 203(b), 234(c), 203(h), 203(k), 251, 247 and Energy Efficient Mortgage (EEM).

**Q12. *What property types are eligible to use the FHA TOTAL Scorecard?***

A12. Single Family Residence (SFR), 1-4 units, Manufactured homes and Condominiums.

**Q13. *What mortgage types are eligible to use the FHA TOTAL Scorecard?***

A13. TOTAL Scorecard allows for Fixed Rate Mortgages, Adjustable Rate Mortgages (ARM) and Fixed Rate Mortgages with acceptable temporary buydowns.

**Lenders Roles and Responsibility:**

**Q14. *What is the lender's responsibility?***

A14. Lenders are responsible for complying with FHA's requirements as stated in interim rule FR-4835-I-01 and other HUD issuances.

**Q15. *What are the risk classifications TOTAL Scorecard will recommend?***

A15. TOTAL Scorecard will either recommend "Accept/Approve" or "Refer." For those loans receiving an "Accept/Approve" recommendation, the loan is eligible for FHA endorsement provided that the data entered into the AUS are true, complete and accurate, and the entire loan package meets all of FHA

**Residential Committee Report (continued)**

requirements. If the loan receives a “Refer” recommendation, the underwriter must determine if the borrower is credit worthy in accordance with FHA standard credit policies and guidelines. It is FHA’s policy that no borrower will be denied an FHA insured mortgage loan solely on the basis of a risk assessment generated by the TOTAL Scorecard.

**Q16. *Is the DE Underwriter still required to review the Uniform Residential Appraisal Report (URAR) on a loan with an “Accept” recommendation by TOTAL Scorecard?***

A16. Yes. A DE Underwriter must underwrite the appraisal according to standard FHA guidelines regardless of the mortgage credit risk score determined by TOTAL Scorecard.

**Q17. *What if the FHA TOTAL Scorecard issues an “Accept” recommendation, but the lender receives additional derogatory or delinquent credit information not included in the AUS decision?***

A17. A manual downgrade becomes necessary if additional information, not considered in the AUS decision, affects the overall insurability or eligibility of a mortgage otherwise rated as an “Accept” or “Approve.” System overrides and manual downgrades may be triggered by inaccuracies in credit reporting, by eligibility issues and for other reasons including the unlikely failure of the scorecard or AUS to recognize a derogatory credit variable. If the AUS you are using does not provide for a system override, then you are required to manually downgrade the loan to refer.

**Q18. *What conditions may require a manual downgrade of the loan to “Refer”?***

A18. Some of the conditions that may require a manual downgrade to a “Refer” are: Delinquent Federal Debt, CAIVRS, Suspended and Debarred Individuals, Previous Mortgage Foreclosure, Bankruptcy, and Late Mortgage Payments.

**Endorsement Procedures:**

**Q19. *What are the endorsement procedures when utilizing the FHA TOTAL Scorecard?***

A19. The loan is eligible for FHA’s insurance endorsement if the AUS rated the mortgage loan application as an “Accept” or “Approve”; the data entered into the AUS are true, complete and

accurate; and the entire loan package meets all other FHA requirements (except for those specifically not required because the loan was evaluated by an approved AUS.)

**Q20. *When is the lender required to enter the FHA case number?***

A20. The FHA case number is required on the final submission of data. Mortgage loans that FHA’s system of records cannot identify as having been risk/accessed by FHA TOTAL Scorecard will not receive the benefits of documentation reduction and credit policy revisions and may be returned to the lender for manual underwriting.

Once the loan is scored by the FHA TOTAL Scorecard with an FHA case number, the loan data is captured within FHA’s insurance application data systems. Specifically, this information prefills the Insurance Application Screen that lenders must complete within FHA Connection. Therefore, use of the FHA TOTAL Scorecard will reduce some of the double entry of data within the AU system and FHA Connection.

**Q21. *What are some of the required documents needed in the case binder submitted for insurance endorsement?***

A21. There are no new documentation requirements. There is a new CHUMS ID: ZFHA. ZFHA is the new CHUMS ID required for loans scored by the TOTAL Scorecard.

The Feedback/Findings report from the AUS should be placed on the top of the right hand side of the case binder. In addition The CHUMS ID ZFHA is required on the Mortgage Credit Analysis Worksheet (MCAW) and Page 3 of the HUD-92900-A (Addendum to URLA). Page 3 of the HUD-92900-A also requires the signature of a lender’s representative.

**FHA Monitoring**

**Q22. *Will loans that receive a “Refer” be flagged for a review by HUD at a higher rate?***

A22. No. Loans that receive a “refer” will not be flagged for review at a higher rate by HUD. However, HUD requires that lenders provide full manual underwriting for mortgage applicants when TOTAL returns a “refer” risk score. HUD will conduct quality control reviews to ensure that lenders are complying with this requirement.

**Residential Committee Report (continued)****Contact Information****Q23. What AUS provider has established an interface with the TOTAL Scorecard?**

A 23. Fannie Mae has established an interface between their automated underwriting system and the TOTAL Scorecard. For more information, please contact your local Fannie Mae e-business consultant.

**Q24. Who should be contacted at FHA for additional information about the FHA TOTAL Scorecard?**

A 24. Lenders should contact the individual Homeownership Center (HOC) in their jurisdiction to obtain additional information about the FHA TOTAL Scorecard. Go to the following website to determine which Homeownership Center serves your area:  
[www.hud.gov/offices/hsg/sfh/hoc/hsghoc.cfm](http://www.hud.gov/offices/hsg/sfh/hoc/hsghoc.cfm)

Homeownership Center Contact Information:

Atlanta, GA	(888) 696-4687
Denver, CO	(800) 543-9378
Philadelphia, PA	(800) 440-8647
Santa Ana, CA	(888) 827-5605

**MISSION STATEMENT**

*To provide our members with the necessary resources, legislative voice, and education to be successful in the lending, marketing and servicing of real estate mortgage loans.*



<http://www.campusmba.org>

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**Peninsula**

The Peninsula chapter held its annual installation of officers and Holiday Party on December 10th at 3:00 pm at the James River Country Club in Newport News, VA. The elected officers are: President Tricia Gentry from SunTrust, Vice President Mike Hardnett from Arisen, Secretary Sherry Thacker from Wachovia and Treasurer Deanne Sampson from Wachovia. Past President Lucille Lowery from Harbor, Director George Liakos from SunTrust and Director Mike Manicone from Arisen.

**Roanoke**

No Report.

**Lynchburg**

No Report.

**Richmond**

We are always looking for qualified instructors. Please call Janet if you are interested. As a note, if you teach the course, you pass the course. You'll be that much closer to earning your AMB.

Congratulations to our most recent AMB recipient. Pat Avery of SunTrust Mortgage earned her AMB designation this summer. Congratulations Pat!

The RMBA worked with the RAR and HBAR on a Habitat Home in October. The house was sponsored by Senator Allen. We built it in a week. It was a great success!

Remember the Southeastern Secondary Conference that used to be held in Raleigh, NC? It moved to Charlotte and died a slow agonizing death. From the ashes, a new Southeastern Conference has been formed. The conference will be held January 20-22, 2004 in Orlando, Florida at the Adam's Mark hotel. The entrance fee is an affordable \$295 (before 12-15-03) if you are a VMLA member. This is a DO NOT MISS event and has always proven to be a great networking opportunity! You can get details at [www.mba.org/pages/2003/Secondary\\_Program.pdf](http://www.mba.org/pages/2003/Secondary_Program.pdf)

## Press Release - Patricia Beasley receives CMB Designation

The Mortgage Bankers Association of America (MBA) awarded the Certified Mortgage Banker (CMB) designation, the highest professional designation for the real estate finance industry, to Patricia Beasley, CMB, Vice President of Production/Branch Manager with Tidewater Mortgage Services in Virginia Beach, one of 30 mortgage banking professionals in a ceremony held at the association's 89th annual convention.

Beginning this year, designation candidates will have the option of choosing among the Commercial CMB, Residential CMB or Master CMB designations. Beasley chose the Residential CMB that focused on her respective subfields of the mortgage industry. Candidates must either work for an MBA member company or be a member of a recognized state MBA.

Since the program's inception in 1973, 617 mortgage banking professionals have received the CMB designation. This year's class of 30 is the largest in the history of the program.

**Thanks to the VMLA sponsors, whose contributions and support helped make the 2003 Convention possible:** **Platinum Sponsor:** Freddie Mac; **Gold Sponsor:** VHDA; **Silver Sponsor:** Radian Guaranty; **Bronze Sponsors:** GE Mortgage Insurance, Resource Mortgage, Triad Guaranty, Washington Mutual Home Loans; **Entertainment Sponsor:** MGIC; **Marketplace Exhibitors:** 1st National Bank of Arizona, California Software, Commerce Title Agency, Dancing Elephants, HUD, LandAmerica Lawyer's Title, Mortgage Bankers Association, PMI Mortgage Insurance, Retail Alliance, USDA Rural Development; **Namebadge Sponsor:** GE Mortgage Insurance; **Friends of VMLA:** Gary W. Jones Appraisal Service, James River Title, Red Fox Peanuts-Cal Moore, Republic Mortgage Insurance, Southeastern Title Services, SunTrust Mortgage, Wells Fargo Home Mortgage

## LEGISLATIVE NEWS

Mark your calendars for VMLA Day on the Hill, Thursday, February 19, 2004.

Your support and active participation will be needed this year. Letter writing, email, phone and personal visits all help. Past support from VMLA membership has been strong and effective and very much appreciated. Please continue to respond.

Here are the issues to watch:

- VHDA "Non-related Borrower Rule" - Yes, notice the terminology change. The votes are expected to be strong in favor of a legislative change to the current VHDA policy. VMLA supports current policy.
- Predatory lending – at this time, no specific legislation is expected, but we always keep a watch.
- Mortgage Originator Licensing – VLMA is forming a task force to discuss the issue. Would you like to participate and help formulate any possible legislation? Let us know to include you in the discussions.

This past year VMLA participated with the Department of Veteran's Affairs to formulate new appraisal guidelines. The program, known as the Tidewater Initiative, has been successfully implemented by the VA as policy. Look for further information soon to be released from the VA. The outcome of this issue shows that with good impute and support, you **can** change government policy.

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