



Procedures Submission/Underwriting Procedures

NY CEMA PROCEDURES (Rev. 2/7/19)

In New York State, borrowers may refinance a mortgage by assignment or Consolidation, Extension and Modification Agreement (CEMA). A CEMA loan combines into one set of rights and obligations all the promises and agreements stated in existing Notes and Mortgages secured by the mortgaged premises, including, any new funds (new money mortgage) advanced to the borrower at the time of the consolidation.

Key Features

- When a borrower refinances using a NY CEMA, the borrower will only pay mortgage tax on the new money mortgage.
- The borrower will not be required to pay mortgage tax on the amount of the existing mortgage balance.
- The current lender must agree to assign the existing mortgage(s) in order for the borrower to refinance using a CEMA.
- CEMA loans are available on HELOC (2nd Lien) only when the CEMA will be paying off the 1st Lien and HELOC (2nd Lien). HELOC Promissory Notes must be included in the prior collateral package.

UNDERWRITING SUBMISSION

When submitting the loan to underwriting, indicate on coversheet that the loan being underwritten is a CEMA loan. Additionally, when registering a NY CEMA loan in Loantrac, mark the loan as a CEMA. There will be an "at closing" condition to have a properly completed Modification Agreement which is fully-executed by the borrower.

Flagstar to Flagstar Loans - If the loan was a prior Flagstar loan and is being closed in Flagstar's name, email the Post Closing CEMA Team at CEMAPostClosing@flagstar.com with borrower(s) name(s) and the old/prior loan number as well as the new loan number.

CLOSING DOCUMENTS

Closing documents must be prepared using WBCD. The CEMA, 275 Affidavit, New/Gap Money Note and New/Gap Money Mortgage will be included in the WBCD document package. The Exhibit A Coversheet will also be included in the WBCD document package however must be completed by the Settlement Agent/Attorney. It is the Settlement Agent/Attorney responsibility to provide the 255 Affidavit and completed Exhibit A.

SETTLEMENT AGENT/ATTORNEY RESPONSIBILITY

- The originator is responsible to communicate the following instructions to the settlement agent/attorney:

Ask Poli



- Obtain all proper documentation from the previous lender including properly endorsed Notes. This documentation must be obtained prior to closing.
- Obtain all prior documentation, including missing and/or required assignments prior to closing. Any missing assignments must be executed and all assignments must be recorded on or before closing.
- Complete and execute the CEMA document with all exhibits per instruction, including Exhibit A, the Consolidated Note, the New Money/Gap Note, New Money/Gap Mortgage, and the 255 Affidavit along with instructions.

If prior original note(s) are not available, contact the CEMA Post Closing team at CEMAPostClosing@flagstar.com for review prior to close.

Aid in resolving any post closing deficiencies that may arise.

CLOSING PACKAGE DELIVERY

The closing package must include:

- [*New York CEMA Collateral Coversheet*](#)
- All prior endorsed original Notes(s). Original Recorded Mortgages, CEMAs and Assignments, if applicable. If original recorded documents are not available, County Certified copies of the recorded documents are acceptable.
- Original executed and endorsed Gap/New Money Note
- Original executed and endorsed Consolidated Note, including the verbiage required by the Fannie Mae/Freddie Mac instruction page that comes with the CEMA Form 3172 1/01 (rev. 5/01) Do Not Stamp Exhibit C.
- Original CEMA with Exhibits A, B, C, D if the loan closed in the name of Flagstar Bank. Original will be returned to sender for recording once signed by Flagstar Bank.
- Certified True Copy of the executed CEMA and Exhibit A, B, C and D, if loan did not close in the name of Flagstar Bank. Certified true stamp must have initials or signature on/near stamp.
- Copy of the fully-executed 255 Affidavit
- Copy of the Gap/New Money Mortgage
- Copy of Power of Attorney, if applicable
- All executed Assignments, previously recorded or sent for recording

Send closing packages to:

Flagstar Bank, FSB
5151 Corporate Dr.
Troy, MI 48098
CEMA, Mail Stop W-800-1

Packages not received in a timely manner may delay recording and disbursement of the loan. CEMA should not be sent for recording until all CEMA post closing deficiencies are satisfied.

ADDITIONAL CONTACT INFORMATION

For CEMA post closing or assignment related issues, please contact Flagstar's CEMA Post Closing Team at CEMAPostClosing@flagstar.com.

ESCROW WAIVER ELIGIBILITY GUIDELINES

Flagstar Bank will consider a request for a tax and homeowner insurance escrow waiver. Underwriting will evaluate the request during the credit review and issue the escrow waiver approval prior to closing.

All escrow waiver requests must meet the following requirements:

- LTV must be 80% or less¹
- Allowable on owner occupied and second home properties with an Accept or Approve from LP/DU and a minimum credit score of 620. No assets other than those required by LP/DU need to be verified.
- Allowable on investment properties with an Accept or Approve from LP/DU and a minimum credit score of 700. LP/DU required assets, in addition to one-year of taxes, must be verified.

Escrow waivers are subject to underwriting approval and are not allowed on loans requiring mortgage insurance¹.

1. Due to state law, for California loans only, escrow waivers are permitted up to a 90% LTV; however, mortgage insurance must be escrowed by Flagstar Bank. Under no circumstances, in any state, can mortgage insurance escrows be waived when MI is required.



Products utilizing Lender Paid Mortgage Insurance or the No MI option are not eligible for escrow waivers.

As of 01/01/2016 flood insurance must be included in the borrowers escrow account even if all other escrows have been waived.

It is the responsibility of the originator to understand and be in compliance with individual state regulations regarding escrow waivers and fees.

If the borrower(s) are requesting an escrow waiver, the request can be applied or revoked by the lender within Loantrac.

If the borrower is not establishing an escrow account, an upcoming tax payment or insurance payment is not allowed to be rolled into the new loan amount.

The standard escrow provision must remain in the mortgage documents. Flagstar Bank may, at its discretion, enforce the requirement if the borrower fails to act responsibly.

DOCUMENTS

The following documents must be submitted for an escrow waiver:

- [*Initial Escrow Waiver Disclosure*](#) - submitted for underwriting
- *Escrow/Impound Waiver Agreement* - submitted in the closing package

PRODUCTS

- Government products - Escrow waivers not allowed
- Mortgage insurance - Products utilizing the Lender Paid Mortgage Insurance or No MI options are not eligible for escrow waivers.

PRICING/FEEES

There is a loan level price adjustment for an escrow waiver on correspondent loans (there is no adjustment on broker loans) in lieu of an escrow waiver fee. The price adjustment can be found on our Price Indication Sheets. There are no adjustments for partial escrow waivers if only homeowner insurance is waived

DISCLOSURES

If the escrow waiver is approved, it is the obligation of the borrower to pay the amounts for any and all escrow items when due, in addition to paying the mortgage loan payment.

The lender shall have the right to establish or re-establish an escrow account for the payment of the escrow items in accordance with the terms of the loan documents in the event that during the term of the mortgage loan:

- The borrower fails to pay any of the escrow items in a prompt and timely manner.
- The borrower fails to provide the lender with evidence of payment of the escrow items within two weeks following the receipt of a written request from the lender.
- The borrower is otherwise in default under the terms of the mortgage loan documents.
- It becomes necessary for the lender to advance funds to pay all or any portion of the escrow liens.

If the borrower fails to maintain any of the required insurance coverage, the lender may opt to obtain insurance coverage at the borrower's expense. Such coverage shall cover the lender, but might or might not protect the borrower. The cost of the insurance coverage obtained by the lender might exceed the cost of insurance the borrower could have obtained. Any amounts paid by the lender shall be the responsibility of the borrower.



