



Implementing Industry Standard CLTV and HCLTV Calculations

CLTV and HCLTV ENHANCEMENT OVERVIEW

- + Why are we updating CLTV and HCLTV?
- + Configuration Site Updates Overview
- + Lender Site Updates Overview
- + What Do You Need To Do To Prepare?



SUE BAKER
VP, Product & Client Services
Optimal Blue
sbaker@optimalblue.com



TIFFANY McGARRY
Director, Client Services
Optimal Blue
tmcgarry@optimalblue.com



CHERYL MESSNER
Senior Product Manager
Optimal Blue
cmessner@optimalblue.com



JAKE DIEKFUSS
Manager, Content
Optimal Blue
jdiekfuss@optimalblue.com

Section 1



CLTV and HCLTV CHANGES

WHY ARE WE MAKING THESE CHANGES?

The screenshot displays a web form with two main sections: "Lien Information" and "Loan Information".

Lien Information:

- Base Loan Amount:
- Second Lien Amt.:
- HELOC Line Amt.:
- HELOC Drawn Amt.:
- Search for First:
- Search for Second:
- Search for HELOC:

Loan Information:

- Price/Estimated Value:
- Appraisal Amount:
- Loan Purpose:
- Cash-Out Amount:
- LTV: (highlighted in red)
- CLTV: (highlighted in red)
- HCLTV (Line Amt): (highlighted in red)
- HCLTV (Drawn Amt): (highlighted in red)
- Waive Escrows:

- ✔ Using industry standard fields will improve the user experience and reduce confusion
- ✔ Preparation for our effort to add better support for HELOCs
- ✔ An opportunity to fine tune our CLTV calculation in general

WHAT WE ARE CHANGING?

- ✓ Replacing existing CLTV field (which is based on the HELOC line amount) with the CLTV (Drawn) calculation that is currently available for scripting. The field label will be changed to read “CLTV New”
- ✓ Removing HCLTV (Drawn Amt) field
- ✓ HCLTV (Line Amt) will stay but will be renamed “HCLTV”

Base Loan Amount 50000	Closed End 2nd Amt. 0	HELOC Line Amt. 20000	HELOC Drawn Amt. 0
Price/Est Value 100000	Appraisal Amt 100000	Loan Purpose Purchase	Cash-Out Amt 0
LTV 50.00	CLTV 70.00	HCLTV (Line Amt) 70.00	HCLTV (Drawn Amt) 50.00

CLTV (Drawn) New
50.00

WHAT WE ARE CHANGING?

✓ CLTV New– Updated Calculation Logic:

- Currently uses Base Loan Amount for CLTV calculations in all scenarios will be updating as follows:
 - Conforming: Total Loan Amount
 - Non-Conforming: Total Loan Amount
 - Alt-A: Total Loan Amount
 - USDA: Total Loan Amount
 - FHA: Base Loan Amount
 - VA: Base Loan Amount for purchase and VA Rate Reduction; Total Loan Amount for Cash-out transactions

JUST TO BE CLEAR ON THE CLTV CALCULATION. . .

(Base or Total Loan Amount as provided above + Closed End 2nd Amt + HELOC Drawn Amt) / (Lower of Price/Est Value OR Appraisal Amt)

WHEN ARE WE MAKING THESE UPDATES?

✔ Phase 1 – July 24th

- Clients and our Content Team can begin updating rules
 - Form changes in Configuration Site
 - Reports available to assist with identifying necessary updates
 - Scripting variable updates available for configuration
 - CLTV calculation updated to “CLTV New”
 - PPE logic updates

✔ Phase 2 – August 14th

- Related Lender Form changes released
 - PPE work to ensure historical changes are not negatively impacted when existing fields are removed from the forms

✔ Phase 3 – TBD

- Final updates to better support HELOCs
 - We will address this later in the call

WHAT ISN'T CHANGING?

- ✓ The system will still not calculate CLTV if subordinate financing doesn't exist.
- ✓ The system will still not calculate HCLTV if the subordinate financing is not a HELOC.

The screenshot displays a lender form with two main sections: Lien Information and Loan Information. Each section contains several input fields and radio buttons.

Lien Information			
Base Loan Amount	Second Lien Amt.	HELOC Line Amt.	HELOC Drawn Amt.
200000	0	0	0
<input checked="" type="radio"/> Search for First	<input type="radio"/> Search for Second	<input type="radio"/> Search for HELOC	

Loan Information			
Price/Estimated Value	Appraisal Amount	Loan Purpose	Cash-Out Amount
400000	400000	Purchase	0
LTV	CLTV	HCLTV (Line Amt)	HCLTV (Drawn Amt)
50.00	0	0	0

WE HOPE TO CHANGE THE DISPLAY SO THAT IF SUBORDINATE FINANCING DOESN'T EXIST CLTV AND HCLTV WILL BE BLANK ON LENDER FORMS INSTEAD OF DISPLAYING AS "0"

Section 2



CONFIGURATION SITE OVERVIEW

CONFIGURATION PRODUCT SEARCH PAGE

- With the July 24th release, the following updates will be made to the Config Product Search page:
 - “CLTV Drawn” will replace “CLTV” and label will be updated to “CLTV New”. This is short term, at a later date the new field will be updated to read “CLTV”
 - Existing “CLTV” and “HCLTV (Drawn Amount)” fields will temporarily be moved down to a new row below the LTV/CLTV New/HCLTV fields. This is short term, at a later date both fields will be removed from the form.
 - “HCLTV (Line Amount)” will be renamed “HCLTV”

Base Loan Amount 100000	Closed End 2nd Amt. 0	HELOC Line Amt. 0	HELOC Drawn Amt. 0
Price/Est Value 120000	Appraisal Amt 120000	Loan Purpose Purchase	Cash-Out Amt 0
LTV 83.33	CLTV New 0	HCLTV 0	
CLTV 0	HCLTV (Drawn Amount) 0		

SCRIPTING VARIABLE UPDATES

- ✔ Updating these scripting variables:
 - “Max of LTV/CLTV” will be updated to “Max of LTV/CLTV/HCLTV”
 - Updating to use new CLTV field
 - Adding HCLTV logic
 - We will systematically update all rules/grids/matrices to use new variable since there should be no impact on business rules.
 - “CLTV/HCLTV”
 - Updating to use new CLTV field
 - We will systematically update all rules/grids/matrices to use new variable since there should be no impact on business rules.
 - “Diff between LTV and CLTV”
 - Will use new CLTV field which may have impacts to your scripting
 - Creating new “Max of LTV/CLTV”
 - Will use new CLTV field
 - “CLTV Drawn”
 - Renamed to “CLTV New”
 - Will replace current “CLTV” on Lender forms at a later date

Section 3



LENDER SITE OVERVIEW

LENDER SITE FORM CHANGES

- ✓ Changes to the Lender Site will be made on **August 14th**
- Replacing existing “CLTV” field with “CLTV New”
 - HCLTV (Line Amt) will be renamed to HCLTV
 - Removing HCLTV (Drawn Amt) field

The screenshot displays a web form with two main sections: Lien Information and Loan Information. The Lien Information section includes four input fields: Base Loan Amount, Second Lien Amt., HELOC Line Amt., and HELOC Drawn Amt., each with a search radio button below it. The Loan Information section includes Price/Estimated Value, LTV, Appraisal Amount, CLTV New, Loan Purpose (a dropdown menu currently set to Purchase), HCLTV, Cash-Out Amount, and Waive Escrows (a dropdown menu currently set to No).

THE OLD “CLTV” AND “HCLTV DRAWN” CALCS WILL BE AVAILABLE AFTER AUGUST 14TH BUT WILL BE SUNSET ASAP TO AVOID CONFUSION. WHEN COMPLETE “CLTV NEW” WILL BE RENAMED TO “CLTV”

LENDER SITE SEARCH RESULTS

Notes and Advisories Message will display anytime a search is done that includes subordinate financing on **July 24th**:

Please Note: There is currently a process underway to improve system calculations to support the industry standard LTV, CLTV and HCLTV so the results provided are as accurate as possible. During the process of this enhancement, you will see two CLTV fields, the existing "CLTV" and the updated calculation labeled "CLTV New" in the search results. Depending on the scenario you may see references to either "CLTV" and "CLTV New" fields in labels, calculations or in these advisory messages. In a limited number of scenarios, these values may differ slightly. The existing CLTV field will be removed from the system at a later date.



103.790	3.625	3.813	\$912	\$0	\$0	\$0	-\$7,580	\$0	MI	✓	📄
104.198	3.875	4.070	\$940	\$0	\$0	\$0	-\$8,396	\$0	MI	✓	📄
104.597	4.000	4.198	\$955	\$0	\$0	\$0	-\$9,194	\$0	MI	✓	📄
104.992	4.125	4.325	\$969	\$0	\$0	\$0	-\$9,984	\$0	MI	✓	📄
105.206	4.625	4.840	\$1028	\$0	\$0	\$0	-\$10,412	\$0	MI	✗	📄

The following risk-based adjustors have already been applied to Discount.

Reason	Points	SRP	Rate	Margin
LTV is >90 - <=95, AND FICO is >=740	-0.250	0.000	0.000	0.000
State is Group 5, AND Loan Amt (Total) is \$100,001 - \$200,000	0.000	1.900	0.000	0.000
Com/Aff 2nd is No	0.100	0.000	0.000	0.000
Product Default	-0.200	0.000	0.000	0.000
Total Adjustments	-0.350	1.900	0.000	0.000

Notes/Advisories:

- All mortgage insurance premium types may NOT be available through the selected lender. Additionally, mortgage insurance providers may have additional restrictions. Please refer to each mortgage insurance company's website and the Lender for complete eligibility details.
- For this scenario, AUS Not Specified was run through eligibility and pricing as LP.
- LP determines minimum reserve requirements. Please contact Lender for more details.
- The borrower's credit history related to bankruptcy and derogatory housing events, including mortgage late payments, has not been evaluated to determine eligibility for this program. Contact the Lender for related requirements.

ENGINE LOGIC AND HISTORICAL SEARCHES

- ✔ On **July 24th**, system will start calculating “CLTV New” even though it will not be visible on the form so that rules can be moved from “CLTV” to “CLTV New”. Reminder CLTV New is the old CLTV (Drawn).
- ✔ On **August 14th**, the old “CLTV” field will no longer be on the forms, but will still be calculated and used by the PPE until it can be sunset
- ✔ On **August 14th**, “HCLTV (Drawn Amt)” field will no longer be on the forms, but will still be calculated and used by the PPE until it can be sunset.
- ✔ The above logic will retain historical searches and old scripting

Example:

1. I locked a loan and have an adjustment firing off of my old CLTV field
2. I update the adjustment to go off the new CLTV field
3. I do a change request using historical pricing, my old adjustment will continue to fire due to the old CLTV still being calculated and sent to engine

CUSTOMERS THAT AREN'T USING THE ENHANCED LOAN AMOUNT CALCS

New loan amount calculations
 Old loan amount calculations

Total Loan Amount

VA Veteran Type/History Active Duty - 1st use	Exempt from Funding Fee No	PMI/MIP/FF/G Fee % 0	PMI/MIP/FF/G Fee Amount 0.00
PMI/MIP/FF/G Fee Paid in Cash 0.00	PMI/MIP/FF/G Fee Financed 0	Base Loan Amount 0	Total Loan Amount 0

Finance Entire Amount

- ✔ **Enhanced Loan Amount Calculations** is the update OB made to calculate both base and total loan amounts.
 - Because we won't know the total loan amount in all scenarios the "CLTV New" field will always be calculated using base loan amount
 - All scripting variable updates described previously are applicable. You should still complete all the steps to prepare for this release.
- ✔ **No fields will be changing on the "Old Loan amount calculations" version of Product Search page in Config or on Lender Forms**
 - The "CLTV New" field will be calculated behind the scenes and should still be used for scripting. Remember this is the old "CLTV Drawn" field that is available today.

ONLY A HANDFUL OF CLIENTS HAVEN'T MADE THIS UPDATE – IF YOU ARE ONE OF THEM YOU SHOULD CONSIDER DOING IT NOW TO TAKE FULL ADVANTAGE OF THIS ENHANCEMENT AND OTHER UPDATES ON THE ROAD MAP!

Section 4



**WHAT DO YOU NEED TO DO TO
PREPARE?**

WHAT DO YOU NEED TO DO TO PREPARE?

- ✔ There are some updates than need to be made before the July 24th release and some that need to be made after.
- ✔ Impacted Variables
 - [Diff. Between CLTV and LTV](#)
 - [CLTV](#)
 - [HCLTV Drawn](#)
- ✔ A report, “Scripting Variable Overlays for CLTV/HCLTV Project” will be available on **July 7th** to identify where each of these variables are being used in your custom content.
- ✔ The report will be located on the Configuration Site, Configuration Reports screen. It will replace the report titled “CLTV/HCLTV Drawn Overlays Report” that was added in our last release but doesn’t include all the information you will need.
- ✔ Our Content Team will be making the same updates to our system level content.

IMPORTANT CHANGES REQUIRED **BEFORE** JULY 24th RELEASE

✔ If you are using “Diff. Between CLTV and LTV” to disqualify all subordinate financing

- The “CLTV” portion of this variable will be updated to use “CLTV New” calculation meaning the results will be different since “CLTV New” is based off the HELOC Drawn Amount instead of HELOC Line Amount.

Current text translation	IF Diff. Between CLTV and LTV > 0 , THEN Disqualify				
What conditions cause this rule to act?	Condition			Edit	
	IF	Diff. Between CLTV and LTV > 0		<input type="button" value="Edit"/>	
		Add New Condition		<input type="button" value="Edit"/>	
What actions does this rule apply?	Action		Action Type	Action Value	Edit
	Primary Action		Disqualify if True	N/A	<input type="button" value="Edit"/>
	Add New Action		N/A	N/A	<input type="button" value="Edit"/>

Example of a currently scripted rule to disqualify using Diff Between CLTV and LTV

Current text translation	IF CLTV/HCLTV > 0 , THEN Disqualify				
What conditions cause this rule to act?	Condition			Edit	
	IF	CLTV/HCLTV > 0		<input type="button" value="Edit"/>	
		Add New Condition		<input type="button" value="Edit"/>	
What actions does this rule apply?	Action		Action Type	Action Value	Edit
	Primary Action		Disqualify if True	N/A	<input type="button" value="Edit"/>
	Add New Action		N/A	N/A	<input type="button" value="Edit"/>

Use **CLTV /HCLTV > 0** to disqualify subordinate financing

IMPORTANT CHANGES REQUIRED **BEFORE** THE JULY 24TH RELEASE

✔ If you are using “Diff. Between CLTV and LTV” to apply a LLPA

What would you like to name this Rule?	<input type="text" value="Sub Fin"/>				
Current text translation	IF Diff. Between CLTV and LTV > 0 , THEN Adjust Price: -.375				
What conditions cause this rule to act?	Condition			Edit	
	IF	Diff. Between CLTV and LTV > 0		Edit	
	Add New Condition			Edit	
What actions does this rule apply?	Action		Action Type	Action Value	Edit
	Primary Action		Adjust Price	-.375	Edit
	Add New Action		N/A	N/A	Edit

Example of a currently scripted rule to apply LLPA using “Diff Between CLTV and LTV”

Current text translation	IF CLTV/HCLTV > 0 , THEN Adjust Price: .125				
What conditions cause this rule to act?	Condition			Edit	
	IF	CLTV/HCLTV > 0		Edit	
	Add New Condition			Edit	
What actions does this rule apply?	Action		Action Type	Action Value	Edit
	Primary Action		Adjust Price	.125	Edit
	Add New Action		N/A	N/A	Edit

Use “CLTV/HCLTV” if the adjustment should be based on HELOC Line Amount. (This is how it works today)

Use “CLTV New” if the adjustment should be based on HELOC Drawn Amount

CHANGES REQUIRED **AFTER** THE JULY 24TH RELEASE

We suggest that you make these updates before the August 14th release

✓ **Replace CLTV variable**

- **Subordinate Financing LLPAs**

- If you are using it now you are basing adjustments off of the full line amount when subordinate is a HELOC. If that is your intention, replace with “CLTV/HCLTV”
- If you want to base the adjustment on the drawn amount of the HELOC only, use “CLTV New”. HINT: This is how the GSEs support subordinate financing.

- **Matrices**

- Replace with “CLTV New”
- If “CLTV” and “HCLTV” are both being used and are equal values, you can replace both with “CLTV/HCLTV”
- If “LTV, CLTV, HCLTV” are all being used and are equal values, replace all three with “Max of LTV/CLTV/HCLTV”

CHANGES REQUIRED **AFTER** THE JULY 24TH RELEASE

We suggest that you make these updates before the August 14th release

✓ **Replace “HCLTV Drawn” Variable**

- **Subordinate Financing LLPAs**

- If you are using it now you are basing adjustments off of the HELOC drawn line amount. If that is your intention, replace with “CLTV New”

WE ARE HERE TO HELP!



**Contact Client Services
with questions or concerns!**

HELOC PROJECT STATUS

- ✔ **It's our top priority!** These CLTV/HCLTV changes are an important step to get us there!
- ✔ **What's Left?**
 - First Lien HELOCs/Significant Form Updates
 - Product Preference Details Update
 - Content Updates for HELOCs at system level
 - Integration Updates
 - API Updates
- ✔ **Other Important Points**
 - Extended testing period in Stage Environment will be necessary
 - Post lock changes will not be supported in this round of changes
- ✔ **What Can You Do to Help?**
 - Send samples of your HELOC Important Terms Disclosure to us at productmanagers@optimalblue.com as soon as you can

FINAL STEPS TO COMPLETE OUR AZURE MIGRATION

- ✔ While we have your attention, let's review the upcoming migrations to Azure – we are near the finish line! You will be notified one week in advance of your migration dates which will occur in the next 12 weeks.
 - Pricing Engine Migration – We are migrating clients to a new instance of the pricing engine that is in Azure. When your instance is being migrated, you may experience intermittent downtime for up to 15 minutes.
 - Client Specific Application Databases and Related Services - Each client has a specific database that houses configuration and UI components required by the system. When your database is migrated, the system will be unavailable for up to two hours.
- ✔ URL Updates for Featured Rates and Quick Quote Users
 - If you use Featured Rates or Quick Quote , it will be necessary for you to update the URL's used to access these features We will allow 90 days to make the change. During this 90-day period, both the old and new URL will be active so that you can make the update when you are ready.

COMING SOON!!

✔ Number of Properties Financed

- Wrapping up guideline updates for Investor content
- Field will be added to forms on a client by client basis
 - This is the most common custom field that clients are using. Replacing your custom fields and all associated scripting with OB supported content is a nice upgrade.
 - Client Services will be reaching out soon to schedule adding the field to your forms.

✔ Non-Standard Loan Term Support

- Starting guideline updates for Investor Content soon
- Development work almost complete
- Targeting Q3 deliverable

✔ Construction Loan Support

- Project will begin as soon as HELOC project is complete

THANK YOU FOR ATTENDING THE WEB CAST!



Questions or Comments?