

Correspondent Policy Statement

Overview

CMG Mortgage, Inc., dba CMG Financial, NMLS #1820, (CMG) will allow HPML and HPCT (aka QM Rebuttable Presumption) loans as outlined below. CMG will follow Qualified Mortgage (QM) and Ability to Repay (ATR) requirements.

Definitions

Higher-Priced Mortgage Loan (HPML)

A Higher-Priced Mortgage Loan (HPML) is a loan secured by a primary residence with an Annual Percentage Rate (APR) that exceeds the Average Prime Offer Rate (APOR) by:

- 1.5% or more for non-Jumbo loans
- 2.5% or more for Jumbo loans
- 3.5% or more for Subordinate liens

FHA, VA and USDA loans do not need to be tested for HPML.

Primary residences are subject to HPML. Second homes and investment properties are exempt from HPML.

Higher-Priced Covered Transaction (HPCT)

A Higher-Priced Covered Transaction (HPCT) is a loan secured by a dwelling that is a Qualified Mortgage (QM) Rebuttable Presumption loan, which means the APR exceeds the QM Safe Harbor APR threshold. The APR on a HPCT loan exceeds the APOR by:

- 1.5% or more for First Mortgages
- 3.5% or more for Subordinate liens (and First Mortgages that are exempt from the first bullet: Small Creditor Portfolio Loans, Temporary Balloon-Payment and Balloon Payment QM Loans)

An FHA loan is a HPCT if the APR exceeds the APOR plus 115 basis points plus on-going Mortgage Insurance Premium (MIP) rate.

Primary residences and second homes are subject to HPCT. Investment properties are exempt from HPCT.

Average Prime Offer Rate (APOR)

The Average Prime Offer Rate (APOR) is an APR based on average interest rates, fees, and other terms on mortgages offered to highly qualified borrowers. The APOR is published by the Federal Financial Institutions Examination Council (FFIEC).

Policy

CMG will purchase loans that are defined as HPML and/or HPCT only if all of the requirements listed below are met along with applicable product guidelines.

Conventional & High Balance – Non-HARP Agency Loans:

HPML/HPCT are only permitted if the following requirements are met:

- QM Points and Fees audit must pass.
- QM Ability to Repay requirements are met.
- Residual Income must exceed:
 - Fixed Interest Rate: \$1,000.00
 - Adjustable Interest Rate: \$1,000.00 plus the payment increase that would result from the interest rate increasing to the Lifetime Cap
- Escrows/Impounds are required for property taxes and homeowner's insurance (including flood insurance).



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- Escrows/Impounds are not required for properties in condominiums, planned unit developments or other common interest communities where the borrower must participate in a governing association that is required to purchase a master policy insuring all dwellings.
- State Specific High Cost or Higher Priced loan audits must be addressed, if applicable. Any required high cost or higher priced disclosures must be compliant with state laws and regulations.
- Net Tangible Benefit must be documented on all Refinances.

Fannie Mae Refi Plus (RP) and Freddie Mac Open Access (OA) Loans:

HPML/HPCT are only permitted if the following requirements are met:

- 45% Max DTI
- 620 Minimum credit score
- Must be fully amortized
- 30 year maximum loan term
- Escrows/Impounds are required for property taxes and homeowner’s insurance (including flood insurance).
 - Escrows/Impounds are not required for properties in condominiums, planned unit developments or other common interest communities where the borrower must participate in a governing association that is required to purchase a master policy insuring all dwellings.

Jumbo – Non-Agency Loans:

HPCT is only permitted if the requirements listed under “Conventional & High Balance – Non-HARP Agency Loans” are met along with product guidelines.

FHA Loans:

HPCT is only permitted if the following requirements are met:

- QM Points and Fees audit must pass.
- QM Ability to Repay requirements are met.
- Residual Income must exceed:
 - Fixed Interest Rate: \$1,000.00
 - Adjustable Interest Rate: \$1,000.00 plus the payment increase that would result from the interest rate increasing to the Lifetime Cap
- In addition, for FHA Streamlines, the loan must also meet the following requirements:
 - Borrower is not 30 days or more past due
 - Principal balance is not increased (addition of MIP and interest due as allowed by FHA)
 - FHA Net Tangible Benefit rule applies
 - All Rebuttable Presumption/HPCT Streamlines must be credit qualifying in order to meet the residual income requirement noted above and include the income analysis.

VA Loans:

All VA-guaranteed non-IRRRL loans are considered QM Safe Harbor. Rebuttable Presumption/HPCT loans are not permitted.

VA Interest Rate Reduction Refinance Loans (IRRRLs) may fall under Rebuttable Presumption, and if so, are ineligible unless all additional requirements noted in CMG guidelines/matrices & VA IRRRL Qualified Mortgage Policy (CPS-1008-ALL) are met.

USDA Loans:

QM Rebuttable Presumption/HPCT is not permitted.



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QM Requirement:

Loans reviewed for exception must meet the criteria of a Qualified Mortgage by complying with the following:

- Ability to Repay requirements must be met.
- QM Points and Fees audit must pass.
- Loan does not contain risk features (e.g. negative amortization, interest only, balloon, etc.).
- Loan term cannot exceed 30 years.
- DTI does not exceed 43%
 - DTI restriction does not apply if the loan is eligible for purchase, guarantee, or insurance by a GSE, FHA, VA, or USDA.

QM Loans that comply with the above are exempt from the following HPML exception requirements:

- Full Interior and Exterior Appraisal is required.
- Second Appraisal is required for Property Flips, which are defined as properties where:
 - The seller purchased the property 90 or less days prior to the date of the borrower's purchase agreement/contract and the sales price exceeds the seller's purchase price by more than 10%; or
 - The seller purchased the property 91 to 180 days prior to the date of the borrower's purchase agreement/contract and the sales price exceeds the seller's purchase price by more than 20%.

Additional Information

Related Documents:

- [HPML & HPCT Exception Approval Procedure](#)
- [VA IRRRL Qualified Mortgage CPS-1008-ALL](#)

External Resources:

- CFPB – “What is a Higher-Priced Mortgage Loan?”
<http://www.consumerfinance.gov/askcfpb/1797/what-higher-priced-mortgage-loan.html>
- FNMA – HARP FAQs
<https://www.fanniemae.com/content/faq/harp-du-refi-plus-faqs.pdf>
- HUD – Qualified Mortgage Rule
<http://www.regulations.gov/#!documentDetail;D=HUD-2013-0093-0001>
- VA – Qualified Mortgage Rule
<http://www.gpo.gov/fdsys/pkg/FR-2014-05-09/pdf/2014-10600.pdf>

