

BULLETIN #2017-03

TO: Distribution

DATE: January 18, 2017

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [FHA Premium Changes and Action Required](#)
- [6400 Series Jumbo Update- Condo Questionnaire](#)
- [6700 Series Jumbo Clarification- Minimum LTV](#)
- [Property Tax Reminders](#)
- [Mortgage Insurance: UG/ARCH Merger](#)

FHA PREMIUM CHANGE AND ACTION REQUIRED

Summary: As previously announced FHA is reducing its annual mortgage insurance premium (MIP) by 25 basis points for most new mortgages with a closing/disbursement date on or after January 27 2017. Refer to FHA's mortgagee letter for the full schedule of the new premium rates announced and refer FHA's mortgagee letter 2017-01:

<https://portal.hud.gov/hudportal/documents/huddoc?id=17-01ml.pdf>

Effective Date: The changes are effective for mortgages with a Closing/Disbursement date on or after January 27, 2017. Closing/Disbursement date refers to the later of the date of the signing of the Mortgage, or the date of the disbursement of the loan proceeds, as is entered in FHAC.

Loan files will be reviewed prior to purchase to confirm loan is closed with the correct premium based on the Closing/Disbursement date. (LE, CD, 1st payment notice, Fee Worksheet, Initial Escrow Account Disclosure). Loans will not be eligible for purchase if they are not closed correctly, insurable and compliant with RESPA.

Links/References:

HUD Announcement:

https://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2017/HUDNo_17-003

Mortgagee Letter: <https://portal.hud.gov/hudportal/documents/huddoc?id=17-01ml.pdf>

6400 SERIES JUMBO UPDATE

Summary: The 6400 series jumbo is updated with a link to the Condo Questionnaire required on all condo projects.

Document Link:

[Condo Questionnaire- 6400 Series
6400 Series Guidelines](#)

Effective Date: *Immediately.*

6700 SERIES JUMBO CLARIFICATION

Summary: Clarified that the minimum LTV for the 6700 series is 80.01. This product is designed for LTVs 80.01 to 90% with no MI.

Action to Take: When LTV is 80% or less, refer to the 6200 series jumbo.

Link: [6700 Series Guidelines](#)

Effective Date: *This clarification is effective immediately.*

PROPERTY TAX REMINDERS

Summary: The actual monthly amount of taxes, insurance, homeowners association (HOA) fees, and special assessment fees should be included in the DTI. See below for specific guidance on Tax Abatements, New/Newly Completed Construction, Homestead Exemptions, and Purchases in the State of California.

TAX ABATEMENTS

Tax abatements are a temporary reduction in the actual amount of taxes that the owner(s) of a property must pay. Use the abated (reduced) amount of taxes in the qualifying DTI, when all of these requirements are met:

- Government municipality offers the abatement
- Neither the seller, nor any other interested party pays the abatement to the borrower
- Documentation supporting the amount and term of the abatement is in loan file
- Full amount of the abatement is in effect for minimum of 5 years from loan closing date and cannot terminate partially or fully within that period of time
- Examples:
 - Municipality with a 10-year abatement – qualify the borrower using reduced tax amount
 - Municipality with a 10-year abatement with annual real estate tax increases in years 1 through 10 – qualify borrower with the annual taxes that will be required at the end of the fifth year after the first mortgage payment date

NEW/NEWLY COMPLETED CONSTRUCTION

New construction and newly completed properties may not yet have been assessed by the county tax assessor; therefore, the underwriter must qualify the borrower using the estimate of the property taxes. It is critical that the underwriter can rely on a valid source of information to determine an accurate assessment of the borrower's expected property tax burden.

The underwriter must obtain from the title company or the appraiser:

- The total current tax/millage rate
- Examples of methods that may be used are:
 - Assessment estimated by assessor
 - Calculation using subject sales price and equalization rate
 - Calculation using recent sale of a new house, its sales price, and its subsequent property assessment
 - Calculation using recently assessed new house in competing town along with equalization rates
 - Calculation using assessments of comparable sales
 - Other reasonable basis that is fully explained by Appraiser

Note: When the estimated tax information is not included on the appraisal, the Underwriter can research and determine the estimated tax amount and provide the source of the information used to make the estimate. It is never acceptable to use land only taxes in qualifying the borrower.

Collection of Taxes: The "unimproved rate" may NOT be used for escrow collection. Any excess funds will be returned back to the borrower in the form of the annual escrow analysis.

HOMESTEAD TAX EXEMPTIONS

The following table provides requirements for applying tax exemptions:

- Refinance: the amount of taxes after the exemptions have been deducted may be used to qualify.
- Purchase: the reduced Homestead Exemption (or state equivalent language) tax amount can be used only when:
 - Subject property is not new construction and the current reported tax amount represents the amount on the land plus improvements.
 - Loan is for an owner-occupied primary residence. Any current primary residence must be sold and documented with a Closing Disclosure(CD) to meet this requirement

- o Loan file must contain a breakdown showing how the tax amount used to qualify was calculated

PURCHASES IN THE STATE OF CALIFORNIA

- All purchase or new construction transactions are assessed as of the 1st of the month following the date of transfer.
- Actual taxes on purchase or new construction transactions must be based on this projected assessment. In purchase money transactions where we lack definite indicators of taxes, use 1.25% of the purchase price as the total annual tax estimate and pro-rate this on a monthly basis

MORTGAGE INSURANCE: UG/ARCH MERGER

Summary: As of January 1, 2017, the parent company of Arch MI (Arch Capital Group Ltd.) has completed its acquisition of United Guaranty Corporation. Arch MI and United Guaranty are now operating under one company brand: Arch MI.

CMG does not need to make any changes at this time; business may continue to be submitted to either UG or ARCH as CMG has master policies with both Arch MI and United Guaranty.

In addition, the acquisition of United Guaranty will not otherwise alter any terms of coverage or benefits of any insurance policy previously issued by either company for any mortgage loans.

As a reminder, the following MI providers are acceptable to CMG:

- Arch (<https://mi.archcapgroup.com/>)
- Genworth (<http://www.mortgageinsurance.genworth.com/>)
- United Guaranty (<https://www.ugcorp.com/>)
- National (<http://www.nationalmi.com/guidelines-summary/>)
- Radian (<http://www.radian.biz/page?name=RatesAndGuidelinesNew>)
- MGIC (<http://www.mgic.com/>)
- Essent (<http://www.essent.us/>)

***Please contact your Correspondent National Sales Manager
or your Correspondent Liaison with any questions.***

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