

BULLETIN #2016-09

TO: Distribution

DATE: March 10, 2016

**RE: CMG FINANCIAL CORRESPONDENT
LENDING UPDATES AND REMINDERS**

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES AND REMINDERS

Topics Covered in this Announcement:

- [Freddie Mac Publishes New Version of Official Guide](#)
- [FHA Reminder: 100 mile rule](#)
- [FHA Reminder: Real Property and Personal Property](#)

FREDDIE MAC PUBLISHES NEW VERISON OF OFFICIAL GUIDE

Summary: Freddie Mac announced the reorganized *Single-Family Seller/Service Guide* (Guide) that is now the official Guide version, as announced in [Bulletin 2016-4](#).

The reorganized Guide does not introduce new requirements nor does it change existing requirements.

The following are some key reorganization impacts in the Selling Segment:

- Loan Prospector® requirements, formerly located in Section 2.2.1, are now located with other Borrower underwriting requirements in Topic 5100, Determining Borrower Eligibility.
- Tables, modeled on the Loan Prospector® Documentation Matrix, for certain income, asset and related documentation requirements:
 - Stable monthly income requirements and income documentation requirements, formerly located in Chapter 37, have moved into Topic 5300, Stable Monthly Income and Asset Qualification Sources
 - As set requirements (Borrower Funds and reserves), formerly located in Chapter 26, and asset documentation requirements, formerly located in Chapter 37, have been consolidated and moved into Topic 5500, Assets (Borrower Funds and Reserves)

Action to Take: Review Freddie Mac's Bulletin 2016-4 for details on the reorganized Guide structure, including the numbering scheme and a description of the three segments that replace the two-volume Guide format. The Bulletin also identifies the key reorganization impacts and outdated requirements we deleted from the Guide.

Links/References:

- [Bulletin 2016-4](#)
- [Freddie Mac Guide Reorganization webpage](#)
- [Freddie Mac Guide Snapshot PDF's](#)

Effective Date: *Immediately*

FHA REMINDER: 100 MILE RULE

Summary: As a reminder, several sections of FHA Handbook 4000.1 apply the “100 mile” rule, including using rental income from a property being vacated by the borrower:

Departing Residence: If rental Income is being derived from the Property being vacated by the Borrower, the Borrower must be relocating to an area more than 100 miles from the Borrower’s current Principal Residence.

Multiple FHA loans: A Borrower may be eligible to obtain another FHA-insured Mortgage without being required to sell an existing Property covered by an FHA- insured Mortgage if the Borrower is:

- o relocating or has relocated for an employment-related reason; and
- o establishing or has established a new Principal Residence in an area more than *100 miles* from the Borrower’s current Principal Residence.

Military Personnel / Occupancy: The Mortgagee must obtain a copy of the Borrower’s military orders evidencing the Borrower’s Active Duty status and that the duty station is more than *100 miles* from the subject Property.

Action to Take: This is a reminder to be aware of these handbook requirements as you originate, process and underwrite FHA loans.

Effective Date: *Immediately*

FHA REMINDER: REAL PROPERTY AND PERSONAL PROPERTY

Summary: Below are HUD reminders regarding the eligibility of the use of proceeds derived from Real Property and Personal Property.

HUD Handbook Definitions:

- **Real Property**-Real Property refers to the interests, benefits, and rights inherent in the ownership of physical real estate.
- **Personal Property**- Personal Property refers to tangible property, other than Real Property, such as cars, recreational vehicles, stamps, coins or other collectibles.

Sale of Real Property:

- **Handbook Requirement:** Net proceeds from the Sale of Real Property may be used as an acceptable source of funds. *The Mortgagee must also verify and document that the transaction arms -length *, and that the Borrower is entitled to the net sale proceeds.*
- ***Impact:** Proceeds from the sale of real property to a relative are not eligible as a source of borrower funds.

Sale of Personal Assets:

- **Handbook Requirements:** Borrowers may sell Personal Property to obtain cash for closing *.Refer to Handbook for full documentation requirements.
- ***Impact:** *Not eligible for reserves.*

Loans Secured by a Financial Asset / Collateral Loans:

- **Handbook Requirements:** A Collateral Loan is a loan that is fully secured by a financial asset of the Borrower, such as deposit accounts, certificates of deposit, investment accounts, or Real Property *. These assets may include stocks, bonds, and real estate other than the Property being purchased.
- **Note:** Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset, do not require consideration of repayment for qualifying purposes. The Mortgagee must reduce the amount of the corresponding asset by the amount of the collateral loan.
- ***Impact:** The handbook does NOT list loans against Personal Property as an eligible source of funds. Therefore, funds from car loans, recreational vehicles, etc., are NOT eligible as a source of cash to close nor reserves.

Action to Take: This is a reminder to be aware of these handbook requirements as you originate, process

and underwrite FHA loans. Refer to the HUD Handbook 4000.1 for full requirements.

Effective Date: *Immediately*

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

3160 Crow Canyon Road, Suite 400, San Ramon, CA. 94583 | 800.501.2001 | NMLS #1820 | www.cmgfi.com

© 2016 CMG Financial, All Rights Reserved. CMG Financial is a registered trade name of CMG Mortgage, Inc., NMLS #1820 in most, but not all states. CMG Mortgage, Inc. is an equal opportunity lender, licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act No. 4150025; Loans made or arranged pursuant to a California Finance Lenders Law No. 6053674. For information about our company, please visit us at www.cmgfi.com. To verify our complete list of state licenses, please visit www.nmlsconsumeraccess.org. For more information on State licenses, please visit <http://www.cmgfi.com/corporate/licensing>.

