

**BULLETIN #2018-10**

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**TO: Distribution**

**DATE: March 28, 2018**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- USDA Update Maximum CLTV
- Reminder - USDA Suspension of 4506-T Requirements for Household Members
- USDA Proposed Changes to Eligibility of Certain Rural Areas

**USDA UPDATE-MAXIMUM CLTV**

**Summary:** CMG will now permit USDA loans up to a maximum CLTV of 105% to allow for DPA/Secondary financing from government entities or HUD approved non-profits. (Guidelines previously capped LTV and CLTV at 100% plus financed guarantee fee.)

**Effective Date:** *Immediately*

**REMINDER- USDA SUSPENSION OF 4506-T REQUIREMENTS FOR HOUSEHOLD MEMBERS**

The Single Family Housing Guaranteed Loan Program has suspended the requirement of Internal Revenue Service (IRS) Form 4506-T for all adult household members until further notice.

The following sections of HB-1-3555 that address IRS Form 4506-T are officially suspended:

- Chapter 9, 9.3 E 6,
- Chapter 15, 15.3, and
- Chapter 15, Attachment 15-A

Lenders must continue to perform their due diligence to review income and asset documentation obtained for the household.

This USDA suspension does not impact CMG's Income Validation Policy in regards to verification of borrower's qualifying income. CMG continues to require tax transcripts when tax returns are used to document income to qualify.

**Effective Date:** *The suspension was effective December 21, 2017 and applies to loan submissions to USDA.*

**USDA PROPOSED CHANGES TO ELIGIBILITY OF CERTAIN RURAL AREAS**

**Summary:** On March 16, 2018, the proposed ineligible area maps for the Rural Development Single Family Housing (SFH) were posted to the USDA Income and Property Eligibility Site at <https://eligibility.sc.egov.usda.gov>. Users will need to select the "Proposed Ineligible Areas" tab after choosing the appropriate program (e.g. Single Family Housing Guaranteed) to view the new ineligible area maps. The "Proposed Ineligible Areas" maps show all ineligible, non-rural areas and not only the new non-rural areas. In some cases, previously ineligible areas will now become eligible rural areas

**Loan Guarantee Processing:**

On June 4, 2018, all properties for new applications must be located in an eligible rural area based on the new maps. However, a property that is located in an area being changed from rural to non-rural may be approved if all of the following conditions are met:

- The application is dated and received by the lender prior to June 4, 2018 and the Loan Estimate was issued by the lender within 3 days of application receipt.
- The applicant has a signed/ratified sales contract on a property that is dated prior to June 4, 2018.
- Applicant meets all other loan eligibility requirements.

If the property is located in an area being changed from rural to non-rural, lenders must provide Rural Development all of the following information in addition to all other required documentation. For loans submitted via the Guaranteed Underwriting System (GUS), the documentation must be uploaded into the system.

- Copy of the signed/ratified and dated sales contract.
- Copy of the Loan Estimate issued to the applicant.
- Verification that the property was located in an eligible rural area prior to June 4, 2018. Note: Maps of the "Previous Eligible Areas" will be available on the Eligibility site beginning June 4, 2018. A printout of the map indicating the property address was previously eligible is acceptable.

GUS underwriting recommendations will display an INELIGIBLE property determination for property that is no longer located in an eligible rural area. The INELIGIBLE property determination is the second half of the GUS underwriting recommendation. For example, an ACCEPT/INELIGIBLE underwriting recommendation will apply to a request where the applicant's credit and capacity assessment is an ACCEPT (first part of the underwriting recommendation) however the property is located in an INELIGIBLE area (second part of the underwriting recommendation). This does not prevent the lender from completing the final submission to Rural Development. The Rural Development reviewer will be able to override the property eligibility determination when the lender has uploaded the required documentation noted above.

**Effective Date:** June 4, 2018 – as noted above. The new ineligible areas will become effective on June 4, 2018.

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

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