

BULLETIN #2016-14

TO: Distribution

DATE: March 30, 2016

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [Disaster List Updates – Louisiana](#)
- [FHA Handbook Updates](#)
- [6200 Series JUMBO Updates](#)

DISASTER LIST UPDATE- LOUISIANA

Summary: Additional counties/parishes have been added to the CMG Disaster List and are highlighted:

Louisiana			
Bossier Parish	Claiborne Parish	Grant Parish	Morehouse Parish
Ouachita Parish	Richland Parish	Webster Parish	Beauregard Parish
Bienville Parish	Caddo Parish	Caldwell Parish	De Soto Parish
La Salle Parish	Livingston Parish	Madison Parish	Natchitoches Parish
St. Tammany Parish	Tangipahoa Parish	Union Parish	Vernon Parish
Washington Parish	Winn Parish	Allen Parish	Ascension Parish
Calcasieu Parish			

Links:

- FEMA Disasters: www.fema.gov/disasters
- Louisiana Declaration: <https://www.fema.gov/disaster/4263/>

Effective Date: *Immediately*

FHA HANDBOOK UPDATES

Summary: FHA has updated and expanded *Single Family Housing Policy Handbook* 4000.1 (SF Handbook). The SF Handbook, dated March 14, 2016, contains technical updates and revisions to existing policy. These updates are listed in the SF Handbook [March 14, 2016 Transmittal](#). As noted in the Transmittal, an additional 200-plus Single Family Housing Mortgagee Letters and other policy documents have been superseded in full by the SF Handbook. Notable updates include, but are not limited to:

- **Refinance-** Clarified that for a refinance a borrower must have legal title to the subject property: A refinance transaction is used to pay off the existing debt or to withdraw equity from the Property with the proceeds of a new Mortgage for a Borrower with legal title to the subject Property. (p 129)

- **Delinquent Federal non-tax debt-** Clarified borrower ineligibility due to delinquent federal non-tax debt includes deficiency judgments and other debt associated with past FHA –insured mortgage. (p 133)
- **Hotel and Transient Use form-** (p 145) Clarified that the Mortgagee must obtain a completed form HUD-92561, *Borrower’s Contract with Respect to Hotel and Transient Use of Property*, for each Mortgage secured by:
 - a two- to four-unit dwelling; or
 - a Single Family dwelling that is one of a group of five or more dwellings owned by the Borrower within a two block radius.
- **Underwriting the property:** Clarified that Mortgagees must also use professional judgment in determining when a Property condition poses a threat to the health and safety of the occupant and/or jeopardizes the soundness and structural integrity of the Property, such that additional inspections and/or repairs are necessary. (p 159)
- **Stability of Employment Income:** (TOTAL & Manual). Clarified applies to changing employers. Additional analysis is not required for fields of employment that regularly require a Borrower to work for various employers (such as Temp Companies or Union Trades).
- **VA Disability (TOTAL & Manual) –** Clarified that when a Veteran’s last Benefits Letter is required, if the Benefits Letter does not have a defined expiration date, the Mortgagee may consider the income effective and reasonably likely to continue for at least three years.
- **Repair Completion Escrow Requirement** [effective for case numbers assigned on or after October 31, 2016] After the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow account is closed.

Resources:

- <http://portal.hud.gov/supportable/documents/huddoc?id=40001HSGH.pdf>
- Read more about the SF Handbook’s March 14, 2016 updates, additions, and other SF Handbook changes in FHA’s [online](#) article.
- The FHA [Frequently Asked Questions \(FAQ\)](#) (will be updated with new and revised FAQs to reflect policy that became effective on or after March 14, 2016)

6200 SERIES JUMBO

Summary: The following updates are a part of the new guide and effective for loans locked on or after April 18, 2016.

- **Credit | Derogatory Credit:** Foreclosure and “Notice of Default” are not allowed .This is clarification to existing policy.
- **Income/Employment | Restricted Stock & Stock Options.** Restricted stock units and stock options that are vested cannot be used for reserves if using for income to qualify.
- **Properties Listed for Sale.** Properties listed for sale “at the time of application” are not eligible for refinance transactions.
- **Eligible Properties | Condominiums.** Added option for limited review of established condominium projects for primary residences with maximum LTV/CLTV of 80% or second homes with a maximum LTV/CLTV of 75%.
- **Ineligible Properties.** Properties located on Indian/Native American tribal lands are ineligible.

Effective Date: Changes noted apply to loans locked on or after April 18, 2016.

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

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