

BULLETIN #2017-17

TO: Distribution

DATE: April 5, 2017

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [New Product Release: 7200 Non QM Program](#)
- [New Product Release: 7600 Non QM Program](#)
- [Conventional Conforming Update - Utilities](#)
- [6400 Series Updates](#)
- [USDA HB-1-3555 Revisions](#)

NEW PRODUCT RELEASE-7200 NON QM PROGRAM

We are pleased to announce the release of the 7200 Series Non-QM Non Agency loan program. Full guidelines and pricing were available on Monday, April 3, 2017. See below for highlights of this new program.

Product Terms / Codes:
7230 - 30 Year Fixed

Program Highlights	
Eligible Borrowers	US Citizens, Non-Permanent Resident Aliens, Permanent Resident Alien. All borrowers must have a valid Social Security Number.
Underwriting Method	All loans must be manually underwritten and fully documented. No documentation waivers based on Agency AUS recommendations are permitted.
Applicability	Correspondent 1st Party Transactions Only. (Correspondent TPO not permitted).
Occupancy	Primary, Second Home, Investment
Minimum Loan Amount	Minimum loan amount is \$300,000 for Non-QM loans. The loan must have one of the noted Non-QM attributes
Maximum Loan Amount	Up to \$2,000,000
Credit Standards	<ul style="list-style-type: none"> • FICO minimums as low as 720. Refer to Product Loan Matrix for restrictions. • Bankruptcy/Foreclosure/"Notice of Default"/Short Sale – none • Mortgage history – 0x30 in past 24
Deb-to-Income Ratios	Maximum DTI 49.99%
Property Types	Allows for 1-2 Unit primary residences, 1 unit second homes and 1-4 unit investment properties

Non-QM Notes:

- Non-QM on this program is a loan with any of the following attributes:
 - Debt-to-income ratio > 43%.
 - Qualifying income stream using asset depletion calculation as outlined in the Income section.
 - Gaps of employment outside of QM requirements (exception basis only).
 - Investment purchase transaction using rental income with no lease agreement provided. See Rental Income requirements.
- Minimum loan amount is \$300,000; the loan must have one of the above Non-QM attributes.
- Residual income calculation must be provided and must meet the residual income requirements indicated in the Income/Employment>Residual Income Requirements section of these guidelines.
- Exceptions may be granted on a case-by-case basis for loans with terms or characteristics that are outside of these Non-QM eligibility requirements.
- A loan closed as a Non-QM loan must be locked under an eligible product code or it is not eligible. Refer to Product Terms/Codes

Effective Date: *Immediately*

Link: [Guidelines 7200 Series](#)

NEW PRODUCT RELEASE: 7600 SERIES NON-QM PROGRAM

We are pleased to announce the release of the 7600 Series Non-QM Non Agency loan program. Full guidelines and pricing were available on Monday, April 3, 2017. See below for highlights of this new program.

Product Terms / Codes:

- Non-QM Fully Amortizin
 - 7630 - 30 Year
 - 7615 - 15 Year
 - 7610 - 10/1 ARM – Fully amortizing
 - 7607 - 7/1 ARM – Fully amortizing
 - 7605 - 5/1 ARM – Fully amortizing
- Non-QM Interest Only
 - 7630-IO - 30 Year – Interest Only
 - 7607-IO - 7/1 ARM – Interest Only
 - 7605-IO - 5/1 ARM – Interest only

Note: Interest only permitted in the following states only: California, Florida, Tennessee, Texas

Program Highlights	
Eligible Borrowers	US Citizens, Non-Permanent Resident Aliens, Permanent Resident Alien.
Underwriting Method	All loans must be manually underwritten and fully documented. No documentation waivers based on Agency AUS recommendations are permitted.
Applicability	Correspondent 1st Party Transactions Only. (Correspondent TPO not permitted).
Occupancy	Primary, Second Home, Investment
Minimum Loan Amount	Minimum loan amount is \$1 over the current conforming/high balance limit set by the FHFA. fhfa.gov.
Maximum Loan Amount	Up to \$2,000,000
Credit Standards	<ul style="list-style-type: none"> • FICO minimums as low as 661. Refer to Product Matrix for restrictions. • Housing Payment History – No more than 1X30 in the last twelve (12) months or 2X30 in the last 24 months. Mortgage lates must not be within the most recent three (3) months of the subject transaction. 0X60 and 0X90 required in the most recent 24 months. • Bankruptcy, Foreclosure, Short Sale, Deed-On-Lieu, Mortgage accounts that were settled for less, negotiated or short payoffs. If the above credit issues are seasoned between four (4) and seven (7) years and are due to extenuating circumstances, it can be considered on a case-by-case

Program Highlights	
	exception basis. Supporting documentation for extenuating circumstances must be submitted with the exception request.
Deb-to-Income Ratios	<ul style="list-style-type: none"> • Fixed Rate: 49.99% ARM: 47.00% • Non Occupant Co-Borrowers with Blended Ratios 43.00% • LTV/CLTVs over 80%: 38.00%
Residual Income	Residual income calculation must be provided and must meet the residual income requirements indicated in the full guidelines.
Property Types	Allows for 1-2 Unit primary residences, 1 unit second homes and 1-4 unit investment properties

For purposes of this loan program a Non-QM loan is a loan with any of the following attributes:

- Interest-Only product.
- Debt-to-income ratio > 43%.
- Qualifying income stream using asset depletion calculation as outlined in the Income section.
- Gaps of employment outside of QM requirements (exception basis only).
- Investment purchase transaction using rental income with no lease agreement provided.
- Residual income calculation must be provided and must meet the residual income requirements noted in the guidelines.
- Exceptions may be granted on a case-by-case basis for loans with terms or characteristics that are outside of these Non-QM eligibility requirements.

Note: A loan closed as a Non-QM loan must be locked under an eligible non-QM product code or it is not eligible.

Effective Date: *Immediately*

Links: [7600 Series Guidelines](#)

CONVENTIONAL CONFORMING UPDATE-UTILITIES

Summary: CMG conventional conforming guidelines are updated to remove the properties with utilities turned off from Ineligible Collateral.

Effective Date: *Immediately*

6400 SERIES UPDATES

Summary: The below changes are effective for any 6400 Series applications dated as of 4/1/2017 and/or any loans decision as of 4/1/2017. Clarifications are effective immediately.

- Change LTV Matrix –
 - Moved Florida condo's Warrantable , Non-Warrantable, Special , to Category 3
 - Added Cook County, Los Angeles & San Francisco Counties condominiums will be classified as Category 1
- Change Rental Income:
 - Added if leases are not available, rent roll may be provided.
 - Added if subject property is an Investment , rental income cannot be used to qualify
- Change: Tier 1 markets- added Cook County, IL. In addition, updated table.
- Change: Assets and Liabilities- added examples of eligible down payment types
- Change: Property- Added clarity to Second Appraisal Requirements and removed language to 2-4 Unit Residences ("changes" highlighted)
 - The effective date of the original appraisal is more than 120 days inclusive of a recertification of value that is valid for up to 60 days from the date of the Note
 - Non-arm's length transaction with the loan amounts less than or equal to \$1,000,000.00 require a field review or second appraisal at the Lender's discretion
 - Second appraisal is required if the Loan amount exceeds \$1,500,000.00 and property is not located in Appendix D (Tier One Markets) all other states and Tier markets
 - For 2-4 Unit Residences: If the Applicant is not residing in one of these units, the property is considered investment property. Rental income from the subject property cannot be included for income calculation purposes (Remove "regardless of occupancy type").
- Clarification – Added section for Ineligible Loan Attributes
 - Non-QM Safe Harbor Loans
 - Cash-in-hand > \$1,000,000

- Investor Cash-out refinances
- Asset dissipation
- Rental income from investment properties if utilized for qualification purposes IF subject property is non-owner occupied.
- Use of Foreign Income
- Add back of Net Operating Losses
- Clarification: Added section for Underwriting Documentation Key Point Reminders
 - All loans must be manually underwritten regardless of AUS tool used. No documentation waivers based on AUS recommendations permitted.
 - Full income and asset verification is required.
 - Credit documents, including title commitment must be no older than 90 days from the Note Date.
 - Appraisals must be no older than 120 days from the Note date inclusive of any recertification of value acquired. Recertification of value for to 60 days
 - QM designation must be provided in the loan file.
 - Loan file must document the eight (8) underwriting factors consistent with the ATR rules identified in Part 1026-Truth-in-Lending (Regulation Z).
 - If subject transaction is paying off a HELOC that is not included in the CLTV calculation, the loan file must contain evidence the HELOC has been closed.

Effective Date: The below changes are effective for any 6400 Series applications dated as of 4/1/2017 and/or any loans decided as of 4/1/2017. Clarifications are effective immediately.

Link: [6400 Series Guidelines](#)

USDA HB-1-3555 REVISIONS

Summary: On March 27, 2017 released a summary of recent revisions to Chapter 16 and Chapter 6 of the program handbook (HB-1-3555). To identify the changes below is a list of highpoints:

Updates to Chapter 16 of HB-1-3555, published on January 27, 2017, include the following:

- Paragraph 16.2 language regarding the use of a Power of Attorney (POA) was updated to clarify when it is acceptable for a POA to be utilized.
- Paragraph 16.3 language updated to clarify that the electronic Lender Loan Closing is the preferred method for the lender to submit their closing package to Rural Development.
- Paragraph 16.4 was updated to clarify that the guarantee fee structure is the same for both purchase and refinance transactions.
- Paragraph 16.11(C) (1) language updated to clarify that the maximum hazard insurance deductible is the greater of either \$1,000 or 1 percent of the policy coverage. The reference to lender forced place insurance was moved to Section 17.2 (E) of Chapter 17.

Updates to Chapter 6, published on March 15, 2017, include the following:

- Paragraph 6.2 (C) was updated to remove the real estate agent or broker administrative fee as a prohibited loan purpose.

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

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