

BULLETIN #2016-15

TO: Distribution

DATE: April 7, 2016

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [Disaster List Updates- Texas, Mississippi & Louisiana](#)
- [CMG Correspondent Specific Overlay Matrix](#)
- [Freddie Mac LTV/CLTV Updates to High Balance & NOO](#)
- [Property Tax Reminders](#)
- [USDA Updates](#)
- [Reminder: FHA Mortgage Record Change \(MRC\)](#)

DISASTER LIST UPDATE- TEXAS, MISSISSIPPI & LOUISIANA

Summary: Due to severe storms and flooding in Texas and Mississippi, CMG is instituting the [CMG Disaster Policy](#) for the below counties:

Texas		
Erath County	Gregg County	Harrison County
Hood County	Jasper County	Marion County
Newton County	Orange County	Parker County

Mississippi		
Bolivar County	Coahoma County	Washington County

In addition, FEMA has added additional counties to Individual Assistance for Louisiana:

Louisiana		
Jackson Parish	Rapides Parish	Red River Parish
Sabine Parish		

Note: The designation of an area as a “disaster area” for the purpose of CMG’s Disaster Policy is made by CMG Corporate Credit and can be based on a federally or state declared disaster area (FEMA or state/federal agency), or through knowledge of a disaster as a result of news and media or personal contacts. CMG maintains an internal list of counties and zip codes which is accessible via SharePoint and

should be referenced as the master list by which a property's location is determined to be covered by CMG's policy as a disaster area.

Links:

- FEMA Disasters: www.fema.gov/disasters
- Texas Declaration: <https://www.fema.gov/disaster/4263/>
- Mississippi Declaration: <https://www.fema.gov/disaster/4268>

Effective: *Immediately*

CMG CORRESPONDENT SPECIFIC OVERLAY MATRIX

Summary: We are pleased to announce our **CMG Correspondent specific** overlay matrix to Fannie Mae, Freddie Mac, VA and USDA requirements. This can be used as a reference tool in conjunction with the CMG Program Matrices, Guidelines and the appropriate Agency guidelines/handbooks. This matrix is not intended to replace written guidelines. CMG Guidelines supersedes in the case of discrepancy.

Please refer to CMG's Correspondent link: [Overlay-Matrix-All Financing Types](#) for complete details.

Effective : *Immediately*

FREDDIE MAC LTV/CLTV UPDATES TO HIGH BALANCE & NOO

Summary: Effective with Bulletin 2016-03, Freddie Mac is expanding the eligible LTV/TLTV/HTLTV ratios for High Balance and rate/term refinance transactions of 1-unit investment properties.

- **High Balance.** High Balance mortgages now align with the eligible LTV/TLTV/HTLTV ratios for mortgages subject to base conforming loan limits. *(The separate LTV matrix no longer applies and the standard loan amount matrix will now reflect it also applies to High Balance transactions.)*
- **1-unit Investment Property Mortgages.** For Mortgages secured by a 1-unit Investment Property, Freddie Mac is aligning the eligible LTV/TLTV/HTLTV ratios for no cash-out refinance transactions and purchase transactions. *(Now 85% for both purchases and rate/term refinances.)*

Effective Date, Systems and Guide updates:

- LTV/TLTV/HTLTV Enhancements are effective immediately
- Loan Prospector was updated as of March 28, 2016 to reflect these changes.
- CMG Guidelines and Matrices are updated and reposted.
- [Freddie Guide](#) impacts: Sections 23.4, 24.5, L33.3 and L33.5 and Exhibits 19 and 25

Link: <http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bll1603.pdf>

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 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.

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
- 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.

Effective: *Immediately*

USDA UPDATES

Summary: USDA has issued the below clarification on student loans and has updated their Income and Property Eligibility Website with a new look as noted below.

STUDENT LOANS AND THEIR IMPACT IN THE TOTAL DEBT RATIO

Recent updates to the 3555 Handbook intended to simplify guidance for the delivery of the guaranteed loan program have caused some misperception in regards to total debt ratio calculations, specifically in the subject of student loans. The Agency is working on revisions to Chapter 11: Ratio Analysis; however, they want to further clarify the subject at this time.

- **Fixed payment loans:** A fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed. There must be no future adjustments to the terms of the student loan payments.
- **Non-Fixed payment loans:** Payments for deferred loans, Income Based Repayment (IBR),

Graduated, Adjustable, and other types of repayment agreements which are not fixed cannot be used in the total debt ratio calculation. One percent of the loan balance reflected on the credit report must be used as the monthly payment. No additional documentation is required.

INCOME AND PROPERTY ELIGIBILITY WEBSITE

[The USDA Income and Property Eligibility Website](#) has a new look and feel as of March 30, 2016. All basic functionality is the same. Here are a few items of interest:

- Contact Us Dropdown – Lists USDA representatives for each state by program area.
- Tutorials – Houses Eligibility Website User Guide (2.2 MB PDF).
- Single Family Housing Guaranteed – Use this tab to narrow your search to Single Family Housing Guaranteed property and income eligibility determinations.

Effective: *Immediately*

REMINDER: FHA MORTGAGE RECORD CHANGE (MRC)

Summary: As a reminder and in accordance with requirement per the ML2005-42 the FHA Mortgage Record Change (MRC) information must be transferred by the originating lender.

For details please refer to link: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/sfhsuperseded/mltrs further reference ML2005-42.

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

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