

**BULLETIN #2017-19**

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**TO: Distribution**

**DATE: April 26, 2017**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Enhancement: HomeReady Mortgages and Boarder Income
- Updates: Non-Agency

**ENHANCEMENT: HOMEReadY MORTGAGES AND BOARDER INCOME**

**Summary:** Effective immediately, for HomeReady Mortgages, boarder income can be used for qualifying if there is an individual residing with the borrower who will continue to reside with the borrower in the subject property. The below requirements must be met.

**Boarder Income Requirements:**

The rental payments that any borrower receives from one or more individuals who reside with the borrower (but who are not obligated on the mortgage debt and may or may not be related to the borrower) may be considered as acceptable stable income. This applies for a one-unit property in an amount up to 30% of the total gross income that is used to qualify the borrower for the mortgage if

- The individual(s) has lived with (and paid rent to) the borrower for the last 12 months.
- The boarder can provide appropriate documentation to demonstrate a history of shared residency (such as a copy of a driver' license, bill, or bank statement that shows the boarder' address as being the same as the borrower' address).
- The boarder can demonstrate the payment of rental payments\* to the borrower for
  - the last 12 months, or
  - at least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period.

CMG prepurchase risk review is required for all HomeReady Mortgages using boarder income to qualify.

- Payment must be via copies of canceled checks or proof of direct bank transfers from tenant to borrower.
- Payment of rent by the boarder directly to the third party is not acceptable.

**Note:** An individual who is considered a non-borrower household member in accordance with HomeReady guidelines may not also be the contributor of rental income (two- to four-unit properties), accessory unit income (one-unit properties), or boarder income on the subject transaction.

**FAQ: May an individual who is already contributing boarder income, or is the source of rental income on a 2- to 4-unit property or a 1-unit property with an accessory unit, also be considered a non-borrower household member?**

No. If the individual is the source of boarder or rental income, he or she cannot also be considered a non-borrower household member. In these cases, the individual is making an actual, documented contribution to the household through the boarder or rental income, and this income is being included in the borrower's total qualifying income. This is in contrast to the eligibility for non-borrower household members, where there is no documented, on-going contribution and the non-borrower's income is not being used as qualifying income.

**Effective Date:** *Immediately*

Guidelines/matrices: [Fannie Mae HomeReady](#)

Links:

- Fannie Mae Examples: [https://www.fanniemae.com/content/fact\\_sheet/homeready-boarder-accessory-unit-income.pdf](https://www.fanniemae.com/content/fact_sheet/homeready-boarder-accessory-unit-income.pdf)
- Fannie Mae HomeReady Resources: <https://www.fanniemae.com/singlefamily/homeready>

**UPDATES: NON AGENCY**

**Summary:** The 6200 QM Series, 6600 QM Series, 6700 QM Series, 7200 Non-QM Series and 7600 Non-QM Series Guidelines are scheduled to be updated with the changes outlined below. **Changes are effective for loans locked on or after 5/08/2017.**

Topic	Program	Change
Eligibility Matrix - Primary Residence - Purchase, Rate and Term Refinance	6600 QM 7600 Non-QM	<input type="checkbox"/> Increasing the maximum loan amount from \$1,500,000 to \$2,000,000 with a maximum of 70% LTV/CLTV/HCLTV with a minimum 661 FICO score. <input type="checkbox"/> Changing the number of units from 3-4 to 1-4 for transactions up to \$2,000,000 with a maximum of 70% LTV/CLTV/HCLTV with a minimum 661 FICO score.
Eligibility Matrix - Investment - Purchase, Rate and Term Refinance	6200 QM 7200 Non-QM	<input type="checkbox"/> Increasing LTV/CLTV/HCLTV from 65% to 70% for investment purchase transactions. <input type="checkbox"/> Increasing LTV/CLTV/HCLTV from 60% to 70% for investment rate and term refinance transactions.
Eligibility Matrix - Investment - Cash-Out Refinance	6200 QM 7200 Non-QM	Adding cash-out refinance transactions for investment properties with a 740 FICO score up to 60% LTV/CLTV/HCLTV with a maximum loan amount of \$1,000,000 and cash-out limit of \$250,000 for 1-4 units as an eligible transaction.
	7600 Non-QM	Adding cash-out refinance transactions for investment properties with a 680 FICO score up to 60% LTV/CLTV/HCLTV with a maximum loan amount of \$1,000,000 and cash-out limit of \$250,000 for 1-4 units as an eligible transaction.
QM Designation	6200 QM 7200 Non-QM 7600 Non-QM	Adding requirement for cash-out investment property transactions to include an attestation from the borrower indicating the purpose of the cash out proceeds, business purpose or personal, in order to determine the QM designation.
Delayed Purchase Refinancing	6200 QM 7200 Non-QM 6700 QM 6600 QM 7600 Non-QM	<input type="checkbox"/> Adding allowable source of funds used to purchase the subject property may include funds drawn on a HELOC from another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan. <input type="checkbox"/> The borrowed funds used to purchase the property must be fully documented and the new refinance transaction must include the payoff of those borrowed funds on the Closing Disclosure (CD).

<b>Liabilities - Departure Residences</b>	<b>7200 Non-QM</b>  <b>7600 Non-QM</b>	Adding additional options to exclude the departure residence payment in the debt-to-income ratio when the borrower has not yet rented or listed the departure residence for sale. See specific program guidelines for additional requirements.
<b>Topic</b>	<b>Program</b>	<b>Change</b>
<b>Underwriting Guidelines – Unacceptable Income Sources / Rental Income</b>	<b>6200 QM</b> <b>6600 QM</b> <b>7200 Non-QM</b> <b>7600 Non-QM</b>	<input type="checkbox"/> Current guidelines do not allow for rental income on the subject property if it is a primary residence. New guideline will allow for rental income when the subject property is a primary residence 2-4 unit property. See specific program guidelines for additional requirements.  <input type="checkbox"/> Revising the language under rental income for the subject as a primary residence that if the subject property is 1 unit or 1 unit with an accessory unit and generating rental income, the full PITIA should be included in the borrower's total monthly obligation.  <input type="checkbox"/> Adding rental income for the subject property as a 2-4 unit residence, rental income may be considered for qualifying income. See specific program guidelines for additional requirements.
<b>Income / Employment - Restricted Stock Units (RSUs) and Stock Options</b>	<b>6200 QM</b> <b>6600 QM</b> <b>6700 QM</b> <b>7200 Non-QM</b> <b>7600 Non-QM</b>	Additional requirements to be added for continuance of RSU/Stock Options:  <input type="checkbox"/> Additional awards must be similar to the qualifying income and awarded on a consistent basis  <input type="checkbox"/> Borrower must be currently employed by the employer issuing the RSU/Stock Options in order to use the RSU/Stock Options in qualifying income
<b>Income / Employment - Trust Income</b>	<b>6200 QM</b> <b>6600 QM</b> <b>6700 QM</b> <b>7200 Non-QM</b> <b>7600 Non-QM</b>	<input type="checkbox"/> Adding requirement for trust income to be considered eligible for qualifying income, the loan file must contain evidence the trust is irrevocable.  <input type="checkbox"/> Adding requirement if the trust fund asset accounts are used for the required assets for the loan, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income.  <input type="checkbox"/> Removing the bullet point pertaining to portion of trust income that is non-taxable must include proof of distribution.
<b>Multiple Financed Properties</b>	<b>6600 QM</b> <b>7600 Non-QM</b>	Increasing the number of financed properties allowed from 4 to 10. If a borrower owns 5-10 financed properties, the following requirements apply:  <input type="checkbox"/> Subject transaction is limited to a maximum of 80% LTV/CLTV/HCLTV or program maximum (lower of the two)  <input type="checkbox"/> 6 months reserves is required for each financed property  <input type="checkbox"/> The subject property requires the greater of 6 months reserves or required reserves per guidelines as indicated in the Asset Section of the guides

Topic	Program	Change
Non-Arm's Length Transactions	<p>6200 QM</p> <p>6600 QM</p> <p>6700 QM</p> <p>7200 Non-QM</p> <p>7600 Non-QM</p>	<p>The following relationships will be added as acceptable non-arm's length transactions:</p> <p><input type="checkbox"/> Relative of the property seller acting as the seller's real estate agent</p> <p><input type="checkbox"/> Relative of the borrower acting as the borrower's real estate agent</p> <p><input type="checkbox"/> Originator is related to the borrower</p> <p>Gifts from relatives that are interested parties to the transaction are not allowed. Real estate agents may apply their commissions towards closing costs/prepays as long as the amounts are within the interested party contribution limitations.</p>
Non-Warrantable Condos - Condotels	<p>6600 QM</p> <p>7600 Non-QM</p>	<p><input type="checkbox"/> Increasing the allowable commercial space from 35% to 50%.</p> <p><input type="checkbox"/> Commercial space does not need to include parking garage in the commercial square footage calculation on condotels.</p>

**Effective Date:** Effective dates are for loans locked on or after 5/08/2017.

**Guidelines:** Guidelines will be updated and reposted on 5/08/2017.

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

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