

**BULLETIN #2016-21**

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**TO: Distribution**

**DATE: May 11, 2016**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Reminder: Special Information Booklet "Your Home Loan Toolkit"
- DU Version 10.0- Changes coming in June
  - Enhanced Credit Risk Assessment Including Use of Trended Credit Data
  - Underwriting for Borrowers with Multiple Financed Properties

**REMINDER: SPECIAL INFORMATION BOOKLET "YOUR HOME LOAN TOOLKIT"**

**Summary:** Lenders and Brokers must provide a copy of the CFPB's Special Information Booklet titled "Your Home Loan Toolkit" to consumers who apply for consumer credit transaction secured by real property that have the purpose of purchasing a one-to-four family residential property. The Special Information Booklet is not required for transactions that are not for the purchase of real property, including the following: refinances, subordinate liens and reverse mortgages.

**Note:** CMG Financial Correspondents are responsible for submitting delivery documentation for the Special Information Booklet "Your Home Loan Toolkit."

**DU VERSION 10.0- CHANGES COMING IN JUNE**

**Summary:** DU Version 10.0 (to be implemented the weekend of June 25, 2016) will provide:

- Enhanced credit risk assessment including the use of trended credit data.
- Automated underwriting for borrowers with multiple financed properties.

**Note: Although DU will also be updated to allow underwriting of loans for borrowers with no traditional credit CMG will continue to require all borrowers to have traditional credit and a valid credit score.**

**ENHANCED CREDIT RISK ASSESSMENT INCLUDING USE OF TRENDED CREDIT DATA**

The DU Version 10.0 credit risk assessment will:

- Use "trended credit data" – a two-year historical perspective on a consumer's utilization of credit accounts.
- Enhance how the risk assessment views loans to borrowers who are self-employed or have no mortgage history.

Note: The overall percentage of loans that receive an Approve/Eligible recommendation is expected to remain relatively stable.

**Refer to FannieMae FAQs on "Trended Credit Data" (Q3-Q14) for additional guidance:**

<https://www.fanniemae.com/content/faq/do-du-release-06252016-faqs.pdf>

#### AUTOMATED UNDERWRITING FOR BORROWERS WITH MULTIPLE FINANCED PROPERTIES

DU Version 10.0 will reflect a simplified policy that will apply to loans for borrowers with multiple financed properties. The updated policy will require fewer eligibility overlays and updated reserve requirements, which will be automated by DU.

#### ***New DU Version 10.0 Eligibility Guidelines***

DU will use the number of financed properties amount (as determined above) to apply the following eligibility guidelines:

- A minimum credit score of 720 is required for borrowers with 7 to 10 financed properties.
- Borrowers are limited to a maximum of 10 financed properties.

*Note: The LTV, CLTV, and HCLTV ratio guidelines, and the limitations on cash-out refinance transactions previously included in the multiple financed properties policy, are being removed.*

#### ***New DU Version 10.0 Reserve Requirements***

DU will also determine the reserves required for the other residential financed properties (those that are not the borrower's principal residence and not the subject property). The other financed properties reserves amount will be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for all mortgages and HELOCs disclosed on the online loan application. Those percentages are based on the number of financed properties (as determined above):

- 2% of the aggregate UPB if the borrower has 1 to 4 financed properties
- 4% of the aggregate UPB if the borrower has 5 to 6 financed properties
- 6% of the aggregate UPB if the borrower has 7 or more financed properties

Mortgages and HELOCs on the loan application will not be included in the aggregate UPB calculation if the liability is marked paid by close or omitted; or is associated to the subject property, the borrower's principal residence, or a pending sale or sold property. DU will also include the UPB for any open/active mortgage or HELOC on the credit report that is not disclosed on the loan application. If the loan casefile does not meet the reserve requirements, DU will issue an Ineligible recommendation and a message will be issued letting the lender know the reserve requirement was not met.

*Note: Lenders will no longer be required to manually determine the reserve requirements for the borrower's other financed properties. These reserve requirements will now be determined by DU.*

**For More on DU Determining the number of Financed Properties, refer to FannieMae Link:**

[https://www.fanniemae.com/content/release\\_notes/du-do-release-notes-06252016.pdf](https://www.fanniemae.com/content/release_notes/du-do-release-notes-06252016.pdf) **"Policy Changes for Borrower with Multiple Financed Properties."**

**Effective Date:** Weekend of June 25, 2016.

**Action to Take:** The changes made with DU Version 10.0 will not impact DU Version 9.3 loan casefiles that are re-underwritten after the weekend of June 25, 2016. There is no impact to FHA/VA automated underwriting systems.

#### **Reference:**

<https://www.fanniemae.com/singlefamily/desktop-underwriter>

[https://www.fanniemae.com/content/release\\_notes/du-do-release-notes-06252016.pdf](https://www.fanniemae.com/content/release_notes/du-do-release-notes-06252016.pdf)

[https://www.fanniemae.com/content/fact\\_sheet/desktop-underwriter-version-10-fact-sheet.pdf](https://www.fanniemae.com/content/fact_sheet/desktop-underwriter-version-10-fact-sheet.pdf)

<https://www.fanniemae.com/content/faq/do-du-release-06252016-faqs.pdf>

[https://www.fanniemae.com/content/release\\_notes/du-do-integration-impact-memo-06252016.pdf](https://www.fanniemae.com/content/release_notes/du-do-integration-impact-memo-06252016.pdf)

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