

BULLETIN #2016-22

TO: Distribution

DATE: May 25, 2016

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [Enhancement: Projected Income – FHA and LP Conventional Conforming Loans](#)
- [Enhancement: VA Loans & 2106 Expenses](#)
- [Clarification/Reminder – VA Requires FINAL CD to be Signed](#)
- [Reminder and Enhancement: Bulk Bid Policy- Pair Off and Minimum Pool](#)
- [Reminder: CMG Loan Submission Form](#)

ENHANCEMENT: PROJECTED INCOME-FHA AND LP CONVENTIONAL CONFORMING LOANS

Summary: FHA transactions and LP conventional conforming loans involving a new job for the borrower that will begin after closing may now be eligible subject to all of the following requirements:

- The subject transaction is for the purchase of a 1-unit primary residence;
- borrower must have a minimum 640 qualifying credit score;
- maximum DTI is 50%
- the Borrower's employment offer must be non-contingent and the non- contingent offer letter must be retained in the loan file
- the Borrower's written acceptance of the employment offer must be retained in the loan file;
- the Expected/Projected income cannot be derived from a family-owned business;
- the Borrower must have cash reserves to support the mortgage payment and any other obligations during the employment gap **plus** and additional one month's reserves of PITIA;
- the time frame between the Note Date and the start of employment (the employment gap) must not exceed 60 days (Income must be guaranteed to begin within 60 Days of mortgage closing);
- the income is calculated in accordance with the standards for the type of income being received
- a post-closing copy of the borrower's first past / proof of receipt of income must be obtained and verified to support income used to qualify and retained in the loan file.

Note: This enhancement applies to FHA loans and LP conventional conforming loans. This does NOT apply to conventional conforming loans underwritten with DU. Conventional conforming loans underwritten with DU require a past prior to purchase.

Effective Date: This enhancement is effective immediately. Guidelines will be updated the week of May 23rd.

ENHANCEMENT: VA LOANS & 2016 EXPENSES

Summary: VA has issued clarification with regard to unreimbursed employee business expenses reported on Internal Revenue Service (IRS) Form 2106. Current VA underwriting standards require all

non-reimbursed business expenses to be listed in Section D, Debts and Obligation, on VA Form 26-6393, Loan Analysis. In order to be consistent with industry standards for the treatment of unreimbursed business expenses reported on IRS Form 2106, VA is clarifying its policy to more accurately reflect income derived from commissioned employees.

For a borrower who qualified using commission income of less than 25% of the total annual employment income:

- IRS Form 2106 expenses are not required to be deducted from income even if they are reported on IRS Form 2106 and are not required to be added as a monthly liability.
- Tax returns are not required to document the source of income and deductions.

For a borrower earning commission income that is 25% or more of annual employment income, IRS Form 2106 expenses must be deducted from gross commission income regardless of the length of time the borrower has filed the expenses with the IRS.

- One exception to the policy clarification concerns an automobile lease or loan payment. Automobile lease or loan payments are not subtracted from the borrower's income; they are considered part of the borrower's recurring monthly debt obligations in Section D on the VA Form 26-6393.
- Tax returns are required to document the source of income and deductions.

VA Circular: http://www.benefits.va.gov/HOME_LOANS/documents/circulars/26_16_10.pdf

Effective Date: New guidance may be applied immediately even though the Circular indicates effective date in June. Guidelines will be updated, as applicable, the week of May 23rd

CLARIFICATION/REMINDER-VA REQUIRES FINAL CD TO BE SIGNED

Summary: As a reminder, VA requires a final borrower signed copy of the TRID-CD on all loans. Previously, VA issued [Circular 26-16-11](#) clarifying how lenders should complete the TRID-CD in order to meet VA program requirements regarding allowable fees and charges which are charged to the borrower and how to itemize lender and seller credits. The following is provided as clarification to VA's requirement for a final borrower signed copy of the TRID-CD when corrections are required:

- A CD that materially changes the fee structure to the borrower will need to be signed by the borrower. The reason VA requires this is so that the borrower is fully aware if any material change has been made to the fees and charges being assessed.
- If the change makes no difference to the borrower's cash to close or refund due, then there is no need to have it signed. As an example; consider a fee that was initially charged to the seller but then moved to the paid by others column. That would not need to be resigned.
- Also, corrective typos and immaterial changes would not require a new signature.
- However, if a fee was initially charged to someone else but now charged to the Veteran, or if a borrower fee was changed (higher or lower) then the borrower signature is required.
- If the loan terms or projected payments (material items) changed, then it needs to be signed.

VA tried to keep it as simple as possible in the circular so that they didn't establish too many "what if's" or "that wasn't an example in the circular" type questions. It is simply stated, the final CD must be signed by the borrower. If it has been changed in a material manner and dated after the closing, it needs to be signed.

Link to Full Circular: [Circular 26-16-11](#)

REMINDER AND ENHANCEMENT: BULK BID POLICY- PAIR OFF AND MINIMUM POOL

Summary: CMG Bulk Bid Process provides live price for loan level or entire package bid acceptance, negotiation and last-look procedure with competitive pricing based on a 15-day deliver commitment.

- As a reminder, any canceled or denied loans are expected to be substituted with another loan that fits within the same program, rate and 2% loan amount tolerance. Undelivered loans will be subject to Pair Off fee of 0.125 or when market improves, 0.125 plus market improvement.
- To enhance the Bulk Bid experience, **effective June 1, 2016**, the minimum pool greater of \$1,000,000 or five units will be removed.

Effective Date: June 1, 2016. Sellers Guide will be updated the week of May 30, 2016

Link: [Seller's Guide](#)

REMINDER: CMG LOAN SUBMISSION FORM

Summary: To ensure the highest quality review and expedite the purchase process, Sellers should utilize CMG's [Loan Submission Form](#) or follow the standard Fannie Mae stacking order.

Link: <http://docs.cmgfi.com/correspondent/corr-loan-submission-form.pdf>

Effective Date: Immediately

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

3160 Crow Canyon Road, Suite 400, San Ramon, CA. 94583 | 800.501.2001 | NMLS #1820 | www.cmgfi.com

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