

**BULLETIN #2017-23**

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**TO: Distribution**

**DATE: June 7, 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:**

- 6400 Jumbo Series Updates

**6400 Jumbo Series Updates**

**Summary:** The below changes are effective immediately:

- **Update to Cash out Refinance parameters:**
  - If the subject property was acquired within 6 months of the application date and underwent substantial renovation (more than 20% of original Purchase price), the Applicant may recoup out of pocket expenses not to exceed the amount of the documented renovation; the value utilized for LTV/CLTV calculation will be the new appraisal value.
- **Addition of Rental Income for investment Properties:**
  - If the subject property is an investment property, rental income can be used to qualify provided all of the following conditions are met:
    - Rental income from subject property is not the sole source of income used to qualify for the loan.
    - Rental income from subject property used to qualify for the loan is not exceeding 50% of total qualifying income.
    - The applicant must demonstrate at least a two year history through tax returns of managing 1-4 unit investment properties,
    - Rental income from subject property may be utilized if an investment property is not reflected on the prior year's tax returns in the event if subject transaction is a purchase transaction or subject property was acquired subsequent to filing the most recent tax returns (minimum seasoning requirement must be met: 6 months ownership). 75% of the monthly gross rental income may be utilized for qualification, less applicable PITIA. Copy of executed current lease agreement (s) with minimum of 12 months term is required. In the event if subject transaction is a purchase transaction and executed lease is not available, monthly rental income can be obtained from Comparable Rent schedule less 25% for vacancy factor.
- **Update to Retirement/Pension income:**
  - Regular distributions from retirement assets must be set up prior to application date.
  - Written verification from the financial institution holding the assets added as acceptable verification
- **Addition of Asset Distribution not Related to Retirement:**
  - Asset Distributions not related to retirement In situations when applicant(s) evidences significant amount of financial assets, and can provide verification supporting that regular monthly distributions have been set up prior to application date, this income is allowed to be used to qualify for the loan provided following conditions are met:
    - Subject property must be Owner Occupied or Second home,
    - Applicant(s) can provide supporting documentation verifying ownership of financial assets for minimum of 2 years and have unrestricted access

- Distribution Income derived from financial assets must be stable with a reasonable expectation that distributions can continue for a minimum of three years. Annualized distributions may not exceed 10% of total account balance.
    - Distribution income cannot be used for qualification if there is any knowledge or documentation indicating that the income will terminate within the next three years,
    - Assets used to derive income (distributions) cannot be used for reserves or down payment.
  - Distribution income from financial assets must be verified by providing all of the following:
    - Yearend statements for most recent 2 years to evidence ownership and value of the assets,
    - Written verification from the financial institution managing the assets to evidence that regular monthly distributions have been set up. It must provide amount, frequency and duration of distributions. Note: Annualized distributions may not exceed 10% of total account(s) balance.
    - If distributions have been received for previous two years and are taxable, must provide copies of most recent tax returns with all schedules.
- **Addition of Stock Appreciation Income:**
  - Stock Appreciation Rights: A Stock Appreciation Right (SAR) is an award which provides the holder with the ability to profit from the appreciation in value of a set number of shares of company stock over a set period of time. The valuation of a stock appreciation right operates exactly like a stock option in that the employee benefits from any increases in stock price above the price set in the award. However, unlike an option, the employee is not required to pay an exercise price to exercise them, but simply receives the net amount of the increase in the stock price in either cash or shares of company stock, depending on plan rules. Stock Appreciation Rights are similar to Stock Options in that they are granted at a set price, and they generally have a vesting period and an expiration date. Once a SAR vests, an employee can exercise it at any time prior to its expiration. The proceeds will be paid either in cash, shares, or a combination of cash and shares depending on the rules of an employee's plan. If proceeds are received in shares, they can be treated as any other shares of stock in a brokerage account. SARs can be utilized as income if a two year history of vesting and exercise can be documented.
- **Clarification of Second Appraisal Requirements:**
  - Second Appraisal Requirement On loan amounts ranging from \$424,001.00 up to and including \$1,000,000.00, will require only one appraisal report, unless it meets any of the bullet points outlined in the guidelines.
  - The use of one appraisal on loan amounts from \$1,000,001.00 up to and including \$1,500,000.00 is allowed if the subject property is located in one of the defined Tier One Markets, unless meets any of the bullet points outlined in the guidelines.
  - In all other cases, two appraisals are required on loan amounts exceeding \$1,500,000.00 and /or meet any bullet points outlined in the guidelines.

**Effective Date:** *Immediately*

**Link:** [6400 Jumbo Series Guidelines](#)

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

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