

BULLETIN #2017-24

TO: Distribution

DATE: June 14, 2017

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [Freddie Mac LPA Appraisal Waiver Option Coming Soon - ACE!](#)
- [Freddie Mac Updates – Area Median Income Estimates](#)
- [Freddie Mac Update – Condominium Projects](#)
- [Freddie Mac Update – Property with Accessory Unit](#)
- [Freddie Mac Update – Sales Contract](#)

FREDDIE MAC APPRAISAL WAIVER OPTION COMING SOON-ACE!

Last week, Freddie Mac published an announcement that they are releasing Automated Collateral Evaluation (ACE) on **June 19th**. ACE which provides the lender with the option to waive the appraisal requirements for certain Loan Product Advisor Mortgages. See below for more details on:

- [Eligibility - Loan Product Advisor Offer](#)
- [General Mortgage eligibility](#)
- [Ineligible Mortgages](#)
- [Age of automated collateral evaluation offer](#)

ELIGIBILITY - LOAN PRODUCT ADVISOR OFFER

The lender will receive a feedback message indicating that a Mortgage is eligible for an appraisal waiver on the Loan Product Advisor Feedback Certificate. If the Mortgage is not eligible for an appraisal waiver, the Feedback Certificate will specify that an appraisal is required.

GENERAL MORTGAGE ELIGIBILITY

The following requirements apply for a Mortgage to be eligible for the appraisal waiver:

- The Mortgage must be secured by a 1-unit Primary Residence or second home
- The Mortgage must have a loan-to-value (LTV)/total LTV (TLTV) ratio less than or equal to 80%
- The Mortgage must be a no cash-out refinance
- Upon assessment by Loan Product Advisor, the Feedback Certificate must indicate the Mortgage is eligible for collateral representation and warranty relief with an appraisal waiver

INELIGIBLE MORTGAGES

The following Mortgages are not eligible for an appraisal waiver:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage

- Mortgages secured by one of the following:
 - A Condominium Unit
 - A Manufactured Home, or
 - A leasehold estate
- Mortgages secured by Mortgaged Premises subject to resale restrictions
- Construction Conversion and Renovation Mortgages
- Freddie Mac Relief Refinance Mortgages (Open Access)
- Mortgages with Freddie Mac Settlement Dates more than 120 days from the Note Date

In addition, lenders may not accept an appraisal waiver offer through Loan Product Advisor if any of the following apply:

- The lender is required by law or regulation to obtain an appraisal
- The lender is aware of conditions it believes warrant an appraisal being obtained. Examples include but are not limited to:
 - The property is located in an area recently impacted by a disaster
 - A contaminated site or hazardous substance exists affecting the property or the neighborhood in which the property is located

For Mortgages with appraisal waivers, the lender must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.

AGE OF AUTOMATED COLLATERAL EVALUATION OFFER

The appraisal waiver offer is valid for 120 days. If the offer is more than 120 days old as of the Note Date, a resubmission to Loan Product Advisor is required to determine ongoing appraisal waiver eligibility.

Effective Date: *June 19, 2017*

Link to Freddie Mac announcement:

<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl1708.pdf>

FREDDIE MAC UPDATE- AREA MEDIAN INCOME ESTIMATES

Summary: The FHFA has issued the area median income estimates for 2017. Loan Product Advisor and the Home Possible Income & Property Eligibility tool will be updated by start of business on June 13, 2017 to reflect the 2017 area median income estimates.

- Because some 2017 estimates are lower than the area median income estimates for 2016, Home Possible Mortgages underwritten using the 2016 area median income limits may no longer be eligible for sale.
- If a Home Possible Mortgage received an "Accept-Eligible" evaluation prior to June 13, 2017, but receives an "Accept-Ineligible" when resubmitted to Loan Product Advisor on or after June 13, 2017 due only to the new area median income estimates (that is, no other purchase restriction/reason for ineligibility applies), Freddie Mac will honor the original Feedback Certificate for the "eligibility" and purchase the Mortgage as long as there is no change to the Borrower's income and/or the address of the Mortgaged Premises.
- In these instances, the original Feedback Certificate (pre-June 13, 2017) must have been returned by Loan Product Advisor no more than 120 days before the Note Date and both Feedback Certificates must be retained in the Mortgage file.

Effective Date: *Update was effective June 13, 2017*

Link to Freddie Mac Announcement:

<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl1708.pdf>

FREDDIE MAC CONDOMINIUM PROJECT UPDATES

Summary - Freddie Mac has announce condominium project updates on the following topics:

- [Simplified requirements for Detached Condominium Projects](#)
- [Additions to the list of ineligible projects – May 31, 2017 and August 31, 2017](#)

SIMPLIFIED REQUIREMENTS FOR DETACHED CONDOMINIUM PROJECTS

Freddie Mac is simplifying the project eligibility requirements for Detached Condominium Projects:

Detached Condominium Project Requirements	
Previous Requirements	Revised Requirements
<p>The lender was required to determine compliance with:</p> <ul style="list-style-type: none">• The Condominium Project review requirements in Section 5701.2(a), and• The Condominium Project eligibility requirements, which have two components:<ul style="list-style-type: none">○ General Condominium Projects in Section 5701.2(b), and○ The Detached Condominium Project review type in Section 5701.7(b) <p>The lender was required to determine compliance with Section 5701.2(b), including determining that the project is not an ineligible project as specified in Section 5701.3.</p>	<p>The lender is required to determine compliance with:</p> <ul style="list-style-type: none">• The Condominium Project review requirements in Section 5701.2(a), and• The Detached Condominium Project eligibility requirements in Section 5701.7(b) <p>The lender is no longer required to determine compliance with Section 5701.2(b), including determining that the project is not an ineligible project as specified in Section 5701.3.</p>

Impact: For conventional conforming LP loans, detached condominiums no longer require a condominium questionnaire.

INELIGIBLE CONDOMINIUM PROJECTS

Freddie Mac is updating our list of ineligible Condominium Projects in Section 5701.3 as follows:

- Projects with names that include the words "hotel," "motel," "inn," or "lodge" or a branded hotel chain or name remain ineligible unless the project does not have the characteristics of a hotel or similar type of transient housing
- Projects with pending litigation involving minor matters that do not affect the safety, structural soundness, functional use or habitability of the project and in which the litigation amount is unknown may be eligible if the requirements in Section 5701.3(i) are met

Additionally, effective August 31, 2017, Freddie Mac is updating their list of ineligible projects as follows:

- A project or an investment in a project, including Condominium Unit ownership that is characterized or promoted as an investment opportunity, that could be deemed to be an investment security is an ineligible project

A project with mandatory dues or similar membership fees for the use of Amenities, such as clubhouses or recreational facilities, is ineligible with certain exceptions

Effective Date: Changes were effective May 31st unless noted above.

Link to Freddie Mac

Announcement: <http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bll1708.pdf>

FREDDIE MAC UPDATE-PROPERTY WITH AN ACCESSORY UNIT

Summary: Currently, Freddie Mac will purchase a Mortgage secured by a 1-unit property with only one accessory unit. To assist lenders in identifying an accessory unit, we are updating our requirements and guidance as follows:

- Requiring that the accessory unit have a kitchen and a bathroom
- Providing examples of characteristics that may indicate a 2-unit property rather than a 1-unit property with an accessory unit, such as the zoning and land use requirements, covenants or homeowners association requirements, the existence of separate meters, ingress/egress or separate addresses for the units

Effective August 31, 2017, Freddie Mac is updating their comparable selection requirements for a 1-unit property with an accessory unit that complies with the zoning and land use requirements (legal or legal non-conforming zoning compliance) to require that the appraisal must include at least one comparable sale with only one accessory unit. The accessory unit of the comparable

sale must also comply with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area.

Additionally, to allow a Mortgage secured by a 1-unit property with an accessory unit that does not comply with the zoning and land use requirements (illegal zoning compliance), we are adding the following requirements:

- The "Site" section of the appraisal report must indicate that the accessory unit does not comply with zoning and land use requirements (illegal zoning compliance)
- At least two comparable sales with each having only one accessory unit must be included in the appraisal report. The accessory unit of each comparable sale must also be non-compliant with the zoning and land use requirements to demonstrate the conformity and marketability of the subject property to its market area
- The Seller must confirm that the existence of the accessory unit will not jeopardize future hazard insurance claims

Effective Date: *August 31, 2017*

Freddie Mac Selling Guide Impacts: *Sections 5601.2 and 5601.12*

Link to Freddie Mac Announcement:

<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bll1708.pdf>

FREDDIE MAC UPDATE- SALES CONTRACT

Summary: Freddie Mac has updated requirements for information supplied to the appraiser in regards to changes to the sales contract. Lenders are not required to provide the appraiser with an updated sales contract *unless* the updated terms impact the physical description or condition of the property. In such cases, the Seller must obtain an updated appraisal of the property. Changes to the sales contract that are not required to be provided to the appraiser include, but are not limited to:

- Changes to the transaction terms such as sales price, financing or sale concessions, and
- Date revisions, corrections to typographical errors, etc.

Effective Date: *Immediately*

Freddie Mac Selling Guide impact: *Section 5601.3*

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

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