

**BULLETIN #2017-25**

**TO: Distribution**

**DATE: June 21, 2017**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Update: New Names for Jumbo Series- Series # to Remain the Same
- Fannie Mae Guidance on Upcoming Credit Report Changes
- VA Circular-Clarifications to IRRRL worksheet for applications Date on or after July 2, 2017
- VA Circular-Allowable Fees and Charges on CD- Effective July 2, 2017
- Reminder: Third Party Management

**UPDATE: NEW NAMES FOR THE JUMBO SERIES- SERIES# TO REMAIN THE SAME**

**Summary:** CMG Financial announcing new names for our Correspondent Jumbo Series effective June 21, 2017

Currently known as:	New Name:
True Jumbo 6200 Series Program	Premier Jumbo 6200 Series Program
Ultimate Jumbo 6400 Series Program	Flex Jumbo 6400 Series Program
Beyond Jumbo 6600 Series Program	Expanded Jumbo 6600 Series Program
Simply Jumbo 6700 Series Program	Simply Jumbo 6700 Series Program (remains the same )
True Jumbo 7200 Non-QM Series Program	Premier Jumbo 7200 Non-QM Series Program
Beyond Jumbo 7600 Non-QM Series Program	Expanded Jumbo 7600 Non-QM Series Program

**Effective Date:** June 21, 2017 Guidelines and Jumbo Comparison Matrix will be reposted to reflect new names.

**FANNIE MAE GUIDANCE ON UPCOMING CREDIT REPORT CHANGES**

**Summary:** Effective in July 2017, most tax liens and civil judgments will not appear on credit reports. Fannie Mae is providing the following guidance:

- Lenders can continue to rely on the Desktop Underwriter® (DU®) risk assessment and recommendation.
- There will be no changes to Fannie Mae policy requiring delinquent credit, including judgments and liens, to be paid off at or prior to closing.
- Lenders are not required to use sources other than the loan application, credit report, and preliminary title report to identify potential civil judgments and tax liens. Lender is required to address outstanding judgments and liens they become aware of prior to closing.

**Effective Date:** July 2017

**Link:** [Lender Letter LL-2017-02](#)

## VA CIRCULAR-CLARIFICATIONS TO IRRRL WORKSHEET FOR APPLICATIONS DATE ON OR AFTER JULY 2, 2017

**Summary:** VA issued Circular 26-17-12 clarifying VA requirements regarding the completion of VA Form 26-8923, *Interest Rate Reduction Refinancing Loan Worksheet*, effective for all Interest Rate Reduction Refinance Loan (IRRRL) applications originated (initial Fannie Mae Form 1003 application date) on or after July 2, 2017.

VA has received many inquiries from mortgage lenders on the proper completion of the *IRRRL Worksheet* since the implementation of the Truth in Lending Act - Real Estate Settlement Procedures Act Integrated Disclosure (TRID) Loan Estimate (LE) and Closing Disclosure (CD). This Circular clarifies and establishes VA policy regarding:

- Amount of the existing loan balance allowable (Line 1).
- Principal reduction from Veteran (Line 2).
- Maximum allowable discount points (Line 5).
- Maximum allowable closing costs (Line 8).
- Maximum allowable *discount points* (Line 11).
- Maximum loan amount (Line 18).

**Policy Clarification for Completion of the *IRRRL Worksheet*.** As the validation of the payoff occurs and the fees adjust due to payoff updates, VA understands that it is necessary to change the loan amount and fees during the processing of the loan. If a lender issues a restated TRID-LE, a new *IRRRL Worksheet* may need to be completed to ensure an accurate maximum loan amount. An explanation of the form fields and when a new form will be required is provided below.

### ***IRRRL Worksheet Instructions.***

- For the purposes of calculating the maximum loan amount, the following must be used:
  - Line 1 is limited to the calculation from the current lender's payoff statement with interest accrual and fees, adjusted to the actual date of payoff, plus energy efficient improvements. Line 2 is limited to direct cash from the Veteran to reduce the principal balance on the new base loan in Line 3. This line is not used to correct for any excess discount points that cannot be financed.
  - Line 5 is limited to no more than two (2) discount points that can be financed. In cases where the borrower has elected to pay more than two (2) discount points for the rate chosen, the excess would be included on the TRID-LE and TRID-CD, but not on the *IRRRL Worksheet*.
  - Line 8 will be calculated as follows: Line J minus the greater of either Line 5 or total discount points from the TRID-LE. Take this number and subtract Line 6 and Line 7. The lender must not finance VA *loan* costs greater than the 1 percent flat fee, should these costs exist in Line J.
  - Line 11 must be the same percentage as Line 5; the amount may vary.
  - Line 18 is established per the calculations of the form.
- Any changes allowed under Regulation Z (12 C.F.R. 1026), that reflect an adjustment to Line J, will require the *IRRRL Worksheet* to be re-calculated. This may change the maximum allowable loan amount on Line 18, and may cause an additional change to the lender's TRID-LE.

**Reminder:** A final lender signed copy of the *IRRRL Worksheet* is required on all loans.

**Effective Date:** *Effective for all Interest Rate Reduction Refinance Loan (IRRRL) applications originated (initial Fannie Mae Form 1003 application date) on or after July 2, 2017.*

**Link to Circular:** [http://www.benefits.va.gov/HOMELOANS/documents/circulars/26\\_17\\_12.pdf](http://www.benefits.va.gov/HOMELOANS/documents/circulars/26_17_12.pdf) and as amended by Change Notice dated May 12, 2017:  
[http://www.benefits.va.gov/HOMELOANS/documents/circulars/26\\_17\\_12\\_change1.pdf](http://www.benefits.va.gov/HOMELOANS/documents/circulars/26_17_12_change1.pdf)

## VA CIRCULAR-ALLOWABLE FEES AND CHARGES ON CD- EFFECTIVE JULY 2, 2017

**Summary:** This Circular provides the Department of Veterans Affairs' (VA) requirements for accurate completion of the Consumer Financial Protection Bureau (CFPB)'s Truth in Lending Act- Real Estate Settlement Procedures Act Integrated Disclosure Closing Disclosure (TRID-CD) document.

Since VA no longer accepts a separate itemized list of credits and charges, lenders must document all allowable fees and charges assessed against the borrower, in accordance with 38 C.F.R. 36.4313, as well

as any lender and seller credits on the TRID-CD. The requirements explained in this circular will apply to all loan applications dated on or after July 2, 2017.

**Instructions for Completing the Closing Costs Section of the TRID-CD.** Fees charged to the Veteran must be listed in the "Borrower Paid" column of this form. Seller credits must be entered in the "Seller-Paid" column. Lender credits are to be listed in the "Paid by Others" column. Borrower closing costs, paid for by either the seller or the lender, should be placed in either the "Seller Paid" or "Paid by Others" column, as appropriate. This breakout eliminates the need to provide a separate itemized list of fees and charges.

**Allowable Fees and Charges under 38 C.F.R. 36.4313.** In accordance with 38 C.F.R. 36.4313(d)(1), Veterans may only pay, or be charged, certain specific fees. Many of these fees are third party fees, i.e., collected from the Veteran by the lender on behalf of other parties to the transaction. The complete list of these fees may be found in our regulations, at 38 C.F.R. 36.4313. The most common of these allowable fees and charges include:

- a. Appraisal fees,
- b. Recording charges,
- c. Credit report,
- d. Taxes and assessments,
- e. Hazard insurance,
- f. Surveys,
- g. Title examinations and insurance,
- h. Flood zone determinations and life of loan service, and
- i. Other items authorized by the VA per local variances.

**Lender Fees.** In addition, 38 C.F.R. 36.4313(d)(2) permits a lender to charge the Veteran a flat charge, not exceeding one percent of the amount of the loan if that charge is in lieu of all other charges relating to costs of origination not set out in 36.4313(d)(1). Pursuant to 38 C.F.R. 36.4313(d)(2), lenders may charge Veterans costs not enumerated in §36.4313(d)(1), provided these costs are included in this one percent fee. This is discussed in further detail in the VA Lenders' Handbook, Pamphlet 26-7, in chapter 6, section 2d.

**VA Will No Longer Accept Itemized Lists of Fees.** As discussed above, in paragraph 3, VA is now requiring that all fees and charges must be shown in the appropriate column(s), in sections A – J of the TRID-CD. Lenders should no longer break these fees out on a separate form, as previously permitted with the HUD-1. Sample TRID-CDs are attached, as Exhibits A and B, to show the proper way to document charges assessed against the Veteran and charges paid by other parties, through either lender or seller credits. Lenders may attach a continuation page to the TRID-CD if necessary to document all fees and charges included in the transaction if all lines within the Closing Cost Details section of the TRID-CD have been used. The continuation page(s) must break out all fees and charges in the same way as they are itemized in the Closing Cost Details section and the pages numbered 2a and 2b.

**Corrections to the TRID-CD.** As necessary, lenders may correct a TRID-CD. Corrections to the Closing Cost Details section must break out all fees and charges in the appropriate column(s). It is unacceptable for the lender to show these corrections via a lump sum credit. Post-closing TRID-CD corrections do not need to be signed by the borrower(s).

- Example 1 (see [Exhibit A](#)). The fees and charges shown in this example clearly exceed the allowable one percent flat fee for charges related to the cost of loan origination. Even taking into account the lender and seller credits, the borrower was charged more than one percent by the lender, so it does not conform to 38 C.F.R. 36.4313. The lender will be required to correct the TRID-CD to accurately reflect the lender and/or seller credits in the appropriate columns and/or refund the Veteran through a principal reduction of the loan. In cases that require a principal reduction, the lender must provide verifiable evidence that the principal reduction has occurred and that the Veteran was notified of the principal reduction.
- Example 2 (see [Exhibit B](#)). This example shows an accurate documentation of the fees charged to the Veteran that exceed the one percent flat charge, but would otherwise be considered lender or seller credits. The credits are accurately documented in the correct column(s) on the TRID-CD. No corrective actions are necessary.

**Documentation and Submission of TRID-CD.** A final copy of the TRID-CD, signed (either electronic or wet signature) by the borrower, is required on all loans.

**Effective Date:** *The requirements explained in this circular will apply to all loan applications dated on or after July 2, 2017.*

**Links:**

[Circular 26-17-11](#)  
[Exhibit A](#)

**REMINDER: THIRD PARTY MANAGEMENT**

**Summary:** As a reminder, in August 2014 FNMA included the requirement that all employees involved in the origination of mortgage loans be checked against the GSA Excluded Parties List (SAM), HUD Limited Denial of Participation List (LDP List) and (FHFA) Suspended Counterparty Program (SCP) list.

This requirement includes employees of companies selling loans to CMG.

**Link to FNMA Announcement:** <https://www.fanniemae.com/content/guide/sel082614.pdf#page=131>

**Links to referenced lists:**

- [GSA Excluded Parties List \(SAM\)](#)
- [HUD Limited Denial of Participation List \(LDP List\)](#)
- [FHFA Suspended Counterparty Program \(SCP\) list](#)

**Impact/Effective Date:** *This is a reminder for all Correspondent partnerships new applications and renewals, CMG requires documentation of procedures for adhering to this requirement.*

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

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