

BULLETIN #2016-26

TO: Distribution

DATE: June 22, 2016

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [DU Version 10.0 Release Postponed](#)
- [Multiple Financed Properties-DU Loans](#)

DU VERSION 10.0 RELEASE POSTPONED

Summary: Fannie Mae has postponed the DU Version 10.0 release that was scheduled for the weekend of June 25, 2016. **During a weekend to be determined**, Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.0.

MULTIPLE FINANCED PROPERTIES- DU LOANS

Summary: During a weekend to be determined, Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.0. Automated underwriting for borrowers with multiple financed properties will not be available until the release. CMG will go ahead and align with the Fannie Mae changes in policy for multiple financed properties effective June 27th. Eligibility parameters are changed and will continue to require a manual check by underwriting. A new checklist will be available for the new parameters.

New Policy effective for all loans underwritten on and after 6/27/2016:

- If the borrower is financing a second home or investment property that is underwritten through DU, the maximum number of financed properties the borrower can have is ten. (no change)
- If the borrower will have one to six financed properties, Fannie Mae's standard eligibility policies apply (for example, LTV ratios and minimum credit scores). (less restrictive)
- If the borrower will have seven to ten financed properties, the mortgage loan must have a minimum representative credit score of 720; all other standard eligibility policies apply. (less restrictive, but note minimum credit score requirement continues to apply)
- Reserve Requirements (significant changes): Additional reserve requirements apply based on the number of financed properties the borrower will have. The borrower must have sufficient assets to close after meeting the minimum reserve requirements. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties.
 - The percentages are based on the number of financed properties:
 - 2% of the aggregate UPB if the borrower has one to four financed properties,
 - 4% of the aggregate UPB if the borrower has five to six financed properties,
 - or 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only).
 - The aggregate UPB calculation does not include the mortgages and HELOCs that are on
 - the subject property,
 - the borrower's principal residence,
 - properties that are sold or pending sale, and

- accounts that will be paid by closing (or omitted in DU on the online loan application).
- For Examples of Reserves Calculations: [CLICK HERE](#)

Reminders:

- If the mortgage loan being delivered to Fannie Mae is secured by the borrower's principal residence, there are no limitations on the number of other properties that the borrower will have financed.
- If the mortgage is secured by a second home or an investment property, the multiple financed properties policy applies.
- The financed property limit
 - applies to the number of one- to four-unit residential properties where the borrower is personally obligated on the mortgage(s);
 - applies to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to Fannie Mae;
 - includes the borrower' principal residence if it is financed; and is cumulative for all borrowers (though jointly financed properties are only counted once).
- The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property:
 - commercial real estate,
 - multifamily property consisting of more than four units,
 - ownership in a timeshare,
 - ownership of a vacant lot (residential or commercial), or
 - ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home).

For examples of Counting Financed Properties: [CLICK HERE](#)

Action to Take: On and after June 27th, underwriting may apply Fannie Mae's revised policy, utilize new Multiple Financed Properties Checklist, manually calculate reserves and minimum credit score requirements, and do not use SFC 150.

Links: [Selling Guide Announcement SEL-2016-03](#)
[DU Release Notes FAQs](#)

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

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