

BULLETIN #2017-29

TO: Distribution

DATE: July 12, 2017

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [Fannie Mae DU Version 10.1](#)

FANNIE MAE DU VERSION 10.1

Summary: During the weekend of July 29, 2017, Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.1, which will include the changes described below.

- The changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of July 29, 2017. Loan casefiles created in DU Version 10.0 and resubmitted after the weekend of July 29 will continue to be underwritten through DU Version 10.0.
- The changes in this release include updates to the following:
 - [DU Risk Assessment & Maximum Allowable DTI](#)
 - [Disputed Tradelines](#)
 - [ARM LTV Ratios](#)
 - [Self-employment Income Documentation](#)
 - [DU Validation Service](#)
 - [Property Inspection Waiver](#)
 - [Updates to Align with the Selling Guide](#)
 - [Retirement of DU Version 9.3](#)

DU RISK ASSESSMENT & MAXIMUM ALLOWABLE DTI

- The new risk assessment is expected to increase the percentage of Approve/Eligible recommendations lenders receive, specifically those with debt-to-income ratios between 45% and 50%. DU Version 10.1 will evaluate loan casefiles using the same risk factors currently evaluated in DU Version 10.0
- DU will consider applications with a maximum DTI of 50%. For DTIs above 45% and up to 50%, DU will no longer require certain additional compensating factors. Note: DU Refi Plus™ loan casefiles submitted to DU Version 10.1 will continue to be subject to the maximum allowable DTI applied to DU Refi Plus loan casefiles in DU Version 10.0.

DISPUTED TRADELINES

- DU Version 10.1 will include an updated risk assessment and messaging for loan casefiles for borrowers with disputed tradelines. DU will first assess the risk of the loan casefile using all tradelines reported as disputed by the borrower. When DU issues an Approve recommendation using the disputed tradelines, no further documentation of the disputed tradeline will be needed and the following message will be issued.

The following tradeline(s) were identified by DU as disputed by the borrower. Because DU issued an Approve recommendation when including the disputed information in the credit risk assessment, no further action is necessary.

<i>Creditor</i>	<i>Account Number</i>	<i>Account Type</i>
<i>ABC Creditor</i>	<i>123456789</i>	<i>Installment</i>

- When the loan casefile does not receive an Approve recommendation using the disputed tradeline in the risk assessment, the risk will then be assessed with the disputed tradeline excluded and DU will issue the following message:

The following tradeline(s) were identified by DU as disputed by the borrower. Because DU was not able to issue an Approve recommendation when including the disputed information in the credit risk assessment, the lender must determine if the disputed account belongs to the borrower and confirm the accuracy and completeness of the information tradeline. If the borrower is not responsible for the account or the information on the tradeline does not accurately and completely report the account, no further action is necessary regarding the disputed tradeline. If the borrower is responsible for the account and the tradelines information accurately and completely reports the account, the lender may manually underwrite the loan if the transaction is eligible for manual underwriting.

<i>Creditor</i>	<i>Account Number</i>	<i>Account Type</i>
<i>ABC Creditor</i>	<i>123456789</i>	<i>Installment</i>

NOTE: Tradelines reported as medical debt will continue to be excluded from the disputed tradeline identification. Lenders are not required to investigate the disputed medical tradelines.

ARM LTV RATIOS

- With DU Version 10.1 the maximum allowable LTV, CLTV, and HCLTV ratios (LTV ratios) for adjustable-rate mortgages will be aligned with fixed-rate mortgage LTV ratios for all transaction, occupancy, and property types, up to a maximum of 95%.

SELF-EMPLOYMENT INCOME DOCUMENTATION

- The criteria that determines the documentation required to verify a self-employed borrower's income will be updated. The number of DU loan casefiles eligible for the one year of personal and business tax return documentation requirements will increase.

DU VALIDATION SERVICE

The following DU validation service update will be made with DU Version 10.1.

- Income and Employment Updates. The DU validation service will now validate income and employment for a borrower that has both self-employment income that can be validated using tax transcript information and base, bonus, overtime, and/or commission income that can be validated using an income report. If all of the required information is not received (both an income report and tax transcript a message will be issued stating that the income and/or employment could not be validated because all documents were not available for income validation. The message issued when employment has not been validated will also be updated to specify that if employment cannot be validated, income from that employer may not be validated. The message will now state that employment could not be validated, and as a result messages related to income validation may have changed or been removed.

PROPERTY INSPECTION WAIVER

- PIW for Preliminary Findings When the PIW offer was enhanced in December 2016, DO users would only see the offer on loan casefiles underwritten using a sponsoring lender. With DU Version 10.1, DO loan casefiles underwritten using Preliminary Findings will now be eligible for the PIW offer.

UPDATES TO ALIGN WITH THE SELLING GUIDE

- **Student Loan Cash-out Refinance Selling Guide** Announcement SEL-2017-04 introduced requirements related to the Student Loan Cash-Out Refinance. DU will issue a message on cash-out refinance transactions where only subject property liens and student loans are marked paid by close. This message will specify that the transaction is a cash-out refinance and that it appears the borrower is only paying off the subject property mortgage(s) and student loans. The message will also remind lenders that if the loan qualifies as a Student Loan Cash-Out Refinance the maximum amount of cash back to borrower at closing is the lesser of 2% or \$2,000, and the loan must be delivered with Special Feature Code (SFC) 841.

- **Employment Offer Message** A new message will be issued to specify the requirements that apply to borrowers who have a contract to start a job, but will not begin employment before loan closing. As an official policy change has not been issued at this time, there are no changes to CMG policy/requirements as noted in the guidelines. On primary residence, one-unit, purchase transactions when the years and months on job in DU are 0 or blank, DU will issue a message specifying the requirements specific to these transactions.
- **Multiple Financed Properties Updates** The message issued by DU when the loan casefile received an Ineligible recommendation for not meeting the minimum amount of reserves required for the subject property and/or the other financed properties will be updated to include the dollar amount of the reserves required. The other financed properties (not associated to the principal residence or the subject property) reserve calculation will also be updated. In DU Version 10.0, the calculation includes the unpaid principal balance (UPB) of any open/active mortgage or home equity line of credit (HELOC) reported on the credit report that is not disclosed on the loan application. With DU Version 10.1, DU will no longer include the UPB of the credit report mortgages or HELOCs not disclosed on the loan application. Instead, DU will issue a new message that lists these credit report mortgages or HELOCs so lenders can ensure the minimum reserve requirement for other financed properties is accurately calculated, and that all open/active mortgages are entered on the loan application.
- **Site Condo References Selling Guide** Announcement SEL-2016-08 removed the project review requirements for a subset of detached condos commonly referred to as “site condos,” and Selling Guide Announcement SEL-2017-01 required that SFC 917 be provided when a site condo loan is delivered. The DU project review message issued on detached condominiums will be updated to state that if the property is a site condo a review is not required, and the DU message that lists any applicable SFCs will be updated to issue SFC 917 on detached condominiums. Lenders remain responsible for determining if the loan is secured by a site condo.
- **Treatment of Timeshares** Certain timeshare installment loans are reported in the credit report data as mortgage-related. In DU Version 10.0, these agreements would be considered a mortgage and the appropriate mortgage delinquency requirements are applied. DU Version 10.1 will treat all timeshare loans as installment loans.
- **Homebuyer Education Message Updates** The homebuyer education messages will be updated to take into account information provided in the Homebuyer Education Completion Indicator.

RETIREMENT OF DU VERSION 9.3

- With the release of DU Version 10.1, DU Version 9.3 will be retired. Therefore, effective the weekend of July 29, 2017, customers will no longer be able to resubmit loan casefiles to DU Version 9.3. Customers will continue to be able to view online loan applications and DU Underwriting Findings reports that were created under DU Version 9.3. To obtain an updated underwriting recommendation after the weekend of July 29, customers must create a new loan casefile and submit it to DU.

NOTE: DU Version 9.3 loan casefiles would have been created prior to September 24, 2016; therefore those loan casefiles would have been underwritten at least ten months prior to the retirement of DU Version 9.3.

Effective Date: *The changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of July 29, 2017. Loan casefiles created in DU Version 10.0 and resubmitted after the weekend of July 29 will continue to be underwritten through DU Version 10.0.*

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

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