

BULLETIN #2016-32

TO: Distribution

DATE: July 27, 2016

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Coming August 1, 2016 New Product Release: 6600 Series Jumbo
- FHA 92900-A Form Update
- Properties Subject to P.A.C.E. Obligations- FHAVA
- Reminder: FHA Gift Fund Documentation Requirements

COMING AUGUST 1ST! NEW PRODUCT RELEASE: 6600 SERIES JUMBO

Summary: We are pleased to announce the availability of the 6600 Series Jumbo mortgages effective Monday, August 1, 2016. This program is a QM Jumbo program that is similar to the 6200 Series Jumbo but with certain parameters expanded/enhanced. Refer to full guidelines for complete requirements; below are program highlights.

Eligible Borrowers: US Citizen, Permanent Resident Alien, Non-Permanent Resident Alien. Non-occupant borrowers permitted subject to restrictions.

Underwriting Method: All loans must be manually underwritten and fully documented. Unless otherwise noted, the more restrictive of the Fannie Mae Selling Guide or Appendix Q should be followed. Residual Income Requirements apply.

Occupancy/Property Types: Allows for primary, second home, and investment properties. 1-4 unit properties. Primary cash out limited to 1-2 units. Investment properties purchases must be arms length. Non-warrantable and condotels permitted subject to specified eligibility. Leaseholds and properties with leased solar panels must meet Fannie Mae requirements.

Minimum Loan Amount: Minimum loan amount is \$1 over the current conforming/high balance limit set by the FHFA. fhfa.gov.

Maximum Loan Amount: Up to \$2,000,000. Refer to loan eligibility matrix in guidelines for maximum loan amount based on LTV/CLTV, transaction type, occupancy, fico, loan amount, and number of units.

LTV/CLTV & Eligibility Matrix: Primary residence purchase or rate/term up to 90% LTV with no mortgage insurance. Refer to loan eligibility matrix in guidelines for complete LTV/CLTV eligibility by transaction type, occupancy, fico, loan amount, number of units.

Credit Standards

- FICO minimums as low as 661.
- Housing Payment History – No more than 1X30 in the last twelve (12) months or 2X30 in the last 24 months. Mortgage lates must not be within the most recent three (3) months of the subject transactions. 0X60 and 0X90 required in the most recent 24 months.
- Bankruptcy, Foreclosure, Short Sale, Deed-On-Lieu, Mortgage accounts that were settled for less,

negotiated or short payoffs. If the above credit issues are seasoned between four (4) and seven (7) years and are due to extenuating circumstances, it can be considered on a case-by-case exception basis. Supporting documentation for extenuating circumstances must be submitted with the exception request.

Debt-to-Income Ratios

- Fixed Rate & ARM: 43.00%
- Non Occupant Co-Borrowers with Blended Ratios 43.00%
- LTV/CLTVs over 80%: 38.00%

Reserves: Refer to guidelines, however, reserve requirements are not as restrictive as the 6200 Jumbo Series.

Geographic Restrictions: Illinois Land Trusts not permitted, Coops not permitted, NY CEMA not permitted., 3-4 Unit Properties in New Jersey/New York, Texas Section 50(a)(6) not permitted. Florida condos max 50% LTV/CLTV for NOO.

Note:

- 1st Party Transactions Only. (Correspondent TPO not permitted).
- Prior approval required (non-delegated).

Effective Date: Final guidelines and pricing will be available and posted beginning August 1, 2016

FHA 92900-A FORM UPDATE

Summary: In accordance with Handbook 4000.1 II.A.1.i.(B), Mortgagees must use the updated **HUD 92900-A** effective for case numbers assigned on or after August 1, 2016. The revised Form 92900-A is available for viewing as an attachment to Mortgagee Letter 2016-06. **Mortgagees may not use the new form until its August 1, 2016 effective date.**

Links:

- <http://portal.hud.gov/hudportal/documents/huddoc?id=16-06ml.pdf>
- <http://portal.hud.gov/hudportal/documents/huddoc?id=16-06mlatch.pdf>
- http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_FHA_INFO_15-38.pdf

PROPERTIES SUBJECT TO P.A.C.E. OBLIGATIONS- FHA/VA

Summary: Certain energy retrofit lending programs, often referred to as Property Assessed Clean Energy (PACE) programs, are made by localities to finance residential energy improvements and are generally repaid through the homeowner's real estate tax bill. These loans typically have automatic first lien priority over previously recorded mortgages. CMG prohibits loans that have senior lien status to a mortgage.

With HERO financing, the repayment of the financing is included in the property tax bill, which is delivered and collected by the County. At this time, although the program may allow for the transfer of the financing to a new homeowner, "limited" subordination agreements do not meet eligibility requirements.

Unless the terms of the PACE loan program do not provide for lien priority over first mortgage liens, these loans with PACE/HERO assessments are ineligible. This applies to all financing and loan types.

FHA and VA have just issued guidance in reference to eligibility of properties subject to Property Assessed Clean Energy (PACE) obligations. Both have reiterated that the subject loan must have first lien position. CMG aligns with FHA and VA and full requirements are as noted in the Mortgagee Letter and VA circular. (see links below). However, with this alignment, please note that certain programs such as the HERO program continue to be ineligible, as they do not fully subordinate and provide first lien position for the subject loan transaction.

- FHA regulations at 24 CFR §203.32(a) require, in part, that with certain exceptions, at the time the mortgage is offered for insurance, the property must be free and clear of any liens other than the FHA insured mortgage. In addition, FHA regulations at 24 CFR §203.41(c)(2) require that any restrictions on conveyance automatically terminate if title to the mortgaged property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the FHA-insured mortgage is assigned to the Secretary. See [Mortgagee Letter 2016-11](#) for full FHA release and links to HUD Handbook 4000.1 updates.

- Pursuant to 38 U.S.C. § 3703(d)(3)(A), a VA-guaranteed loan must be secured by a first lien on the realty. Lenders are responsible for properly securing the first-lien position of a VA-guaranteed loan. See [VA Circular 26-16-18](#) for VA' guidance and eligibility requirements.

Links:

- [Mortgage Letter 2016-11](#)
- [VA Circular 26-16-18](#)
- [Fannie Mae Selling Guide Reference](#)

FHA REMINDER: DOCUMENTING THE TRANSFER OF GIFTS

Reminder: Per FHA Handbook 4000.1 the Mortgagee must verify and document the transfer of gift funds from the donor to the Borrower in accordance with the requirements below.

- a. If the gift funds have been verified in the Borrower's account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account.
- b. If the gift funds are not verified in the Borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account.

If the gift funds are paid directly to the settlement agent, the Mortgagee must verify that the settlement agent received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source. If the gift funds are being borrowed by the donor, and documentation from the bank or other savings account is not available, the Mortgagee must have the donor provide written evidence that the funds were borrowed from an acceptable source; not from a party to the transaction.

The Mortgagee and its Affiliates are prohibited from providing the loan of gift funds to the donor unless the terms of the loan are equivalent to those available to the general public.

Regardless of when gift funds are made available to a Borrower, the Mortgagee must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source.

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

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