

BULLETIN #2015-24

TO: Distribution

DATE: August 5, 2015

RE: Updates: Conventional Conforming Condo, FHA Streamline Refinance, FHA's Upcoming Handbook & Scorecard Changes and USDA Upfront Fee increasing October 1, 2015.

EFFECTIVE: As indicated below

CMG CREDIT POLICY UPDATES

Topics Covered in this Announcement:

- VA IRRRL Qualified Mortgage Policy
- Conventional Conforming Condo Updates
- FHA Streamline Refinance Seasoning Reminder
- FHA's Upcoming Handbook & TOTAL Scorecard Changes – September 14, 2015
- USDA Upfront Fee Increasing October 1st

VA IRRRL QUALIFIED MORTGAGE POLICY

Summary: VA IRRRL QM Policy and worksheet are updated in accordance with the guidance issued by the VA defining the circumstances in which a VA Interest Rate Reduction Refinance Loan (IRRRL) can be considered a safe harbor Qualified Mortgage (QM). CMG is committed to ensuring that all loans originated and purchased by CMG meet VA's definition of safe harbor QM for the purpose of the Ability to Repay provision of the Trust in Lending Act.

Resources: [VA IRRRL Qualified Mortgage CPS 1008-ALL](#)
[VA IRRRL QM Safe Harbor Worksheet](#)

CONVENTIONAL CONFORMING CONDO UPDATES

Summary: Conventional Conforming Guidelines and Matrices will be updated to reflect that CMG aligns in Fannie/Freddie requirements in regards to LTV/CLTV/HCLTV project review eligibility, including the recently announced Fannie Mae enhancements:

- **Fannie Mae** is increasing the LTV, CLTV, and HCLTV ratio requirements for attached condo
 - Specifically, for a principal residence in such a project, the maximum ratios will be increased from 80% to 90%.
 - This increase is also applicable to the CLTV and HCLTV ratios for Limited Reviews of principal residence attached units in established projects in Florida (the LTV ratio is not changing).
 - The ratio requirements for second home and investment property condo units remain unchanged.
- **Florida Condos:** Florida Condos are eligible subject to agency eligibility for loans underwritten with both DU and LP, as applicable.

Effective Date:

- **Fannie Mae Enhancements noted in SEL-2015-08:** Lenders may implement these policy changes immediately but these changes will not be incorporated into DU until a future release. Until that time, lenders may disregard the DU message requiring a Full Review for principal residence transactions with an LTV, CLTV, or HCLTV ratio greater than 80% and up to 90%, and may perform a Limited Review.
- **LP Florida Condo LTV/CLTV/HTLTV:** Effective immediately.

Guidelines: Guidelines & Matrices are scheduled to be updated next week.

Reference: Fannie Mae SEL-2015-08 - <https://www.fanniemae.com/content/announcement/sel1508.pdf>

FHA STREAMLINE REFINANCE SEASONING REMINDER

Myth: If FHA Connection lets you order a case number for an FHA Streamline Refinance a case number will not be issued unless all seasoning eligibility requirements are met. This is NOT true!!

Reminder: In regards to FHA Streamlines, FHA has three tests to determine eligibility in regards to seasoning. It must be confirmed that ALL three tests are met. FHA Connection does NOT check that ALL seasoning requirements for FHA Streamline Refinances are met prior to issuing the case number. These requirements must be manually checked:

- On the date of the FHA case number assignment ALL of the following must apply:
 - The borrower must have made no less than six (6) consecutive payments on the FHA-insured mortgage being refinanced, and
 - At least six full months must have passed since the first payment due date of the refinanced mortgage, and
 - At least 210 days have passed from the closing date of the mortgage being refinanced

Note: Even though FHA Connection is going through an overhaul for the new handbook FHA has advised there are no scheduled enhancements for this to try and capture all three requirements.

Action to Take: Always review this information on every Streamline refinance to check and double check eligibility.

FHA'S UPCOMING HANDBOOK & TOTAL SCORECARD CHANGES - SEPTEMBER 14, 2015

Summary: The new FHA Single Family Housing Policy Handbook (Handbook 4000.1) is scheduled to be implemented effective with case numbers on and after September 14, 2015. A CMG Guide to Significant Underwriting Changes is under development. Many updates are clarifications of current policy but there are also number of changes. Topics in the CMG Guide will include, but will not be limited to FHA clarifications and/or updates to the following

Handbook & Product Structure Changes:

- Handbook shift to using the word "Must" vs "should" or "generally"
- Renaming of refinance transactions & other products
- Layout of the new handbook – TOTAL vs Manual
- TOTAL Scorecard updates to align with Handbook Changes
- Other reminders/clarifications

The CMG Guide will also include several topics in relation to Borrowers, Application, Documentation Requirements, Assets/Reserves, Credit, Income, and Property/Appraisal.

FHA Resources/Links	
Online Handbook 4000.1	http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh
PDF version of Handbook 4000.1	http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf Note: FHA has indicated that the .pdf version will not be maintained once the new handbook is in effect. Only the online version via AllRegs is scheduled to be maintained.

FAQs on HUD.gov	<p>New Handbook FAQs: http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_FAQ_Preview.pdf</p> <p>Note: The FAQs will first post on the <i>Single Family Housing Policy Handbook</i> Information Page (link above) and then later migrate to the permanent FHA Resource Center Bulletin Board/FAQ page (still current FAQs). FHA has advised that existing FAQs will NOT be archived when they are removed.</p>
FHA Self-Paced Recorded Training Modules	FHA's SF Handbook Archived Webinars
DU TOTAL Scorecard scheduled updates	https://www.fanniemae.com/content/release_notes/du-government-loans-release-notes-09122015.pdf
FHA Connection Technical Specifications	http://portal.hud.gov/hudportal/documents/huddoc?id=sf_hb_fhac_sys.pdf

USDA UPFRONT FEE INCREASING OCTOBER 1, 2015

Summary: USDA has announced a change in the upfront guarantee fee for Single Family Housing Guaranteed Loan Program (program) loans obligated during fiscal year (FY) 2016. The upfront guarantee fee will change from 2 percent of the loan amount to 2.75 percent of the loan amount. The annual fee will remain unchanged.

- **New Schedule for Purchase and Refinance Transactions:**
 - Upfront Guarantee Fee: 2.75 percent
 - Annual Fee: 0.50 percent

Note: A loan is obligated when USDA has approved a complete loan application package and issued Form RD 3555-18 "Conditional Commitment for Single Family Housing Loan Guarantee" to the USDA approved lender.

Effective Date: Loan guarantee requests submitted to USDA prior to September 30, 2015, in which a Conditional Commitment has not been issued before close of business that day, will be subject to the FY 2016 fee structure.

Action to Take: Make sure loans that are likely to have the Conditional Commitment after September 30th are adequately disclosed with the higher upfront fee.

Reference - RD Unnumbered Letter Dated June 16th, 2016: <http://www.rd.usda.gov/files/uljune15.pdf>

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

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