

BULLETIN #2017-38

TO: Distribution

DATE: August 30, 2017

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [Freddie Mac Extends ACE Eligibility to Purchase Transactions](#)
- [Fannie Mae PIW- Now Allowed on Some Purchase Transactions](#)
- [USDA- Summary Handbook Revisions](#)
- [HARP Extension](#)
- [HomeReady Enhancement- Manufactured Homes Now Allowed](#)
- [Clarification- Bailout Transaction Not Eligible](#)

FREDDIE MAC EXTENDS ACE ELIGIBILITY TO PURCHASE TRANSACTIONS

Summary: In June, Freddie Mac introduced ACE, automating the appraisal process on eligible no cash-out refinances. Beginning September 1, ACE will be extended to purchase loans originated through Loan Product Advisor®. The expansion of automated collateral evaluation (ACE) eligibility requires updates to the list of Mortgages ineligible for ACE, effective September 1, 2017. All requirements for ACE announced in Bulletin 2017-8 apply to purchase transactions. See below for additional details.

ELIGIBILITY - LOAN PRODUCT ADVISOR OFFER

The lender will receive a feedback message indicating that a Mortgage is eligible for an appraisal waiver on the Loan Product Advisor Feedback Certificate. If the Mortgage is not eligible for an appraisal waiver, the Feedback Certificate will specify that an appraisal is required. If the Mortgage meets the Freddie eligibility requirements and receives the feedback message indicating the Mortgage is eligible for the appraisal waiver, the lender may accept the offer by delivering the Mortgage with the ULDD Data Points described in the "Delivery requirements" section below:

GENERAL MORTGAGE ELIGIBILITY

The following requirements apply for a Mortgage to be eligible for the appraisal waiver:

- The Mortgage must be secured by a 1-unit Primary Residence or second home
- The Mortgage must have a loan-to-value (LTV) /total LTV (TLTV) ratio less than or equal to 80%
- The Mortgage must be a no cash-out refinance or purchase transaction
- Upon assessment by Loan Product Advisor, the Feedback Certificate must indicate the Mortgage is eligible for collateral representation and warranty relief with an appraisal waiver
- The final submission to the Selling System® must indicate the collateral representation and warranty relief status is "Y" or "Yes"

INELIGIBLE MORTGAGES

The following Mortgages are not eligible for an appraisal waiver:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage
- Mortgages secured by one of the following:
 - A Condominium Unit
 - A Manufactured Home, or
 - A leasehold estate

- Mortgage secured by Mortgaged Premises subject to resale restrictions
- Construction Conversion and Renovation Mortgages
- Freddie Mac Relief Refinance Mortgages (Opens Access)
- Mortgages with Freddie Mac Settlement Dates more than 120 days for the Note Dates

In additions, the below are now added as ineligible:

- Non-arm's length transactions
- Purchase of REO properties (as identified in the sales contract)
- Texas Equity Section 50(a)(6) Mortgages
- Mortgages with an estimate of value or purchase price greater than \$1,000,000
- **Additionally, lenders may not accept the appraisal waiver offer if the lender is aware of adverse physical property conditions identified in the sales contract, property inspection or disclosure from the Borrower that warrant an appraisal being obtained.**

Lenders may not accept an appraisal waiver offer through Loan Product Advisor if any of the following apply:

- The lender is required by law or regulation to obtain an appraisal
- The lender is aware of conditions it believes warrant an appraisal being obtained. Examples include but are not limited to:
 - The property is located in an area recently impacted by a disaster
 - A contaminated site or hazardous substance exists affecting the property or the neighborhood in which the property is located

For Mortgages with appraisal waivers, the lender must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.

AGE OF AUTOMATED COLLATERAL EVALUATION OFFER

The appraisal waiver offer is valid for 120 days. If the offer is more than 120 days old as of the Note Date, a resubmission to Loan Product Advisor is required to determine ongoing appraisal waiver eligibility.

Note: If the Seller changes loan data (e.g., address of the property, loan amount, estimate of value, loan type, property type, occupancy of the property) in a subsequent Loan Product Advisor submission, the original offer may be invalidated and a different automated collateral evaluation eligibility determination may be provided.

DELIVERY REQUIREMENTS

Once the lender has accepted the appraisal waiver offer for a Mortgage, the lender must deliver the following ULDD Data Points for the Mortgage:

- *Property Valuation Method Type* (Sort ID 89) and enter a valid value of "None"
- *Investor Collateral Program Identifier* (Sort ID 376) and enter a valid value of "Property Inspection Alternative"

Effective Date: *September 1, 2017*

References/Links:

- [Freddie Mac Bulletin 2017-13](#)
- [Freddie Mac Bulletin 2017-08](#)
- **For more information, read Freddie Mac's [press release](#) on ACE.**
- **Guide impacts: Guide Sections 4203.1, 5601.8 and 5601.9**

FANNIE MAE PIW NOW ALLOWED ON SOME PURCHASE TRANSACTIONS

Summary: Fannie Mae is updated Desktop Underwriter® (DU®) effective Saturday, August 19, to offer Property Inspection Waivers (PIWs) on some purchase transactions (view [DU Release Notes](#)).

- Eligibility is limited to one-unit principal residences and second homes up to a maximum 80 percent loan-to-value ratio.
- It is estimated that PIW offers will be issued on less than 5 percent of purchase transactions.
- Offer rates will vary by lender and fluctuate over time.

Lender have the option to exercise a PIW offer, and may not accept it if they have any reason to believe that a full appraisal should be provided (for example, if there was a hurricane or other natural disaster in the area of the property), or if the borrower wants an appraisal. View more information about PIWs.

Borrowers always have the choice to obtain an appraisal. Based on Fannie Mae's experience with

purchase appraisal waivers, they expect the acceptance rate on appraisal waivers for home purchases to be low. Many home buyers want an appraisal to support the price they pay for a home, and the majority of purchase contracts include a contingency clause for an appraisal.

Fannie Mae continues to require full appraisals on the vast majority of purchase money mortgages to establish market value of homes and provide valuable input to our appraisal database to support Collateral Underwriter® analytics and future innovations.

To exercise the PIW on an eligible loan casefile, SFC 801 is required to receive representation and warranty relief.

Effective Date: *August 19, 2017*

Links:

- [Fannie Mae PIW FAQs](#)
- [PIW Resources](#)
- [DU Release Notes](#)

USDA- SUMMARY HANDBOOK REVISIONS

Summary: [Procedure Notice 501](#) published on July7, 2017, revised Chapter 16 of HB-1-3555. To assist in identifying the changes, USDA has provided a [HB-1-3555 Revision Guide](#) outlining revisions implemented with this publication. Notable clarifications are listed below:

- Clarification - POA: Any Power of Attorney that complies with state law is eligible to be used for guaranteed loans. USDA never intended to limit the use of a POA to only military or incapacitated borrowers.
- Clarification - Deductible: When an acceptable hazard insurance policy cannot meet the \$1,000/ 1 percent suggested threshold, flexibility is provided to ensure affordable deductibles remain eligible. This flexibility extends to policies for wind, hail, etc.

Effective Date: *Clarifications are effective immediately.*

HARP EXTENDED

Summary: The Federal Housing Finance Agency (FHFA) has announced that the [Home Affordable Refinance Program® \(HARP®\)](#) will be extended to Dec. 31, 2018, continuing to provide liquidity to support eligible borrowers.

Impact: LP Open Access & DU Refi Plus

HOMEReady ENHANCEMENT-MANUFACTURED HOMES ALLOWED

Summary: Effective immediately, CMG will permit manufactured homes in conjunction with HomeReady loans. Fannie Mae requires that the more restrictive of manufactured home or HomeReady guidelines apply. As a result, a HomeReady mortgage for a manufactured home must be a one-unit property that is underwritten through DU with a maximum LTV ratio of 95% (per manufactured housing), and a purchase or limited cash-out refinance of a principal residence (per HomeReady). In addition, CMG manufactured home requirements and restrictions apply.

Effective Date: *Immediately*

Links: CMG Correspondent [HomeReady Matrices](#)

CLARIFICATION- BAILOUT TRANSACTIONS NOT ELIGIBLE

Summary: As a clarification, CMG does not permit bailout transactions. Non-arms' length transactions are generally not allowed, but may be eligible on owner occupied purchase transactions with the full documentation of assets, income and appraisal – no waivers permitted. Fannie Mae/Freddie guidance must be followed and the transaction must be approved by Corporate Credit. However, bailout transactions are not eligible.

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

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