

BULLETIN #2014-27

TO: Distribution

DATE: September 16, 2014

RE: Purchasing Previously Owned Property and
Various Guideline Clarifications

EFFECTIVE DATE: September 23, 2014

**Purchasing Previously Owned Property Policy
and Various Guideline Clarifications**

- **Purchasing Previously Owned Property Policy**
- **Paying Down/Off Revolving Debt to Qualify – Conventional Conforming Loans**
- **Mixed-Use Properties – Conventional Conforming Loans**

Effective with loans locked on or after September 23, 2014.

- **Purchasing Previously Owned Property Policy**

With the large number of distressed sales in the recent past and to effectively manage ongoing risk, CMG Correspondent is issuing the following *Purchasing Previously Owned Property Policy*: Borrowers who are purchasing the same property they owned within the previous 5 years and on which they were previously foreclosed or the property was sold in a pre-foreclosure short sale transaction should be considered very carefully. The basic premise of a short sale or foreclosure is that the borrower is acknowledging they cannot afford the property any longer. So, unless it can be shown that the borrower's situation is drastically improved and radically different than it was when they purchased the same property earlier, the loan should be declined. Short sales and foreclosures where the borrowers engaged in "strategic default" will not be considered.

In an effort to align standard Fannie Mae published guidelines with Freddie Mac's silence on these topics, CMG Correspondent is providing Sellers with clarification and implementing the following policies. All Conventional Conforming loans underwritten via DU or LP must adhere to the following requirements regarding:

- **Paying Down/Off Revolving Debt to Qualify – Conventional Conforming Loans**
 - Revolving debt cannot be paid down to qualify.
 - For purchase and rate/term refinance transactions, revolving debt may be paid off to qualify when proof of the debt being paid and closed prior to closing is available.
 - In the case of a cash out refinance, the debt must be closed prior to loan closing or may be paid off at closing with loan proceeds and as such shown on the HUD-1.
- **Mixed Use Properties – Conventional Conforming Loans**
 - Only eligible on a Primary Residence
 - Subject to meeting [Fannie Mae's published guidelines](#) and [appraisal requirements](#), and
 - Subject to CMG's overlays
 - Acceptable businesses can include, but are not limited to, properties with space set aside for a day care facility, a beauty or barber shop, or a doctor's office.
 - Generally, the space set aside for business use should not exceed 20% of Gross Living Area.

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

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