

BULLETIN #2015-27

TO: Distribution DATE: September 16, 2015

and Program Updates

CMG CORRESPONDENT POLICY AND GUIDELINE UPDATES

Topics Covered in this Announcement:

- California Disaster Areas
- Freddie Mac Home Possible & Home Possible Advantage Product Release
- Fannie Mae Self-Employed Income Update
- Conventional Conforming Flood Insurance Requirements for Attached Condos

CALIFORNIA DISASTER AREAS

Due to severe fires in California, CMG is instating the <u>CMG Disaster Policy</u> for the below counties. The Governor of California has declared two counties as Disaster Areas.

California			
Napa County			
Lake County			

Corporate Credit will continue to monitor the situation and may add additional areas as they become affected.

Links:

- FEMA Disasters: www.fema.gov/disasters
- California Proclamation: https://www.gov.ca.gov/news.php?id=19104
- CMG Disaster Policy

FREDDIE MAC HOME POSSIBLE & HOME ADVANTAGE PRODUCT RELEASE

We are pleased to announce the availability of the Freddie Mac Home Possible mortgages effective, September 9, 2015.

- Home Possible is designed to meet the home financing needs of low- and moderate-income borrowers looking for low down payments and flexible sources of funds.
- Freddie Mac Home Possible AdvantageSM offers more flexibility for maximum financing. This
 offering adopts the responsible and affordable flexibilities of Home Possible, but with additional
 requirements.

See below for *highlights* of the Freddie Mac Home Possible mortgages. Refer to CMG Loan Matrices for complete details and requirements: CMG Loan Matrix Correspondent

Home Buyer Education:

For purchase transactions, Homeownership education is required before the Note Date for at least one qualifying borrower if all borrower(s) are First-Time Homebuyers. CMG Requires that Home Buyer Education must be completed using the selected MI Company's Home Buyer Education / Landlord Education program.

Income Limit: The Income used to qualify the borrower converted to an annual basis must not exceed 100% of the area median or higher in select counties and no income limit in underserved areas.

Во	orrower Profile	Key Features	Borrower Benefits
move	-time homebuyers, e-up borrowers, and	 Purchase and no cash out refinancing. 	Flexible sources of funds.
retire • Fam	ees. ilies in underserved	 Maximum 97 percent LTV and 105 percent TLTV 	Reduced mortgage insurance coverage
area	areas.	ratios for Home Possible	levels.
mod	low and low- to erate-income owers.	 Advantage mortgages. Loan Prospector underwriting only. 	Minimum down payment of 3 percent allowed for Home Possible Advantage.
Mini	ne Possible mum Credit Score	 No reserves required for 1- unit properties. 	
Adva	620. Home Possible Advantage Minimum Credit Score 640	 SFRs, PUDs, condos permitted 	

Effective Date: Immediately.

FANNIE MAE SELF-EMPLOYED INCOME UPDATE

Summary: Fannie Mae has updated the self-employment income policies published in December 2014 regarding how to calculate and document self-employment income, including the parameters under which business income without a history of distribution may be included to qualify self-employed borrowers.

- Income from partnerships, LLCs, estates, or trusts can only be considered if the lender obtains documentation verifying that
 - the borrower has ownership of the income (Schedule K-1 may be used to document ownership share), and
 - the income was actually distributed to the borrower.
- Alternatively, the lender can obtain documentation verifying that
 - the borrower has access to the income through a partnership agreement, LLC operating agreement, or other documentation that the lender determines is appropriate, unless the borrower(s) own 100% of the business in which case confirmation of access to theincome is not required; and
 - the business has adequate liquidity to support the withdrawal of earnings.

Examples of documentation required for this analysis are:

- Partnership agreement or corporate resolution if not 100% owned; and
- bank statements or balance sheet showing on 1120's for liquidity

Note: The December 2014 version of the *Cash Flow Analysis* (Form 1084) has been revised to incorporate these policy updates and improve ease of use.

Effective Date: Fannie Mae encourages lenders to implement all of the self-employed income policies immediately:

 Correspondent Lenders are required to implement for mortgage loans with application dates on or after February 1, 2016.

Reference: Refer to Fannie Selling Announcement SEL 2015-09 for full details.

CONVENTIONAL CONFORMING FLOOD INSURNACE REQUIREMENTS FOR ATTACHED CONDOS

Summary: Please note that agency requirements must be met in regards to flood insurance.

Stand-alone flood insurance dwelling policies for an attached individual condo unit are not acceptable. A master condo flood insurance policy must be maintained by the HOA, subject to the coverage requirements below.

- The HOA must obtain a Residential Condominium Building Association Policy or equivalent private
 flood insurance coverage for each building that is located in an SFHA. The policy must cover all of
 the common elements and property (including machinery and equipment that are part of the
 building), as well as each of the individual units in the building.
- The master flood insurance policy must be at least equal to the lower of
 - 80% of the replacement cost, or
 - the maximum insurance available from NFIP per unit (which is currently \$250,000).
- If the condo project master policy meets the minimum coverage requirements above but does not
 meet the one- to four-unit coverage requirements (described in Coverage for First Mortgages), a
 supplemental policy may be maintained by the unit owner for the difference.
- The contents coverage should equal 100% of the insurable value of all contents (including machinery and equipment that are not part of the building), owned in common by association members.
- If the condo project has no master flood insurance policy or if the master flood insurance policy does not meet the requirements, mortgages securing units in that project are not eligible.

Effective Date: Agency requirements must be met for all transactions. CMG guidelines are updated and reposted.

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

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