

BULLETIN # 2018-39

TO: Distribution

DATE: October 3, 2018

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- CONVENTIONAL CONFORMING UPDATES
- NON AGENCY PROGRAM CLARIFICATION- FINAL LE

CONVENTIONAL CONFORMING UPDATES

Summary: CMG's Conventional Conforming guidelines are updated with the following items:

- Added note on self-employment secondary income (loss) – NEW!: When self employment is disclosed in the Mortgage file but is not used to qualify for the Mortgage, the lender is not required to obtain any additional documentation or evaluate the income or loss from the self-employment for each Borrower who:
 - Has a primary source of income, other than self-employment, used for qualifying the Mortgage (e.g., salaried income from primary employment), and
 - Is self-employed, and the self-employment income is a secondary source of income
- Primary Residence – Occupancy (NEW!): Freddie Mac now permits LPA transactions to allow for a Borrower may be considered an occupying Borrower, for purposes of the Guide, if the Mortgaged Premises is occupied as a Primary Residence by an individual(s) who:
 - Is the Borrower's parent(s), or
 - Has a physical or developmental disability and the Borrower is the individual(s)'s parent or legal guardian
- Market Conditions Addendum to the Appraisal Report (previously announced) –removed reference.
- Condominium Project insurance (previously announced).
 - Updated that for 2–4 unit projects refer to the Fannie Mae and Freddie Mac selling guides for deviations from standard requirements.
 - LPA / Freddie: Previously, the condominium homeowners association's policy deductible for

damage due to fire, water (not caused by flooding) or wind could not exceed 5% of the limit maintained for building coverage. Freddie Mac now allows Condominium Projects to have a higher deductible if it exceeds 5% due to a per unit deductible for named perils specific to a geographic area provided that the unit owner's HO-6 policy meets certain requirements.

- Cash back requirements for "no cash-out" refinance Mortgages (previously announced). LPA:Freddie Mac permits cash back up to the greater of 1% of the Mortgage amount or \$2,000 (not allowed in Texas). (Previously, for a "no cash-out" refinance Mortgage, proceeds could be used to disburse cash to the Borrower (or other payee) not to exceed 2% of the new refinance Mortgage, or \$2,000, whichever was less. No change to DU requirements.)
- Payment calculation requirements for student loans (previously announced). For student loans in repayment, deferment or forbearance:
 - If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or
 - If the monthly payment amount reported on the credit report is zeros, use 0.5% of the outstanding balance, as reported on the credit report. (Previously, student loans that are in repayment were subject to different requirements than those that are in deferment or forbearance.)

In addition, CMG aligns with the following Freddie Mac upcoming updates:

- AUTHORIZED USER ACCOUNTS Effective for all submissions and resubmissions to Loan Product Advisor on and after October 4, 2018

Currently, for all Loan Product Advisor Accept Mortgages, the lender must review the Selected Borrower credit report to determine if it includes Tradelines for which the Borrower is not the primary account holder, but is listed as an authorized user. If the report contains authorized user accounts, the Loan Product Advisor decision is considered valid only if additional requirements are met. As a result of enhancements being made to Loan Product Advisor, lenders will only be required to meet additional requirements if the Feedback Certificate contains a feedback message instructing them to do so. If the lender receives a feedback message regarding authorized user account(s), the message will indicate the following requirements:

- The Mortgage file must contain documentation evidencing that for each authorized user account:
 - Another Borrower on the Mortgage owns the Tradeline in question, or
 - The Tradeline is owned by the Borrower's spouse, or
 - The Borrower has been making the payments on the account for the last 12 monthsOR
- If the lender is unable to document one of the above requirements for each authorized user account, the lender may make the determination that the authorized user accounts have an insignificant impact on the Borrower's overall credit history and the information on the credit report is representative of the Borrower's own credit reputation. The lender should base its determination on the number of the Borrower's own Tradelines, as well as their age, type, size and the payment history, as compared to the authorized user accounts. The lender must document its determination in the Mortgage file.
- High Balance – Max loan amount: Effective for Mortgages with Settlement Dates on and after December 19, 2018 Loan Product Advisor is being updated to assess super conforming Mortgages with original loan amounts greater than \$1,000,000. Loan Product Advisor and Loan Selling Advisor® will be updated by December 19, 2018 to reflect this change.

Effective Date: *As noted above*

Links:

<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl1815.pdf>
<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl1813.pdf>

NON AGENCY PROGRAM CLARIFICATION- FINAL LE

Summary: The Compliance Section of the 6200, 6600, 6700, 7200, & 7600 Series Jumbo guidelines are updated with the following guidance:

Delivery and Receipt of Final LE

- The Final LE must be delivered and received prior to the delivery of the Initial CD. The Initial CD must be delivered at least one (1) business day after the receipt of the Final LE. Additionally, the final LE must be received at least four (4) specific business days prior to consummation.

Effective Date: N/A (Clarification)

Please contact your Correspondent National Sales Manager

or your Correspondent Liaison with any questions.



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