

BULLETIN # 2018-48

TO: Distribution

DATE: November 7, 2018

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- New Product Release: 6900 & 7900 Series Renew Jumbo
- Fannie Mae Update: Reserves for Cash Out Refinance with High DTI
- Freddie Mac Updates: Rental Income & More
- 6400 Series Flex Jumbo Guideline Updates
- 6200 Series Premier Jumbo Guideline Updates
- Update to CMG Purchase Advice: Tax Service Fee

NEW PRODUCT RELEASE: 6900 & 7900 SERIES RENEW JUMBO

Summary: CMG announces the release of the Renew Non Agency (6900 & 7900 Series) product. Renew widens the credit box down to 600 credit score and allows for multiple credit events. Renew is a QM program; Non-QM will only be allowed if classified as such due to points and fees violation as applied to QM loans as per TILA. Seasoning on major credit events drops to 2 years; modifications 1 year. Primary residence transactions only; LTV up to 90%

Full guidelines are available here: [6900 Series](#), [7900 Series](#)
Products and Pricing were made available Monday, November 5th.

QM Product Codes & Terms

6930 - 30YR FIXED RENEW QM JUMBO
6905 - 30YR 5/1 ARM RENEW QM JUMBO (2/2/5 caps)
6907 - 30YR 7/1 ARM RENEW QM JUMBO (2/2/5 caps)
6910 - 30YR 10/1 ARM RENEW QM JUMBO (2/2/5 caps)

Non QM Product Codes & Terms

7930 - 30YR FIXED RENEW NON-QM JUMBO
7905 - 30YR 5/1 ARM RENEW NON-QM JUMBO (2/2/5 caps)
7907 - 30YR 7/1 ARM RENEW NON-QM JUMBO (2/2/5 caps)
7910 - 30YR 10/1 ARM RENEW NON-QM JUMBO (2/2/5 caps)

Note: Non-QM loans will only be allowed if they are classified as Non-QM solely due to the violation of the points and fees limits applicable to QM loans, per TILA 1026.43(e)(2)(iii) and (3). Must be locked as Non-QM with Non-QM pricing – must utilize a Non QM product code.

Renew Product Eligibility Matrix

Fixed Rate and Hybrid ARM Products					
Primary Residence: Purchase, Rate & Term Refinance					
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount ¹	
Purchase or Rate & Term Refinance	1 -4	660	90% ²	\$1,500,000	
		600	80%	\$1,500,000	
		660	80%	\$2,000,000	
Primary Residence: Cash-Out Refinance ³					
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
Cash-Out Refinance	1 -4	600	80%	\$1,000,000	\$250,000
		620	70%	\$1,500,000	\$250,000

1. First-Time Homebuyers are subject to a maximum loan amount of \$1,000,000. Loan amounts up to \$1,500,000 allowed in CA, NJ, NY and CT for First-Time Homebuyers. See Eligible Borrower section for specific requirements for First-Time Homebuyers.
2. LTVs greater than 80%: MI not required, Maximum DTI 38% for LTVs greater than 80%, Escrow/impound accounts required for LTVs greater than 80% unless prohibited by applicable laws

Additional Program Highlights

Eligible Borrowers: US Citizen, Permanent Resident Alien

Underwriting Method: All loans must be manually underwritten and fully documented. Unless otherwise noted, the more restrictive of the Fannie Mae Selling Guide or Appendix Q should be followed. In all cases, the loan file must document the eight (8) ATR Rules. In an effort to fully document the borrower's ability to meet their obligations, borrowers should disclose and verify all liquid assets.

Minimum Loan Amount: Minimum loan amount is \$100,000.

Maximum Loan Amount: Up to \$2,000,000. Refer to Product Matrix for restrictions.

Credit Standards

- FICO minimums as low as 600. Refer to Product Matrix for restrictions.
- Housing Payment History – No more than 1X30 in the last twelve (12) months. No 60-day lates or greater allowed in the most recent 12 months.
- Adverse Credit:
 - Bankruptcy, Chapter 7, 11, 13 – Two (2) years since the discharge /dismissal date
 - Foreclosure – Two (2) years since completion date
 - Short Sale/Deed-in-Lieu – Two (2) years since completion / sale date
 - Mortgage accounts that were settled for less, negotiated or short payoffs – Two (2) years since settlement date
 - Loan Modification – One (1) year since modification date
 - Note of Default – One (1) year seasoning
 - Medical collections – allowed to remain outstanding if the balance is less than \$10,000 in aggregate.
 - Outstanding Judgments/Tax Liens/Charge-offs/Past-Due Accounts:
 - Tax liens, judgments, charge-offs and past due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts.

- Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full.

Debt-to-Income Ratios

- LTVs >80% = 38.00%
- LTVs ≤80% = 43.00%

Occupancy Types: Allows for primary residence only.

Correspondent TPO not permitted

Links: [Jumbo Comparison Matrices](#), Renew Guidelines

Effective Date: *Immediately*

FANNIE MAE UPDATE: RESERVES FOR CASH OUT REFINANCES WITH HIGH DTI

Summary: During the weekend of Dec. 8, 2018, Fannie Mae will implement Desktop Underwriter® (DU®) Version 10.3, which will include a number of changes, including that Debt-to-Income Ratio Cash-out refinance transactions underwritten with DU Version 10.3 for borrowers with a debt-to-income ratio exceeding 45% must have at least six months of reserves. If there are not at least six months of reserves, the loan casefile will receive an Ineligible recommendation.

Link to DU Release Notes: https://www.fanniemae.com/content/release_notes/du-do-release-notes-12082018.pdf

Effective Date: *Applies to DU Version 10.3 (to be implemented the weekend of Dec 8th). In addition, DU Version 10.1 will be retired.*

FREDDIE MAC UPDATES: RENTAL INCOME & MORE

Summary: PENDING

Rental income

Freddie Mac is updating our requirements as follows.

- For simplification, we are removing the requirement that the net rental income considered for qualification must not exceed 30% of the Borrower's monthly qualifying income unless the Borrower has a minimum of one-year rental management experience.
- To support sustainable homeownership through responsible lending practices, we are adding the requirements:
 - The Borrower must own a Primary Residence to use rental income to qualify when purchasing a new rental property; and
 - Whether purchasing a new rental property or converting a Primary Residence to a rental property, if the Borrower does not have a minimum of one-year investment property management experience:
 - The rental income can only offset the principal, interest, taxes and insurance (PITI) of the rental property; and
 - Rental income exceeding the PITI cannot be added to the Borrower's gross monthly income to qualify

Documentation requirements for Social Security retirement and disability benefits

Previously, for all sources of retirement and long-term disability income the Guide required Sellers to document:

- The income type, source, payment frequency, pre-determined payment amount; and
- Current receipt of income

After review of Social Security retirement and disability benefits granted by the Social Security Administration, Freddie Mac is revising documentation requirements to permit:

- A copy of the Social Security Administration benefits verification letter; or
 - Documentation evidencing current receipt of Social Security retirement or disability benefits
- Loan Product Advisor feedback messages have been updated to reflect these changes

Link: <http://www.freddie.mac.com/singlefamily/guide/bulletins/pdf/bll1819.pdf>

Effective Date: Watch for a future update to specify cut-off dates. Until that time, underwriters must completely follow the rental income requirements from:

- The revised rental income requirements announced in Bulletin 2017-12 in their entirety (and for which the effective date was extended in Bulletins 2018-1 and 2018-13); or
- The revised rental income requirements in the March 1, 2019 version of Guide Section 5306.1 in their entirety

Underwriting should note the file with which requirements were adhered to in full.

6400 SERIES FLEX JUMBO GUIDELINES UPDATES

Summary: Effective for applications taken on or after 11/1/18, the following updates apply:

- Added DC approved Warrantable Condominiums to Property Category 1
- Removed LTV adjustment for Standard Trusts and Unqualified First Time Homebuyer
- First Time Homebuyer section revised to state when maximum financing is eligible
- Added clarification to Bonus Income section for instances of changing employment
- Changed requirement for Amount of Insurance to require the insurers cost estimator

Effective Date: *Immediately*

Link: <http://docs.cmgfi.com/guidelines/CMG-6400-Series-Jumbo.pdf>

6200 SERIES PREMIER JUMBO GUIDELINE UPDATE

Summary: Effective immediately, Properties with Leased Solar Panels have been removed from the Ineligible Property types section. Properties with leased solar panels are eligible if all Fannie Mae requirements are met.

Effective Date: *Immediately*

Guideline Link: <http://docs.cmgfi.com/guidelines/CMG-6200-Series-Jumbo.pdf>

UPDATE TO CMG PURCHASE ADVISE: TAX SERVICE FEE

Summary: Effective on all new loans registered on and after November 15, 2018, the Correspondent lender will notate a \$70 tax service fee to the CMG Purchase Advice.

Effective Date: *Newly registered loans effective on and after 11/15/2018*

Link: [CMG Seller's Guide](#)

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



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