

**BULLETIN #2016-57**

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**TO: Distribution**

**DATE: November 9, 2016**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

- [Change Coming! VA IRRRL & Seasoning Requirement](#)
- [Freddie Mac Home Possible® Updates](#)
- [Fannie Mae Updates](#)

**CHANGE COMING! VA IRRRLS & SEASONING REQUIREMENT**

**Summary:** Due to GNMA changes, effective December 16th, CMG will require all IRRRL transactions to meet VA's Safe Harbor Seasoning Requirements. For an IRRRL transaction to be considered Safe Harbor QM in regards to seasoning, it must meet the below requirements:

- the loan being refinanced was originated at least 6 months before the new loan's closing,
- at least 6 payments have been made on the original loan, and
- the Veteran has not been more than 30 days past due during the 6 months preceding the new loan's closing date.

Reminder: IRRRLs that fall under Rebuttable Presumption due to recoupment exceeding 36 months are only permitted as outlined in the [Correspondent VA Loan Matrix](#) (no change).

**Effective Date:** Any IRRRL transaction not meeting VA's Safe Harbor Seasoning requirement must be purchased by Friday, December 16th, 2016.

**References:** [Exhibit A of VA Circular 26-16-3](#)

**FREDDIE MAC HOME POSSIBLE UPDATES**

**Summary:** Freddie Mac has updated the homeownership and landlord education requirements for Home Possible® and Home Possible Advantage® Mortgages as follows:

- Homeownership education, financial literacy curriculum and landlord education **cannot** be provided by interested parties to the transaction, the originating lender or Seller
- Acceptable homeownership education programs include:
  - Programs developed by HUD-approved counseling agencies, Housing finance Agencies (HFAs) or Community Development Financial Institutions (CDFIs)
  - Homeownership education programs developed by mortgage insurance companies or other providers' programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling ([www.homeownershipstandards.com](http://www.homeownershipstandards.com))

Alternatively, programs using Freddie Mac's financial literacy curriculum, CreditSmart, meet the homeownership education requirement provided:

- The Borrower completes the on-line **Credit Smart – Steps to Homeownership Tutorial**, which includes Module 1 (Your Credit and Why It is Important), Module 2 (Managing Your Money), Module 7 (Thinking Like a Lender), Module 11 (Becoming a Homeowner), and Module 12 (Preserving Homeownership: Protecting Your Investment)

- The financial literacy curriculum is not provided by an interested party to the transaction, the originating lender or by the Seller

#### **Landlord Education (2- to 4-unit Primary Residences) Reminders**

- Purchase Transactions — At least one qualifying Borrower must participate in a landlord education program before the Note Date. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller. A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.
- Refinance Transactions — Landlord education is not required but is recommended for Borrowers who have not previously attended a program.

**Reminder:** When all the Borrowers are First-Time Homebuyers for purchase transaction Home Possible® Mortgages, at least one qualifying Borrower must participate in a homeownership education program.

**IFI Code Update: Freddie Mac has also removed** the requirement that IFI 140 must be delivered for Home Possible and Home Possible Advantage Mortgages if the income used to qualify the Borrower, converted to an annual basis, does not exceed 80% of the applicable area median income (AMI), or the property is located in an Underserved Area.

**Link to CreditSmart:** <http://www.freddiemac.com/creditsmart/>

**Effective Date:** *Updates are effective immediately.*

#### **FANNIE MAE UPDATES**

**Summary: Fannie Mae released Announcement 16-08 with the following applicable updates:**

- **DU Validation Service:** Through this new service, DU receives a copy of an electronic report obtained by the lender from a designated vendor. The lender is responsible to provide documentation via these services and include in the closed loan file. DU Validation is available immediately for DU Version 9.3 and 10.0 loan casefiles submitted or resubmitted after the lender institution is activated. Activation is immediately available.
- **Property Inspection Waivers –** CMG allows PIWs for eligible properties not in a disaster area. Fannie Mae has announced PIWs will be available for DU Version 10.0 loan casefiles created on or after the weekend of December 10, 2016.
- HomeReady Enhancements (effective December 10th):
  - The maximum allowable LTV, CLTV, and HCLTV ratios will be increased from 95% to 97% for one-unit limited cash-out refinance transactions underwritten by DU when the mortgage being refinanced is owned by Fannie Mae (in alignment with standard DU eligibility). The requirement that the existing mortgage being refinanced be owned by Fannie Mae does not apply when the LTV is 95% or less, or when the CLTV only exceeds 95% due to a Community Seconds® loan.
  - The following additional benefit is exclusively for HomeReady loans where at least one borrower on the loan has received customized one-on-one assistance from a HUD approved nonprofit counseling agency, as evidenced by completion of a Certificate of Pre-purchase Housing Counseling (Form 1017): When the lender indicates in DU that the HUD-approved one-on-one counseling was completed, that information will be considered a compensating factor for those loan casefiles with debt-to-income ratios greater than 45% up to 50%.
- **Site Condos:** Fannie Mae is no longer requiring project reviews for a subset of detached condos commonly referred to as “site condos.” Site condo projects consist of single-family detached houses where unit owners own the entire dwelling and the land. These projects, located in limited markets, have few or no common elements or amenities. A condo project review is not required for units that meet our criteria for site condos. However, lenders are responsible for determining that the project meets the criteria, which may require review of certain documents. At this time, the lender must use Project Type Code V and SFC 588, which is used for detached condos. In the future, Fannie Mae will announce and require a new SFC (in lieu of SFC 588) to specifically identify site condos.

Link to Fannie Mae Announcement: [Announcement 16-08](#)

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

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