CMG FINANCIAL
Correspondent Lending

BULLETIN #2014-34

TO: Distribution — **DATE:** November 18, 2014

RE: Clarifications and Fannie Mae Updates — **EFFECTIVE DATE:** As indicated below

Items covered in this announcement:

- Clarifications: Manufactured Homes
- Summary of Fannie Mae Announcement SEL-2014-13
    - Multiple Finance Properties for the Same Borrower
    - Condo Project Standards Policy Updates
    - Cash-out Refinance Transactions – Maximum LTV, CLTV and HCLTV Ratios

Clarifications – Loan Program Matrices & Guidelines

As we continue to respond to questions as they arise, CMG would like all Correspondent Sellers to benefit from the resulting clarifications to the recently published CMG Loan Program Matrices & Guidelines. The following provides a brief summary of recent questions and the corresponding clarifications.

Manufactured Homes

- Available for fixed rate loan programs only
- Only homes built in 1995 or after are acceptable
    - Properties built prior to 1995 with a condition rating of C2 or better on the appraisal may be considered on an exception basis

Fannie Mae Announcement SEL-2014-13

CMG Correspondent Lending guidelines align closely with Agency guidelines with few overlays. Pertinent information published November 10, 2014 in Fannie Mae Announcement SEL-2014-13 is summarized here to assist Correspondent Sellers:

Multiple Financed Properties for the Same Borrower
Effective Immediately

Fannie Mae's *Selling Guide* describes requirements for borrowers with multiple financed properties. When a borrower financing a second home or investment property will own five to ten financed properties, additional eligibility, underwriting, and delivery requirements currently apply. With this update, the requirements are being simplified by eliminating several of the more stringent additional underwriting requirements that applied.

- Waiting periods and re-establishing credit after a significant derogatory credit event,
- Mortgage payment history requirements and
- Rental income documentation
- CMG's Income Verification Policy requiring a 4506T is still applicable

All other additional requirements for borrowers who will own five to ten financed properties will continue to apply, including eligibility limits, minimum reserve requirements and use of SFC 150.

Condo Project Standards Policy Updates
Effective November 25, 2014

Fannie Mae undertook a comprehensive review of its policies related to project standards with the goal of enhancing the clarity and consistency of those standards. As a result of that review, the project standards policies have been updated to:

- organize policy requirements based on the unit type (attached or detached), project type (condo, co-op, PUD), and project status (new or established);
- streamline the project review methods; and
- revise certain policy requirements in light of market trends.

Reminder: Loans secured by condominiums targeted for sale to the agencies must be warrantable by the agencies. CMG does purchase non-warrantable condominiums and condotels that meet CMG's Non-Agency guidelines.

ALL PROJECTS:

- The pre-sale requirement for new projects has been decreased from 70% to 50%.
- The requirement that new condo projects with units less than 400 square feet be reviewed through PERS has been removed.
- Ineligible project characteristics have been updated and include a specific prohibition against projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, owned by an outside party (including the developer or builder). Membership fees paid for the use of recreational amenities owned exclusively by the HOA or master association are acceptable.
- Fannie Mae has updated section B4-2.1-02 to provide clarification and guidance on identifying projects that operate as Hotels or Motels (aka Condotels). These continue to be ineligible.
- Clarified eligibility of projects with property that is not Real Estate:
    - Houseboats, boat slips, cabanas, timeshares, and other forms of property that are not real estate are not eligible for delivery to Fannie Mae. The marketability and value of individual units in a project may be adversely impacted by the inclusion of non-real estate property such as houseboats, timeshares, and other forms and structures that are not real estate. As such, projects containing these other non-real estate forms of property are not eligible.
    - Boat slips, cabanas, and other amenities are permitted when owned in common by the unit owners as part of the HOA.

LIMITED CONDO REVIEWS:

- Fidelity Coverage is no longer required
- Liability Coverage is no longer required
- Commercial space has been increased to 25% (from 20% max)
- Non Incidental business income acceptance has been updated
- HOA must provide Tax ID number

FULL/CPM CONDO REVIEWS:

- Commercial space has been increased to 25% (from 20% max)
- Non Incidental business income acceptance has been updated
- No more than 15% of Unit owners may be 60 days past due (was 30 days past due)
- HOA must provide Tax ID number

Cash-Out Refinance Transactions – Maximum LTV, CLTV, and HCLTV Ratios
Effective December 13, 2014 for Fannie Mae's DU loan case files underwritten through DU v9.2.

The maximum LTV, CLTV, and HCLTV ratios for fixed-rate cash-out refinance transactions secured by a one-unit primary residence are being reduced from 85% to 80%. Fannie Mae anticipates that this change will have minimal impact due to the limited volume of cash-out refinance mortgages delivered with LTVs above 80%.

External Reference: Fannie Mae Selling Guide Announcement SEL-2014-13

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

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