

BULLETIN #2016-60

TO: Distribution

DATE: December 8, 2016

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [2017 Loan Limits to Change](#)
- [Impact of FHFA Loan Limit Changes for FHA, VA & USDA](#)
- [Fannie Mae Discontinues the \\$75 fee for PIW & Enhances PIW offerings for Refi Transactions](#)
- [Disaster List Updates: Virginia](#)

2017 LOAN LIMITS TO CHANGE

Summary: The Federal Housing Finance Agency (FHFA) announced last week that the maximum conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac in 2017 will increase.

- In most of the country, the 2017 maximum loan limit for one-unit properties will be \$424,100, an increase from \$417,000. This will be the first increase in the baseline loan limit since 2006.

Impact on High-cost areas (High Balance):

- In higher-cost areas, higher loan limits will be in effect. (In areas where 115 percent of the local median home value exceeds the baseline loan limit, the maximum area loan limit will be higher.)
- Because the baseline loan limit will be higher in 2017, the new ceiling limit will also be higher. The new ceiling loan limit, which applies in areas with the most expensive homes, will be \$636,150 (150 percent of \$424,100) for one-unit properties in the contiguous U.S.
- Special statutory provisions establish different loan limit calculations for Alaska and Hawaii. In these areas, the baseline loan limit will be \$636,150 for one-unit properties, but actual loan limits may be higher in some specific locations.

Effective Date: CMG will begin accepting locks under the new limits beginning **December 19th**.

As a reminder, a valid/eligible AUS approval is required in ALL cases:

- Fannie Mae has announced DU is scheduled to be updated the weekend of December 10th for the general limits.
- The 2017 loan limits will be implemented in Desktop Underwriter (DU®) for Version 9.3 or Version 10.0 loan casefiles as follows:
 - Loan casefiles submitted on or after the weekend of December 10, 2016, will be underwritten with the new general loan limits.
 - Loan casefiles submitted on or after January 1, 2017, will be underwritten with the new high-cost area loan limits.
- Freddie Mac is scheduled to update Loan Product AdvisorSM on December 2nd.
- Both Fannie & Freddie will begin purchasing loans under the 2017 limits beginning January 1, 2017.

Action to Take: Beginning December 19th, loans under the new limits are eligible to be locked and funded/purchased. **ALL Transactions closing under the new limits must have eligible findings;** it is NOT acceptable to have ineligible findings.

County-level Data, Additional Information & References/Links:

As a result of generally rising home values, the increase in baseline loan limit, and the rise in the ceiling loan limit, the maximum loan limit rose in all but 87 counties (or county equivalents) in the country.

- FHFA Announcement: <http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Increase-in-Maximum-conforming-Loan-Limits-for-Fannie-Mae-and-Freddie-Mac-in-2017.aspx>
- A list of the 2017 maximum conforming loan limits for all counties and county-equivalent areas in the country can be found [here](#). A map showing the maximum loan limits across the country can be found [here](#).
- A description of the methodology used for determining the maximum loan limits can be found in an [addendum](#) to this news release and a [short video](#) shows the process used and why the loan limit is rising.
- Fannie Mae: Detailed information and updated resources, including the [Loan Limit Look-Up Table](#) are available on the [Loan Limits page](#).

Freddie Mac: http://www.freddiemac.com/singlefamily/news/2016/1123_loan_limits.html

IMPACT OF FHFA LOAN LIMIT CHANGES FOR FHA, VA & USDA

Summary: With the announcement of the FHFA loan limit changes for Fannie and Freddie loans, FHA loan limits and VA County Limits are also scheduled to change.

FHA: FHA has released [Mortgagee Letter 2016-20](#) outlining the below:

2017 FHA National Limits

"Low Cost Areas" (aka: Floor)

Set at 65% of national conforming limit of \$424,100

- One-unit: \$275,665
- Two-unit: \$352,950
- Three-unit: \$426,625
- Four-unit: \$530,150

"High Cost Area" (aka: Ceiling)

Set at 150% of the national conforming limit of \$424,100

- One-unit: \$636,150 (\$721,500 AK/HI)
- Two-unit: \$814,500 (\$923,050 AK/HI)
- Three-unit: \$984,525 (\$1,115,800 AK/HI)
- Four-unit: \$1,223,475 (\$1,386,650 AK/HI)

Impact – Additional Details & FHA Resources

- [FHA Mortgage Limits Search](#)
- [Areas at Ceiling](#)
- [Areas Between Floor and Ceiling](#)
- [List of Increased Loan Limits CY16 to CY17](#)
- No Areas Decreased Loan Limits CY16 to CY17

Effective Date: *For case numbers assigned on or after January 1, 2017*

VA: VA has released [Circular 26-16-36](#) outlining the below:

- To determine the VA guaranty, use the FHFA One unit Limit. While a Veteran may use the VA Home Loan Guaranty benefit to acquire a property up to 4-units in size, VA's maximum guaranty amount will be based on the One-Unit (single-family residence) limit.
- The 2017 effective loan limits are posted at: http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp
- VA does not impose a maximum loan amount that a Veteran may borrow to purchase a home; instead, the law directs the maximum amount that VA may guarantee on a home loan. Because most VA loans are pooled in securities that require a 25 percent guaranty, the effective no downpayment loan limit on VA loans is typically four times VA's maximum guaranty amount. Lenders may make loans greater than the effective loan limit; however, the Veteran may be required to make a downpayment; typically 25% of the difference between the loan amount and the county loan limit.
- **VA Effective Date:** All loans **closed** on or after January 1, 2017, will be eligible for the higher loan limit.

USDA: USDA does not establish loan limits but does establish income limits.

- **CMG's maximum loan amount for USDA financing is currently \$417,000. CMG will change this limit to \$424,100 beginning January 1st, 2017.**

Effective Dates: *As noted above.*

Links: [FHA Mortgagee Letter 2016-20](#) & [VA Circular 26-16-36](#)

FANNIE MAE DISCONTINUES THE \$75 FEE FOR PIW & ENHANCES PIW OFFERINGS FOR REFINANCE TRANSACTIONS

Summary: Fannie Mae is discontinuing the \$75 Fee for Property Inspection Waivers. In addition, Fannie Mae previously announced PIWs will be available for DU Version 10.0 loan casefiles created on or after the weekend of December 10, 2016. The enhanced PIW offerings are for refinance transactions, with an expectation that 25% of limited cash out refinances may be eligible for the PIW offering.

The PIW offer will be considered on the transactions below:

- One-unit properties, including condominiums
- Principal residence, second home, and investment property transactions
- Limited cash-out refinance transactions up to a 90% LTV/CLTV for principal residences and second homes; up to 75% LTV/CLTV for investment properties
- Cash-out refinance transactions up to a 70% LTV/CLTV for principal residences; up to a 60% LTV/CLTV for second homes and investment properties
- Loan casefiles that receive an Approve/Eligible recommendation

Purchase transactions and the majority of refinance transactions will *not* receive a PIW offer, which means they will require an appraisal by a qualified residential appraiser to establish the market value.

In addition, the following are not eligible for a PIW offer:

- properties located in a disaster-impacted area;
- two- to four-unit properties;
- loan casefiles where the value of the subject property provided to DU is \$1,000,000 or greater;
- DU Refi Plus™ loan casefiles;
- leasehold properties,
- properties with resale restrictions
- and manufactured homes.

Note: Properties with a resale restriction that are not being coded for Affordable Lending transaction may receive the offer via DU but are not eligible. This will be a manual check. The same also applies to properties in disaster areas or properties that are not correctly coded for DU to recognize leasehold status. **Special Feature Code 801 is required for all loans with a PIW.**

Effective Date: *Loan Applications dated January 1, 2017 and after. If a PIW Fee is charged to a borrower on a loan that has an application date of 1/1/2017 or after, CMG will require the fee to be refunded to the borrower.*

DISASTER LIST UPDATES

Summary: CMG is adding new counties to the CMG Disaster List in response to multiple disasters.

FEMA has added additional counties to the individual assistance list for Virginia, in response to Hurricane Matthew. CMG is aligning with FEMA and applying the CMG Disaster Policy to the following additional counties:

Virginia		
Hampton	Portsmouth	Suffolk

CMG is also adding the below county to the disaster list in response to the anticipated fire damage in Tennessee.

Tennessee
Sevier

Effective Date: *Immediately*

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

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