

BULLETIN #2017-64

TO: Distribution

DATE: December 11, 2017

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Disaster Update-Southern California Fires-Ventura and Los Angeles Counties Suspended
- Texas Home Equity Changes-Texas Section 50(a)(6)-No Closing Jan 1-12th
- 2018 FHA Loan Limits
- 2018 Va Loan Limits Posted on VA Website

DISASTER UPDATES-SOUTHERN CALIFORNIA FIRES

Summary: Due diligence must also be taken when lending in San Diego & Santa Barbara Counties due to the Lilac & Thomas fires. Corporate Credit will issue updates as soon as they are available.

Action to Take: All loans in Ventura & Los Angeles Counties (CA) are suspended until further notice. Use caution in San Diego & Santa Barbara County.

TEXAS HOME EQUITY CHANGES-TEXAS SECTION 50 (A)(6)- NO CLOSINGS JAN 1-12TH

Summary: On November 7, 2017, Texas voters approved Proposition 2, the amendment relating to the home equity provisions of the Constitution, Article XVI, Section 50(a)(6). The amendment changed a number of provisions regarding Texas 50(a)(6) loans. Fannie Mae and Freddie Mac are working together to the Fannie Mae/Freddie Mac Uniform Texas Home Equity Security Instrument (Form 3044.1) and the Texas Home Equity Affidavit and Agreement (First Lien) (Form 3185), and plan to publish both forms by the end of December. There are no changes to the applicable notes and riders. The amendment will take effect on January 1, 2018, and applies to loans made on or after this date.

Because Texas is implementing new requirements for Texas 50(a)(6) loans effective January 1, 2018, including a revised form of 12-day notice, these loans are not eligible to be closed during the first 12 days of 2018.

Summary of Major Changes. The amendments create major changes in Texas Home Equity Lending by:
(1) eliminating the ban on home equity loans on homesteads with agricultural exemptions;
(2) reducing the 3% fee cap to a 2% fee cap with certain fees excluded from this 2% fee cap;
(3) permitting, under certain conditions, a home equity loan to be refinanced as a non-home equity loan;
(4) repealing the 50% ceiling on additional advances under Home Equity Lines of Credit;
(5) updating who is authorized to make home equity loans; and
(6) amending the 12-day notice disclosure to reflect these changes.

Action to Take: Watch for additional updates.

2018 FHA LOAN LIMITS

Summary: Due to robust increases in median housing prices and required changes to FHA's floor and ceiling limits, which are tied to the Federal Housing Finance Agency (FHFA)'s increase in the conventional

mortgage loan limit for 2018, the maximum loan limits for FHA forward mortgages will rise in 3,011 counties. In 223 counties, FHA's loan limits will remain unchanged. See below for 2018 limits.

- Low Cost Area The FHA national low cost area mortgage limits, which are set at 65 percent of the national conforming limit of \$453,100 for a one-unit Property, are, by property unit number, as follows:
 - One-unit: \$294,515
 - Two-unit: \$377,075
 - Three-unit: \$455,800
 - Four-unit: \$566,425
- High Cost Area The FHA national high cost area mortgage limits, which are set at 150 percent of the national conforming limit of \$453,100 for a one-unit Property, are, by property unit number, as follows:
 - One-unit: \$679,650
 - Two-unit: \$870,225
 - Three-unit: \$1,051,875
 - Four-unit: \$1,307,175 □
- Special Exceptions for Alaska & Hawaii - Mortgage limits for the special exception areas of Alaska (AK) & Hawaii (HI) are adjusted by FHA to account for higher costs of construction. These special exception areas have a higher ceiling as follows:
 - One-unit: \$1,019,475
 - Two-unit: \$1,305,325
 - Three-unit: \$1,577,800
 - Four-unit: \$1,960,750

Effective Date: *Loan limits for calendar year 2018 are effective for case numbers assigned on or after January 1, 2018*

Links: [FHA Mortgage Letter 2017-16](#)

2018 VA LOAN LIMITS POSTED ON VA WEBSITE

VA has updated the link on their website to reference 2018 loan limits but has not yet issued a circular: https://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp

As a reminder, VA does not set a cap on how much the Veteran can borrow to finance a home. However, there are limits on the amount of liability VA can assume, which usually affects the maximum loan amount and/or the required down payment. The loan limits are the amount a qualified Veteran with full entitlement may be able to borrow without making a downpayment. These loan limits vary by county, since the value of a house depends in part on its location. All transactions require 25% guaranty/equity meeting secondary market requirements.

VA county loan limit:

- VA's 2018 Loan Limits are the same as the Federal Housing Finance Agency's limits - [2018 Loan Limits \(Effective January 1, 2018\)](#). For purposes of determining the VA guaranty, lenders are instructed to reference only the One-Unit Limit column in the FHFA Table.

Action to Take: Formal communication VA regarding loan limit changes is still pending. Refer to last week's CMG Financial Correspondent Lending Bulletin 2017-63 for details regarding 2018 conventional conforming loan limit changes.

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

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