

BULLETIN # 2018-54

TO: Distribution

DATE: December 12, 2018

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Update: 2019 QM & Section 32 Thresholds
- Reminder- DU Version 10.3
- Disaster Update- Alaska
- Disaster Update- California
- HARP Retirement- DU Refi Plus and LP Open Access

UPDATE: 2019 QM & SECTION 32 THRESHOLDS

Summary: See below for 2019 updates to QM & HOEPA points and fees thresholds.

QM POINTS AND FEES THRESHOLDS

Effective on loans with a consummation/signing date of 1/1/2019 or after:

The CFPB has updated the loan amount thresholds for the QM Points and Fees test. A loan is a Qualified Mortgage if the loan's total points and fees do not exceed the following thresholds:

3% of the total loan amount for a loan greater than or equal to \$107,747;

\$3,232 for a loan amount greater than or equal to \$64,648 but less than \$107,747;

5% of the total loan amount for a loan greater than or equal to \$21,549 but less than \$64,648;

\$1,077 for a loan amount greater than or equal to \$13,468 but less than \$21,549; and

8% of the total loan amount for a loan amount less than \$13,468.

The updated CMG Policy Quick Reference Guide will be posted by 1/1/2019 and will state the following:

≥ \$107,747: 3% of the total loan amount

\$64,648 - \$107,747: \$3,232

\$21,549 - \$64,648: 5% of the total loan amount

\$13,468 - \$21,549: \$1,077
< \$13,468: 8% of the total loan amount

SECTION 32 HOEPA POINTS & FEES THRESHOLDS

Effective on loans with a consummation/signing date of 1/1/2019 or after:

The CFPB has updated the thresholds for the Section 32 HOEPA Points and Fees test. In order to be a Section 32 high cost mortgage, the loan will exceed either the APR or the Points & Fees thresholds.

APR Threshold:

The APR threshold remains unchanged for 2019. To be a Section 32 high cost mortgage, the loan's APR will exceed the Average Prime Offer Rate (APOR) by more than 6.5% (or 8.5% for subordinate liens).

Points & Fees Threshold:

Both the loan amount limit and the flat rate limit were updated. To be a Section 32 high cost mortgage, the loan's total points and fees will exceed:

5% of the total loan amount for a loan greater than or equal to \$21,549, or
The lesser of 8% of the total loan amount or \$1,077 for a loan less than \$21,549.

Note: The Section 32 HOEPA thresholds only apply to a loan for the borrower's principal dwelling.

The updated CMG Policy Quick Reference Guide will be posted by 1/1/2019 and will state the following:

≥ \$21,549: 5% of the total loan amount
< \$21,549: lesser of 8% of the total loan amount or \$1,077

CMG does not purchase Section 32 High Cost loans.

Effective date: *As noted above*

REMINDER- DU VERSION 10.3

Summary: 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.

Other updates in this DU release include the following:

- DU Risk Assessment Update
- Appraisal Waiver Changes
- Retirement of DU Version 10.1
- Updates to Align with the Selling Guide

Link to DU Release Notes: https://www.fanniemae.com/content/release_notes/du-do-release-notes12082018.pdf

Effective Date: *The changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of Dec. 8, 2018. Loan casefiles created in DU Version 10.2 and resubmitted after the weekend of Dec. 8 will continue to be underwritten through DU Version 10.2. In addition, DU Version 10.1 will be retired.*

DISASTER UPDATE- ALASKA

Summary: At this time, loan closings/purchases in the state of Alaska remain suspended due to the 7.0 Earthquake. The Governor of Alaska has declared a state of emergency. CMG Corporate Credit will continue to monitor the situation and provide updates as the impact is assessed.

Effective Date: *Immediate*

DISASTER UPDATES- CALIFORNIA

Summary: FEMA posted an end date to the California Wildfires Disaster Declaration DR 4407. CMG's disaster list is updated with the end date for the California files.

<https://www.fema.gov/disaster/4407>

Counties: **Butte, Los Angeles, Ventura**

California Wildfires (DR-4407)

Incident Period: November 08, 2018 - November 25, 2018

Major Disaster Declaration declared on November 12, 2018

FHA TRANSACTIONS

Inspections may now be ordered for FHA transactions and loans are eligible for closing and/or endorsement with a clear inspection.

Effective Date: *Immediate, incident end date is identified by FEMA as November 25, 2018.*

REMINDER: RETIRING HARP AND SCHEDULE RELEASE OF THE NEW HIGH LTV REFINANCE PRODUCTS

Summary: The HARP products (DU Refi Plus & LP Open Access) are scheduled to be retired at the end of 2018. Both Fannie and Freddie have High LTV products that will provide refinance opportunities to borrowers with existing Fannie Mae/Freddie Mac mortgages who are making their mortgage payments on time but whose LTV ratio for a new mortgage exceeds the maximum allowed for standard limited cash-out refinance options.

NEW: When the new High LTV products are released and available on the ratesheets, any existing DU Refi Plus or Open Access loans will need to be manually locked by the lock desk.

CMG is scheduled to release these products before the end of the year so please watch for future updates. Loans under the new product options will need to meet several eligibility criteria and are not eligible to be closed until January 2019 at the earliest. Once released, the new products will be limited in scope in terms of eligibility with highlights as noted below:

- The loan being refinanced must be a first-lien, conventional mortgage loan, owned or securitized by Fannie Mae or Freddie Mac.
- The loan being refinanced must have a note date on or after October 1, 2017.
- At least 15 months have passed between the Note Date of the mortgage being refinanced and the Note Date of the high LTV refi mortgage.
- Borrower Benefit Borrowers must benefit from the refinance in at least one of the following ways:
 - Reduced monthly principal and interest payment
 - Lower interest rate
 - Shorter amortization term
 - More stable mortgage product, such as moving from an adjustable-rate mortgage to a fixed-rate mortgage
- Borrowers must be current with their payments and have:
 - No 30-day delinquencies in the most recent six months, and
 - No more than one 30-day delinquency in the past 12 months and no delinquency greater

than 30 days.

- The mortgage being refinanced must not have been previously delivered to the agency as a HARP Product.

Effective Date: *When the new High LTV products are released and available on the ratesheets, any existing DU Refi Plus or Open Access loans will need to manually locked by the lock desk.*

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



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