

**BULLETIN #2017-66**

**TO: Distribution**

**DATE: December 28, 2017**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- New Seasoning Requirements for FHA & VA Refinances
- 2018 QM and Section 32 Threshold Updates
- TX 2018 Home Equity Loan Procedure
- Fannie Mae Update (Frozen Credit) & Clarification (Cash-Out Refi & LLCs)
- Mortgage Insurance Procedure Updates and Reminders
- USDA Suspends 4506-T Requirements for Household Members

**NEW SEASONING REQUIREMENTS FOR FHA AND VA REFINANCES**

**Summary:** Due to new Ginnie Mae pooling restrictions for Cash-Out Refinance Loans all FHA and VA cash out refinance transaction must meet additional seasoning requirement. Effective for CMG loans purchased beginning February 1, 2018, FHA and VA cash-out refinance loans are eligible if and only if:

- the borrower made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and
- the first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the Initial Loan.

Specific impact by financing type—

- FHA Cash out refinances will need to meet the specific 210 day restriction in addition to FHA's current seasoning requirement. (FHA currently only specifies that properties with mortgages must have a minimum of 6 months of Mortgage Payments.)
- VA – All non-IRRRL refinances will be impacted. VA doesn't specify rate/term so this change impact all regular refinances
- USDA – no impact as USDA only allows rate/term

**Effective Date:** *Any FHA cash out refinance or VA Non-IRRRL Refinance not meeting the seasoning requirements must be purchased by February 1, 2018.*

**Link to Ginnie Mae Announcement:** [Click Here](#)

**2018 QM AND SECTION 32 THRESHOLD UPDATES**

**QM POINTS & FEES THRESHOLDS**

Effective on loans with a consummation/signing date of 1/1/2018 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 \$105,158;
- \$3,155 for a loan amount greater than or equal to \$63,095 but less than \$105,158;

- 5% of the total loan amount for a loan greater than or equal to \$21,032 but less than \$63,095;
- \$1,052 for a loan amount greater than or equal to \$13,145 but less than \$21,032;
- and 8% of the total loan amount for a loan amount less than \$13,145.

The updated *Correspondent Lending Policy Quick Reference Guide* will be posted by 1/5/2018.

## **SECTION 32 HOEPA POINTS & FEES THRESHOLDS**

Effective on loans with a consummation/signing date of 1/1/2018 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 2018. 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 \$21,032, or
- The lesser of 8% of the total loan amount or \$1,052 for a loan less than \$21,032.

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

The updated *Correspondent Lending Policy Quick Reference Guide* will be posted by 1/5/2018.

### **CMG does not purchase Section 32 High Cost loans.**

## **TX 2018 HOME EQUITY LOAN PROCEDURE**

**Summary:** New requirements apply to all TX 50(a)(6) loans closing/signing on or after 1/1/2018. This Procedure outlines how CMG must handle 50(a)(6) loans that close/sign in 2018. Important pieces to note:

- New 12-day notice is required to be delivered in 2018, which restarts the 12-day waiting period before closing
  - CMG will not purchase any 50(a)(6) loans that close during the first 12 days of January
  - CMG will not purchase any 50(a)(6) loans that have closed prior to expiration of the new 12-day waiting period.
  - The Correspondent Seller will be responsible for providing evidence of the date the new 12-day notice was received by all owners/borrowers. The preferred evidence of receipt is a signed and dated 12-day notice, however proof of e-consent and e-delivery or mailing is also acceptable. The closing date is not permitted to be prior to the expiration of the 12-day waiting period.
- Fee cap is being reduced from 3% to 2%, however some new fees are excluded from the fee cap
  - Appraisal Fee can be excluded, however only if it is paid directly to the appraiser and not the AMC.
  - Bona Fide Discount Points can still be excluded like today. To ensure consistency, the procedure specifies when discount points can be considered "bona fide."

CMG will not purchase any 50(a)(4) loans until final regulations are implemented. This will be reconsidered upon final version of proposed regulations, anticipated to be in March 2018.

**Links:** [TX 2018 Home Equity Loan Procedure](#)

## **FANNIE MAE UPDATE (FROZEN CREDIT) & CLARIFICATION (C/O REFI & LLC)**

**Summary:** Fannie Mae issued Selling Guide Bulletin 17-10 addressing borrowers with frozen credit and cashout refinance waiting periods for properties owned by LLC. Please see below for additional details.

### **FANNIE MAE HAS UPDATED DU TO CONSIDER BORROWERS THAT HAVE FROZEN CREDIT**

Consumers have the ability to freeze their credit files at one or more of the three national credit repositories – Experian, Equifax and TransUnion. If the borrower's credit information is frozen at one of the credit repositories, the credit report is still acceptable as long as

- credit data is available from two repositories,

- a credit score is obtained from at least one of those two repositories, and
- the lender requested a three in-file merged report.

If credit information is frozen at one of the credit repositories, but there is no credit score or information available from the other two credit repositories, the borrower is not eligible. CMG will accept valid DU findings meeting the above noted Fannie Mae requirements.

**Effective Date:** *DU is updated for versions 10.0 and 10.1*

#### CASH-OUT REFINANCE WAITING PERIODS FOR PROPERTIES OWNED BY LLC

Fannie Mae has clarified the selling guide to allow time held in an LLC that is controlled or majority owned by the borrower(s) to count towards the borrower's six-month ownership requirement.

**Effective Date:** *This clarification is effective immediately. CMG guidelines will be updated with this clarification in the near future.*

**Link:** <https://www.fanniemae.com/content/announcement/sel1710.pdf>

#### **MORTGAGE INSURANCE PROCEDURE UPDATES & REMINDERS**

**Summary:** The mortgage insurance procedure is updated to reflect that CMG no longer requires non delegated MI for all condos and all non owner occupied properties. In addition, Correspondent Lenders determine per their internal policy if they are to use delegated or non-delegated MI.

Guidelines currently reflect the requirement for LTVs >90% and manufactured homes to have non-delegated MI. The CMG MI Procedures will be updated and reposted by 1/5/2018.

**Effective Date:** *Enhancements are effective immediately*

#### **USDA SUSPENDS 4506-T REQUIREMENTS FOR HOUSEHOLD MEMBERS**

**Summary:** The Single Family Housing Guaranteed Loan Program has suspended the requirement of Internal Revenue Service (IRS) Form 4506-T for all adult household members until further notice.

The following sections of HB-1-3555 that address IRS Form 4506-T are officially suspended:

- Chapter 9, 9.3 E 6,
- Chapter 15, 15.3, and
- Chapter 15, Attachment 15-A

Lenders must continue to perform their due diligence to review income and asset documentation obtained for the household. This USDA suspension does not impact CMG's Income Validation Policy in regards to verification of borrower's qualifying income. CMG continues to require tax transcripts when tax returns are used to document income to qualify.

**Effective Date:** *The suspension was effective December 21, 2017 and applies to loan submissions to USDA.*

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

3160 Crow Canyon Road, Suite 400, San Ramon, CA. 94583 | 800.501.2001 | NMLS #1820 | [www.cmgfi.com](http://www.cmgfi.com)

© 2017 CMG Financial, All Rights Reserved. CMG Financial is a registered trade name of CMG Mortgage, Inc., NMLS #1820 in most, but not all states. CMG Mortgage Inc. is an equal opportunity lender, licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act No. 4150025; Loans made or arranged pursuant to a California Finance Lenders Law license No. 6053674. For information about our company, please visit us at [www.cmgfi.com](http://www.cmgfi.com). To verify our complete list of state licenses, please visit [www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org). For more information on State licenses, please visit <http://www.cmgfi.com/corporate/licensing>.

