

BULLETIN #2016-02

TO: Distribution

DATE: January 8, 2016

**RE: CMG Financial Correspondent Lending
Updates**

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [Rate Sheet-Changes to Loan Level Price Adjustments](#)
- [Mississippi Disaster Declaration](#)
- [Compliance- TRID Q&A](#)

RATE SHEET-CHANGES TO LOAN LEVEL PRICE ADJUSTMENTS

Summary: CMG Correspondent Lending has modified Loan Level Price Adjustments for Agency, Du Refi Plus, Open Access and Government products. Impacted adjustments include:

- FICO Adjustments
- LTV Adjustments
- Loan Amount Adjustments
- State Adjustor
- Investment Properties
- Condos
- Subordinate Financing
- VA High Balance
- Miscellaneous Government Adjustments

Effective Date: Immediately

MISSISSIPPI DISASTER DECLARATION

Due to severe wind, tornadoes and flooding in Mississippi, CMG is instituting the [CMG Disaster Policy](#) for the below counties:

Benton
Quitman

Coahoma
Tippah

Marshall

Note: The designation of an area as a “disaster area” for the purpose of CMG’s Disaster Policy is made by CMG Corporate Credit and can be based on a federally or state declared disaster area (FEMA or state/federal agency), or through knowledge of a disaster as a result of news and media or personal contacts.

Links:

- FEMA Disasters: www.fema.gov/disasters
- Mississippi Declaration: <https://www.fema.gov/disaster/4248>

Effective Date: Immediately

COMPLIANCE-TRID Q&A

Q: Can I lower a lender credit that was disclosed on the LE?

A: There are two types of lenders credit: credit for interest rate chosen and general lender credits. The *credit for interest rate chosen* may change as a direct result of a change in interest rate or loan amount (when the credit for interest rate chosen is a percentage of the loan amount). The *general lender credit* cannot be reduced once disclosed. The general lender credit may be increased but never decreased once disclosed on the LE (or CD). The following three examples are outlined in the Rule's official commentary:

1. If the creditor discloses a \$750 estimate for "lender credits" pursuant to the Loan Estimate requirements but only \$500 of lender credits is actually provided to the consumer, the creditor has not complied with the good faith standard because the actual amount of lender credits provided is less than the estimated "lender credits" disclosed in the Loan Estimate, and is therefore an increased charge to the consumer for purposes of determining good faith.
2. If the creditor discloses in the Total Closing Costs section of the Loan Estimate a \$750 estimate for "lender credits" to cover the cost of a \$750 appraisal fee, the appraisal fee subsequently increases by \$150, and the creditor increases the amount of the lender credit by \$150 to pay for the increase, the lender credit is not being revised in a way that violates the good faith standard because, although the credit increased from the amount disclosed, the amount paid by the consumer did not.
3. If the creditor discloses a \$750 estimate for "lender credits" to cover the cost of a \$750 appraisal fee, but subsequently the creditor reduces the credit by \$50 because the appraisal fee decreased by \$50, then the good faith standard has been violated because, although the amount of the appraisal fee decreased, the amount of the lender credit decreased.

Q: What if the general lender credit causes the borrower to receive more cash back than permitted by the loan program?

A: Since the general lender credit cannot be reduced once disclosed, then review the loan program guidelines to see if principal reduction is allowed. If it is allowed, then principal reduction may be used to reduce the cash to borrower at closing. If principal reduction is not permitted, the loan will not be able to proceed unless other alternatives are possible like changing the loan amount or changing pricing to reduce a credit for interest rate chosen if that is also included in the lender credit amount.

Q: How do you disclose Principal Reduction on the Alternative/Short Form CD?

A: Principal Reduction/Curtailment is disclosed on an addendum to the Alternative/Short Form CD that is used for Refinances. IDS is working on a system update to correct how this is disclosed; we don't have an ETA yet. Until this is corrected, you may disclose the principal reduction in Section Has a negative. Note to Correspondent: If you're seeing principal reduction disclosed in Section H, please notify the Seller ASAP that it needs to be on an addendum to the CD. This is the official guidance from the MBA and they'll need to ensure their system is updated accordingly.

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

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