

BULLETIN # 2019-02

TO: Distribution

DATE: January 9, 2019

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Government Shutdown: Update IRS Transcripts
- Reminder: Changes to VA Cash-Out Refinances Coming
- Non-Agency Guidelines Updates
- Correction to previous CMG Bulletin 2019-01 due to typographical error: Ginnie Mae pooling Restrictions, FHA & VA

GOVERNMENT SHUT DOWN: Update IRS Transcripts

While the IRS remains closed during the partial government shutdown, on January 7, 2019, it will begin processing requests for transcript information made through Income Verification Express Service (IVES) program. Because it will take time to ramp this service up to normal operating status, it may initially take a few days to process these requests, as employees are brought back to work and begin to process requests backlogged since the funding lapse began on December 22, 2018.

Effective immediately, transcripts should be ordered for all files per the income validation policy. Non agency loans must meet investor specific requirements and will be considered without transcripts on a case by case basis only.

Applies to FHA, VA, USDA & Agency:

- While the backlog clears, IRS Tax and W-2 Transcripts can continue to be waived for loan delivery to CMG. However, completed 4506-T forms, signed at closing, continue to be required for loan delivery. Note: Correspondent Lender must obtain tax transcripts and provide them once available. Once tax transcripts are received, CMG will compare the income documents to the transcripts and loans with discrepancies may be subject to repurchase.
- By January 21st it is expected that the backlog will be clear and IRS Tax / W-2 transcripts will be required for all loans prior to purchase.

REMINDER: CHANGES TO VA CASH-OUT REFINANCES COMING SOON

Summary: The VA is amending its rules on cash-out refinance loans via an interim final rule. This interim final rule is

now available on the Federal Register website and it defines the parameters of when VA will permit cashout refinance loans, to include defining net tangible benefit, recoupment, and seasoning requirements.

In addition, VA has issued [Circular 26-18-30](#) as well as a follow up correction circular [26-18-30 change1](#) addressing the topic.

VA Cash Out Refinances will now include two categories:

- cash-outs in which the principal for the new loan is equal to or less than the pay-off amount on the refinanced loan (Type I Cash-Outs)
- cash-outs in which amount of principal for the new loan is larger than the pay-off amount (Type II Cash-Outs)

Note: Very few loans are expected to fall into Type I.

Action to Take: Watch for additional details regarding new net tangible benefit, recoupment, seasoning and disclosure requirements.

Effective Date - Clarified: *The rule is effective on February 15, 2019, and will apply to VA cash-out refinance loan applications taken on, or after, this date.*

Links:

<https://www.federalregister.gov/documents/2018/12/17/2018-27263/loan-quaranty-revisions-to-va-guaranteed-or-insured-cash-out-home-refinance-loans>

https://www.benefits.va.gov/homeloans/documents/circulars/26_18_30.pdf

https://www.benefits.va.gov/homeloans/documents/circulars/26_18_30_change1.pdf

NON-AGENCY GUIDELINES UPDATES

Summary: The following guideline updates are effective immediately for the specified non-agency programs:

- 6200 Series & 7200 Series:
 - Updated minimum loan amount to align with 2019 Loan Limits.
 - Revised the maximum loan amount for second home cash-out refinance from \$1,000,000 at 60% LTV to \$1,500,000
 - Added requirement for divorces on or after 1/01/2019, alimony payments paid by a borrower must be treated as a liability. Borrowers with a divorce prior to this date may have alimony deducted from income rather than treated as a liability
 - Added the allowance of tax transcripts (personal and business) in lieu of a signature on the corresponding tax return
- 6700 Series, 6600 Series, 6900 Series, 7600 Series, & 7900 Series:
 - Added requirement for divorces on or after 1/01/2019, alimony payments paid by a borrower must be treated as a liability. Borrowers with a divorce prior to this date may have alimony deducted from income rather than treated as a liability
 - Added the allowance of tax transcripts (personal and business) in lieu of a signature on the corresponding tax return

Effective Date: *Immediately*

Guideline Links:

- [6200 Series](#)
- [6600 Series](#)
- [6700 Series](#)
- [7200 Series](#)

- [7600 Series](#)
- [6900/7900 Series](#)

CORRECTION TO PREVIOUS CMG BULLETIN 2019-01 DUE TO TYPOGRAPHICAL ERROR: GINNE MAE POOLING RESTRICTIONS: FHA & VA

As a Reminder: Due to Ginnie Mae pooling restrictions. FHA & VA streamlined refinance and cash out loans must meet additional seasoning requirements.

CMG loans purchased, FHA streamlined refinance and cash out loans are eligible if and only if:

o 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

o the first payment due date of the refinance loan occurs no earlier than 210 a days after the first payment due date of the Initial Loan.

CMG loans purchases, all VA refinances must meet New GNMA VA refinance seasoning requirement. The note date of the refinance loan must be on or after the later of:

a) the date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced, and b) the date on which 6 full monthly payments have been made on the mortgage being refinanced.

Notes: All VA refinances must meet the seasoning requirement as VA doesn't-t specify rate/term eligibility. .Refer to the FHA Streamline Worksheet for FHA Streamlines (seasoning requirements for FHA Streamlines are based on case number assignment date vs loan closing date).

Effective Date: *This is a reminder.*

Please contact your Correspondent National Sales Manager

or your Correspondent Liaison with any questions.



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