TO: Distribution  DATE: January 10, 2017
RE: CMG Financial Correspondent Lending Updates  EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Tax Transcript & Income Validation Policy Changes
- New Product Announcement: Jumbo 6700 Series
- FHA Announces Changes to Annual Premium

TAX TRANSCRIPT AND INCOME VALIDATION POLICY CHANGES

Summary: CMG no longer requires W2 nor full transcripts for salaried only borrowers. Income validation via tax transcripts is only required for the following:

- all transactions that require tax returns in the file (If AUS or guidelines require tax returns for any reason, tax transcripts are required),
- all USDA transactions,
- all non-agency (Jumbo) transactions

Borrower is still required to sign 4506T at time of application and again at funding on all transactions.

Effective Date: Effective immediately.

Policy Link: Income Validation Policy

NEW PRODUCT ANNOUNCEMENT: JUMBO 6700 SERIES

Summary: We are excited to announce the release of the 6700 Series Jumbo product. This is a 30 year fixed rate jumbo product with LTV up to 90% with no mortgage insurance for a one unit primary residence. Maximum loan amount is $1,500,000.

See guidelines for full details of product offering in addition to the summary below:

- **Product Code:** 6730 - 30 YR FXD
- **Eligible Borrowers:** US Citizens, Permanent Resident Alien. All borrowers must have a valid Social Security Number.
- **Underwriting Method:** All loans must be manually underwritten and fully documented. No documentation waivers based on Agency AUS recommendations are permitted.
- **Occupancy:** Primary Only
- **Minimum Loan Amount:** $1 above the conforming limit for # of units
- **Maximum Loan Amount:** Up to $1,500,000. Fixed Rate only. Refer to Product Matrix for restrictions.
- **Credit Standards:**
  - FICO minimums as low as 720. Refer to Product Matrix for restrictions.
  - Bankruptcy, Chapter 7, 11, 13 – Not allowed.
  - Foreclosure/Notice of Default – Not allowed.
  - Short Sale/Deed-in-Lieu – Not allowed.
Mortgage accounts that were settled for less, negotiated or short payoffs – Not Allowed.
Loan Modification – Not allowed unless the modification is unrelated to hardship and there is no debt forgiveness as evidenced by supporting documentation
Medical collections – allowed to remain outstanding as long as the balance is less than $10,000 in aggregate.

- Debt-to-Income Ratios
  - 38% for First-Time Homebuyers
  - 43% for Non-First-Time Homebuyers
  - Additional reserves are required for DTIs between 38.01% and 43.00%, please see Asset section for additional reserve requirements.
- Property Types:
  - Allows for 1 Unit primary residences only.
  - Second Homes and NOO not permitted.
- Correspondent TPO not permitted.
- Prior approval required (non-delegated).

Effective Date: Immediately

Guideline Link: Jumbo 6700 Series

FHA ANNOUNCES CHANGE TO ANNUAL PREMIUM

Summary: FHA is reducing its annual mortgage insurance premium (MIP) by 25 basis points for most new mortgages with a closing/disbursement date on or after January 27, 2017. See below for the full schedule of the new premium rates announced and refer to FHA’s mortgagee letter.

<table>
<thead>
<tr>
<th>Annual MIP</th>
<th>Base Loan Amt.</th>
<th>LTV</th>
<th>Previous MIP</th>
<th>New MIP</th>
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<tbody>
<tr>
<td>Term &gt; 15 Years</td>
<td>$625,500</td>
<td>≤ 95.00%</td>
<td>80 bps</td>
<td>55 bps</td>
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<tr>
<td>≤ $625,500</td>
<td>&gt; 95.00%</td>
<td>85 bps</td>
<td>60 bps</td>
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<td>Term ≤ 15 Years</td>
<td>≤ $625,500</td>
<td>≤ 90.00%</td>
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Streamline, Simple Refinance of previous Mortgage endorsed on or before May 31, 2009

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References/Links:

Please contact your Correspondent National Sales Manager