

**BULLETIN #2018-02**

**TO: Distribution**

**DATE: January 10, 2018**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Prospects for Government Shutdown in January
- FHA Connection Changes for HMDA
- Compliance Q&A of the Week
  - CA Points and Fees
  - Discount points excluded from QM Points and Fees

**PROSPECTS FOR GOVERNMENT SHUTDOWN IN JANUARY**

**Summary:** Since Congress only passed a short-term extension of government funding (until January 19th) before leaving Washington, the odds of a shutdown have increased later this month. As a reminder, if there is a shutdown, it is expected to have minimal impact in the near term on the federal housing programs with the exception of the USDA program. The highlights are:

- FHA will continue issuing case numbers and insuring loans.
- VA loan guaranty program will be operational
- USDA will not issue new commitments or guarantee closed loans
- Ginnie Mae will still issue securities

Below are the contingency plans for HUD (FHA and Ginnie Mae), VA and USDA:

HUD (FHA & Ginnie Mae)	<a href="https://www.hud.gov/sites/documents/HUDCONTINGENCYPLANFINAL.PDF">https://www.hud.gov/sites/documents/HUDCONTINGENCYPLANFINAL.PDF</a>
VA	<a href="https://www.blogs.va.gov/VAntage/wp-content/uploads/2017/12/VA-Contingency-Plan-2017-2018_Final-Submission.docx">https://www.blogs.va.gov/VAntage/wp-content/uploads/2017/12/VA-Contingency-Plan-2017-2018_Final-Submission.docx</a> The VA has determined that housing is an "essential service". In addition, VA projects that "95.5% of VA employees would be either fully funded or required to perform excepted functions during a shutdown".
USDA	<a href="https://www.usda.gov/sites/default/files/documents/usda-rd-shutdown-plan.pdf">https://www.usda.gov/sites/default/files/documents/usda-rd-shutdown-plan.pdf</a> USDA states that "RD has no program activities that would continue in the absence of an appropriation." As a result, USDA will be unable to issue new conditional commitments during a shutdown. While lenders are permitted to close loans with outstanding commitments, USDA will also be unable to guarantee them until staff return to work.

**Action to Take:** Update is for informational purposes. No action required at this time.

**Effective Date:** *Pending*

**FHA CONNECTION CHANGES FOR HMDA**

**Summary:** Federal Housing Administration (FHA) announced planned changes in the [FHA Connection \(FHAC\)](#) system to capture expanded borrower demographic information that mortgagees began collecting on January 1, 2018, in accordance with the new [Home Mortgage Disclosure Act \(HMDA\) Final Rule](#). This

information is available to be collected on the Demographic Information Addendum to the Uniform Residential Loan Application (URLA). However, these changes will not be implemented in FHAC by the January 1st collection date. In the interim, FHAC has been temporarily modified to:

- Allow mortgagees to submit the demographic information collected if the currently available fields in FHAC match the borrower(s) submission; or
- Permit the fields to be left blank, if the demographic information collected does not match the currently available fields in FHAC.

**Effective Date:** FHA has not yet established an implementation date for the expanded demographic information changes in FHAC. An announcement regarding the implementation schedule is expected to be made in the coming weeks.

**Links:**

- Access the FHAC user interface at: <https://entp.hud.gov/clas/index.cfm>

### COMPLIANCE Q&A OF THE WEEK

**Q: Why is the loan still failing the CA Points and Fees audit when specific lender credit was applied?**

**A:** Specific lender credits to APR fees (aka finance charges) affect audits like the QM Points and Fees, however California's Points and Fees audit is not the same. CA regulation states that all fees required to be disclosed as APR fees must be included in the Points and Fees audit regardless of who is paying for the fee. The CA Department of Business Oversight has also provided confirmation that this is correct and we cannot exclude any APR fees paid by lender.

**Q: When can discount points be excluded from QM Points and Fees?**

**A:** Discount points may only be excluded from the fee cap if they are bona fide, which means the discount points must correspond with a true reduction in interest rate. *If the loan does not have an Undiscounted Rate/Price, then the discount points are not bona fide.*

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

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