

**TO: Distribution**

**DATE: January 15, 2020**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

### CMG FINANCIAL CORRESPONDENT LENDING UPDATES

#### Topics Covered in this Announcement:

- Non Agency Guideline Updates- Multiple Series
- Flex Jumbo 6400 Series Updates
- Hybrid E-Closing

#### NON AGENCY GUIDELINES UPDATES- MULTIPLE SERIES

**Summary:** The Premier QM (6200 Series) & Non-QM (7200 Series), Simply Jumbo (6700 Series – QM), Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series) guidelines are updated with the changes outlined below. **Effective dates are specific to each change; please refer to the updates below for the effective dates.**

##### Eligibility Matrix

**Premier QM (6200 Series), Premier Non-QM (6600 Series), Expanded QM (6600), Expanded Non-QM (7600)**

- Revised the cash out limits from \$250,000 to \$500,000 for all occupancy types. Effective for loans locked on or after 1/02/2020.

##### Eligibility Matrix Footnotes

**Premier QM (6200 Series), Premier Non-QM (6600 Series)**

- Revised the minimum loan amount from \$484,351 to \$510,401 for 1-unit properties. The minimum loan amount for properties with 2-4 units is \$1 over the new conforming loan amount set by FHFA. Effective date for new minimum loan amounts will be for locks on or after 1/02/2020.

##### Eligibility Matrix Footnotes

**Simply Jumbo (6700 Series), Expanded QM (6600), Expanded Non-QM (7600)**

- The minimum loan amount referenced in these guides is \$1 over the current conforming/agency high balance limit set by FHFA. No update is necessary for these guides since a specific loan amount is not referenced. Effective date for new minimum loan amounts will be for locks on or after 1/02/2020.

##### Underwriting Guidelines | Credit

**Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

- Added requirement for letter of explanation from borrower(s) for housing lates within the most recent 12 months on Renew and 12-24 months on Expanded. Also added requirement for letter of explanation from borrower(s) for derogatory credit events. Effective for loans locked on or after 1/02/2020.

#### **Underwriting Guidelines | Liabilities**

**Premier QM (6200 Series) & Non-QM (7200 Series), Simply Jumbo (6700 Series – QM), Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

- Language added for borrowers that are on a payment plan with the IRS for the most recent tax year. See guidelines for additional information. No effective date due to clarification.

#### **Underwriting Guidelines | Assets**

**Premier QM (6200 Series) & Non-QM (7200 Series), Simply Jumbo (6700 Series – QM), Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

- Added clarification for eligible assets to be held in a US account. No effective date due to clarification.

#### **Underwriting Guidelines | Assets**

**Premier QM (6200 Series) & Non-QM (7200 Series), Simply Jumbo (6700 Series – QM), Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

- Updated business funds for assets when borrower is a majority owner but less 100% owner of the business. See specific guidelines for requirements. Effective for loans locked on or after 1/02/2020.

#### **Underwriting Guidelines | Income & Employment | Asset Depletion**

**Premier Non-QM (7200 Series) and Expanded Non-QM (7600)**

- Added clarification for eligible assets for asset depletion to be held in a US account. No effective date due to clarification.

#### **Underwriting Guidelines | Income & Employment | Rental Income**

**Premier Non-QM (7200 Series) and Expanded Non-QM (7600)**

- Added requirement for short-term, vacation or seasonal investment property without a lease (subject or non-subject); if there is an HOA for condominiums or attached PUDs, it must allow for short-term rentals and verification must be included in the loan file. Effective for loans locked on or after 1/02/2020.

#### **Underwriting Guidelines | Multiple Financed Properties**

**Expanded QM (6600 Series) and Expanded Non-QM (7600)**

- Updated to allow unlimited number of financed 1-4-unit residential properties when the subject transaction is a primary residence. Subject transaction is limited to program maximum or 80% LTV/CLTV/HCLTV and additional financed properties require 6 months reserves for each additional property. Effective for loans locked on or after 1/02/2020.

#### **Underwriting Guidelines | Appraisal Requirements**

**Premier QM (6200 Series) & Non-QM (7200 Series), Simply Jumbo (6700 Series – QM), Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

- Removed the requirement for MLS sheets to be included in the Collateral Desktop Analysis (CDA). The CDA without MLS sheets should result in a lower cost for the CDA. Effective immediately.

#### **General Borrower Requirements | Primary Residence**

**Premier QM (6200 Series) & Non-QM (7200 Series), Simply Jumbo (6700 Series – QM), Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

- Clarification added for occupancy on primary residence refinance transactions. For existing properties, borrowers must occupy at the time of the transaction. No effective date due to clarification.

#### **General Borrower Requirements | Texas Owner Occupied Homestead Property**

##### **Texas Equity Refinance Loan Requirements**

**Premier QM (6200 Series) & Non-QM (7200 Series), Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

- Reorganized the Texas Equity Refinance Loan Requirements section for a clearer set of requirements for standard refinance loans, Texas section 50(a)(6) and Texas section 50(f)(2) loans. No effective date due to clarification.

#### **General Borrower Requirements | Inter Vivos Revocable Trust**

**Premier QM (6200 Series) & Non-QM (7200 Series), Simply Jumbo (6700 Series – QM), Expanded QM (6600 Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

## **Series), Expanded Non-QM (7600), Renew Program (6900/7900 Series)**

- Removed the requirement for copies of the first page, signature page, and the pages of the trust agreement that verifies the trustee and that the trust is revocable when a trust certification form is provided. Effective immediately.

**Effective Date:** *As noted above for each topic.*

## **FLEX JUMBO 6400 SERIES UPDATES**

**Summary:** The following investor updates are effective as of 1/1/2020:

### **Disaster Area Property Valuation Requirements**

- Add following additional language: An interior valuation will be required if exterior inspections shows visible damage and/or comments from the Appraiser states there are health and safety hazards presents.

### **Automobile Allowance and Expense Account Payments**

Updated to read as follows: The full amount of an automobile allowance may be included in qualifying income and the lease or financing expenditure must be included as a debt in the calculation of the debt-to-income (DTI) ratio, provided evidence of receipt for two years is verified via one of the following:

- Written verification from the employer, or
- the amount is verified by pay statements. The automobile payment must be added to the liabilities and included in the Applicant's debt-to-income ratio while the full amount of the automobile allowance is added to the qualifying income.

Income is calculated via one of the following:

- Only the amount by which the Applicant's automobile allowance or expense account payments exceed actual expenditures may be considered income.
- If the Applicant uses the standard per-mile rate in calculating automobile expenses, as opposed to the actual cost method, the portion that the IRS considers depreciation may be added back to income
- Expenses that must be treated as recurring debt include:
  - The Applicant's monthly car payment; and
  - Any loss resulting from the calculation of the difference between the actual expenditures and the expense account allowance. Applicant must provide Employer verification that the payments will continue.

### **Non-reimbursed Employee Expenses**

Combined two topics "Non-reimbursed Employee Expenses" and "Employee Business Expenses" under Non-Reimbursed business expenses and Updated to read as follows:

- When an Applicant has non-reimbursable business expenses, such as classroom supplies, uniforms, meals, gasoline, automobile insurance, and/or automobile taxes, Lender must determine the Applicant's recurring monthly debt obligation for such expenses by developing a 24-month average of such expenses, using information from the Applicant's IRS Form 1040 including all applicable schedules (Schedule A or C).
- Consequently, when calculating the total debt-to-income ratio, if the 24-month average for non-reimbursable expenses is 25% or more of the total income then the non-reimbursed expense should be subtracted from the Applicant's stable monthly income, unless such expenses are automobile lease payments or automobile loan payments, in which case they are to be considered part of the Applicant's recurring monthly debt obligations. If there is not a 24-month history of such expenses, Lender should develop an annualized monthly average for the expenses and add this calculated amount to the Applicant's monthly debt obligations.

### **Investor Exposure Limit**

Updated maximum investor exposure limitation to limit the number of residential mortgages granted to the same borrower to a maximum of three loans of any type to a maximum Total Credit Exposure of \$10,000,000, if more than 3 loans TCE \$2,000,000. CMG maximum exposure requirements continue to apply.

Updated based on new loan limits for 2020.

**Effective Date:** *January 1, 2020*

## **HYBRID E-CLOSING**

**Summary:** CMG will purchase mortgage loans containing closing documents with borrower's digital signature, except when prohibited by Agency requirements, or by state or Federal Law. Non-Agency loans are not eligible.

CMG does not permit the following to be electronically signed:

- Note and Rider(s) to the Note
- Security Instrument and Rider(s) to the Security Instrument
- Power of Attorney (POA)

All other documents may be electronically signed if allowed by the applicable Agency requirements and Applicable Laws, and all Electronic Signatures must comply with applicable federal and state law regarding enforceability. Seller is to deliver electronic consent documentation for each borrower along with the audit trail evidencing the delivery and signing of all electronically signed documents.

Remote Notarization is not acceptable for any loan documents.

**Effective Date:** *Immediately*

**Link:** [Seller's Guide](#)

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



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