

BULLETIN #2017-08

TO: Distribution

DATE: February 1, 2017

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [Reminder: CMG Correspondent Lock Policy and Process](#)
- [VA Update: Student Loans & Circular 26-17-02](#)
- [Conventional Conforming: Manufactured Home Clarification](#)
- [REMINDER: Superfund Sites](#)

REMINDER: CMG CORRESPONDENT LOCK POLICY AND PROCESS

Summary: As a reminder to Bulletin #2017-04 on January 18, 2017; CMG offers a full range of executions options, which include Best Efforts, Bulk Trade and Mandatory Direct Trades including single loan mandatory. Updates to the current lock policy and process are effective today, February 1, 2017 for all new and existing locks.

Effective Date: *Immediately for all new and existing locks.*

Link: For complete details see Chapter 5 of the [Sellers Guide](#).

VA UPDATE: STUDENT LOANS AND CIRCULAR 26-17-02

Summary: VA has issued Circular 26-17-02 providing updated requirements for how to calculate a Student Loan Monthly Payment. Requirements are as noted below:

a. If the Veteran or other borrower provides written evidence that the student loan debt will be deferred at least 12 months beyond the date of closing, a monthly payment does not need to be considered.

b. If a student loan is in repayment or scheduled to begin within 12 months from the date of VA loan closing, the lender must consider the anticipated monthly obligation in the loan analysis and utilize the payment established in paragraph (1) or (2) below. Calculate each loan at a rate of 5 percent of the outstanding balance divided by 12 months (example: \$25,000 student loan balance x 5% = \$1,250 divided by 12 months = \$104.17 per month is the monthly payment for debt ratio purposes).

1. The lender must use the payment(s) reported on the credit report for each student loan(s) if the reported payment is greater than the threshold payment calculation above.
2. If the payment reported on the credit report is less than the threshold payment calculation above, the loan file must contain a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loan(s). The statement(s) must be dated within 60 days of VA loan closing and maybe an electronic copy from the student loan servicer's website or a printed statement provided by the student loan servicer. It is the lender's discretion as to whether the credit report should be supplemented with this information.

Effective Date: *The VA Circular is effective as of the publication date of January 23rd. Note: Unless additional clarification is received from VA this update applies to all loans in the pipeline.*

Link to Circular: http://benefits.va.gov/HOMELOANS/documents/circulars/26_17_2.pdf

CONVENTIONAL CONFORMING: MANUFACTURED HOME CLARIFICATION

Summary: CMG conventional conforming guidelines will be updated to clarify that CMG aligns with Fannie Mae ARM eligibility requirements for manufactured homes.

- Fully amortizing adjustable-rate mortgages with initial fixed-rate periods of 7 years or 10 years are permitted.
- LTV/CLTV Eligibility for manufactured housing is as follows:

Principal Residence		
Purchase & Limited Cash-Out Refinance	1 Unit	FRM: 95% ARM: 90%
Cash-Out Refinance	1 Unit Term <= 20 Years	FRM: 65% ARM: 60%
Second Homes		
Purchase & Limited Cash-Out Refinance	1 Unit	FRM: 90% ARM: 80%

Effective Date: *Clarification is effective immediately.*

Guidelines: CMG guidelines do not currently restrict ARM transactions for manufactured homes. However, the above noted agency eligibility parameters will be added in the near future.

REMINDER: SUPERFUND SITES

Summary: EPA's Superfund program is responsible for cleaning up some of the nation's most contaminated land and responding to environmental emergencies, oil spills and natural disasters. The Superfund site assessment process evaluates potential or confirmed releases of hazardous substances that may pose a threat to human health or the environment. The location of a subject property in a Superfund site or the proximity to a Superfund site may be evident via information in the purchase contract, appraisal, title work, and/or LoanSafe report. Current/potential contamination, marketability, or legal issues need to be addressed and reviewed and the adequacy of property as security for the mortgage determined.

LoanSafe:

- **Example Loan Safe Alert:** The subject property is located in the same zip as a Superfund site (an uncontrolled or abandoned place where hazardous waste is located) recognized by the EPA.
- **LoanSafe Recommended Action:** Verify status of Superfund site through the EPA website. Ensure any environmental hazards have been addressed on the appraisal, any required notifications are given to transaction participants, and loan is eligible for the intended program. Confirm all appropriate legal requirements for transfer of the property.

Resources:

- Fannie Mae Guidance: <https://www.fanniemae.com/content/guide/selling/b4/1.4/08.html>
- EPA & Superfund sites here: <http://www.epa.gov/superfund>
- EPA site assessment process: <http://www.epa.gov/superfund/superfund-site-assessment-process>
- Lookup a specific Superfund site here: <http://www.epa.gov/superfund/superfund-site-assessment-process>

Action to Take: Review file for potential environmental hazards, research Superfund sites when applicable, and contact the EPA for additional information as needed:

- Disclose any information regarding environmental hazards to the appraiser and note the individual mortgage file accordingly if the real estate broker, the property seller, the property purchaser, or any other party to the mortgage transaction informs the lender that an environmental hazard exists in or on the property, or in the vicinity of the property.

- The lender must disclose such information to the borrower, and to comply with any state or local environmental laws regarding disclosure.
- The lender must make the final decision about the need for inspections and the adequacy of the property as security for the mortgage. (The appraiser to comment on the effect of a hazard on the value and marketability of the subject property & the appraiser would have to note when there is market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities.)

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

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