

**BULLETIN #2018-05**

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**TO: Distribution**

**DATE: February 7, 2018**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Fannie Mae Updates
- VA Fees Policy Clarification
- Non-Agency HPML

**FANNIE MAE UPDATES**

**Summary:** Fannie Mae has announced updates to the Selling Guide on the following topics:

- Federal Tax Installment Plans
- Detached Condo Projects
- Minor Litigation in Projects
- Field Reviews for Properties Valued at \$1,000,000+
- Second Appraisals

See below for a summary of the policy changes. The updated Fannie Mae Selling guide provides full details of the policy changes.

**Link to Announcement:** <https://www.fanniemae.com/content/announcement/sel1801.pdf>

**Effective Date:** *As noted below. CMG Guidelines will be updated, as applicable, by the end of the week.*

**FEDERAL TAX INSTALLMENT PLANS:**

Fannie Mae will now allow the monthly payment due under an IRS income tax installment agreement to be included in the DTI ratio (in lieu of payment in full), provided the following requirements are met:

- There is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county in which the subject property is located.
- The lender must obtain the following documentation:
  - an approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due; and
  - evidence the borrower is current on the payments associated with the tax installment plan.

Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date. At least one payment must have been made prior to closing.

**Effective Date:** *Immediately*

**DETACHED CONDO PROJECTS:**

The current policy allows for all detached condo units (other than site condos, which do not require project review) to be reviewed under the Limited Review process. With this update Fannie Mae is:

- waiving project review requirements for all detached condo units;
- removing references to site condos so that all detached condos will be treated the same;

- specifically reminding lenders that all detached units must meet property standards, appraisal standards, insurance, and priority lien requirements;
- requiring Special Feature Code (SFC) 588 and project code V for all detached condo loans at delivery; and retiring SFC 917 that was required for site condos.

**Effective Date:** *The Desktop Underwriter® (DU®) messaging regarding detached condo units will be modified in a future release to reflect these changes. Until that time, lenders may disregard the current project review messages.*

#### MINOR LITIGATION IN PROJECTS

With this update, Fannie Mae is expanding the project-related litigation policy to allow for more flexibility. Specifically, eligible minor litigation criteria has been expanded to now include the following:

- the HOA is the plaintiff in the litigation and upon investigation and analysis the lender has reasonably determined the matter is minor and will result in an insignificant impact to the financial stability of the project;
- the reasonably anticipated or known damages and legal expenses are not expected to exceed 10% of the project's funded reserves;
- the HOA is seeking recovery of funds for issues that have already been remediated, repaired, or replaced and there is no anticipated material adverse impact if funds are not recovered; and
- litigation concerning localized damage to a unit in the project that does not impact the overall safety, structural soundness, habitability, or functional use of the project.

In addition, Fannie Mae has clarified the policy related to litigation involving death or injury, and litigation for construction defects.

**Note:** CMG's Condo Project Standards Department must review any litigation.

**Effective Date:** *Immediately*

#### FIELD REVIEWS FOR PROPERTIES VALUED AT \$1,000,000+

Fannie Mae is removing the requirement for a field review (Form 2000 or 2000A) on properties valued at \$1,000,000 or more when the LTV, CLTV, or HCLTV ratio exceeds 75%.

**Effective Date:** *Immediately. The field review messages will be removed with DU Version 10.2 (weekend of March 17, 2018). Until that time, lenders may disregard the messages.*

#### SECOND APPRAISALS

Currently, if a lender obtains a second appraisal, they must use that appraisal for the transaction. Going forward, the lender must document the deficiencies that are the basis for ordering a new appraisal and must select the most reliable appraisal. This clarification more clearly aligns the requirements for second appraisals in the Selling Guide with the requirements contained in the Appraiser Independence Requirements and in the Interagency Appraisal Guidelines.

**Effective Date:** *Immediately*

#### VA FEES POLICY CLARIFICATION

**Summary:** VA issued Circular 26-17-43 to clarify VA policy regarding third-party verification requirements for loan underwriting. The CMG VA Fees CPS 1015-All policy is updated to add the following clarification that was noted in the VA Circular:

- Lenders may not charge to a Veteran the cost of obtaining third-party verifications of borrower income, employment and asset information.

**Effective Date:** *n/a, clarification*

#### Links:

- [VA Circular 26-17-43](#)
- [CMG Corporate Policy VA Fees CPS 1015-ALL](#)

#### NON-AGENCY HPML

**Summary:** The following Jumbo loan programs have been revised to remove HPML loans from the Ineligible Attributes list:

- 6200 Series
- 6600 Series

- 6700 Series
- 7200 Series
- 7600 Series

**Effective Date:** *Immediately*

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

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