

BULLETIN # 2019-05

TO: Distribution

DATE: February 7, 2019

RE: CMG Financial Correspondent Lending  
Updates

EFFECTIVE: As noted below

## CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- New Product Release: Prime Jumbo 6800 Series- Interest Only
- Prime Jumbo 6800 Series Guideline Updates
- Fannie DU Updates Coming in March
- FHA-Federal Tax Liability Update
- FHA FHAC Appraisal Updates Delayed

## NEW PRODUCT RELEASE: PRIME JUMBO 6800 SERIES-Interest Only

**Summary:** Effective immediately, CMG is pleased to announce the release of the 6800 Series Interest Only Prime Jumbo program.

**Product Codes:**

- 6805-IO - 6805 Prime Jumbo 5/1 ARM Interest Only
- 6807-IO - 6807 Prime Jumbo 7/1 ARM Interest Only
- 6810-IO - 6810 Prime Jumbo 10/1 ARM Interest Only

Interest Only permitted subject to the following:

- ARM transactions only (not permitted on fixed rate)
- Purchase and rate/term only (no cash out), Maximum loan amount \$1,500,000, Max LTV 75%, Minimum fico 740, Primary and second home only (no investment properties), 1-4 units, SFR, Condo, PUD, US Citizen and Permanent Resident Alien allowed (Non Permanent Resident Alien not permitted)
- Non QM is for Interest Only feature only (no other non QM attributes)
- First Time Homebuyer NOT permitted
- Reserves: 18 months
- Assumable AFTER the initial fixed period
- Interest Only product code must be utilized.
- 10 year interest only period followed by 20 year amortization

**Guidelines:** <https://docs.cmgfi.com/guidelines/CMG-6800-Series-Prime-Jumbo-Guidelines.pdf>

## PRIME JUMBO 6800 SERIES GUIDELINE UPDATES

**Summary:** Effective immediately, a Collateral Desktop Analysis (CDA) with accompanying MLS sheets ordered from Clear Capital is required to support the value of the appraisal for all 6800 series loans. If the CDA returns a value that is "Indeterminate" or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance then one (1) of the following requirements must be met:

- A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital.
- A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property.

**Effective Date:** *Immediately.*

## FANNIE DU UPDATES- COMING IN MARCH

**Summary:** During the weekend of March 23, 2019, Fannie Mae will implement an update to Desktop Underwriter® (DU®) Version 10.3, which will include the changes described below:

- DU Validation Service Enhancements - The DU validation service messages for income and employment will be simplified and consolidated. Eleven new messages will replace 41 existing messages.
- HomeReady® AMI Determination - With this update, DU will use the lowest income limit for the county in which the property is located before the state limit is used. When the subject address cannot be standardized and a census tract cannot be determined, but the state and zip are provided, DU will use the AMI for the county associated to the center location of the provided zip code to estimate HomeReady eligibility. DU will continue to use the FIPS code when provided by the lender to determine the AMI to be used.
- Disaster Message Change - With DU Version 10.3 a new message was added for properties located in disaster impacted areas that were also eligible for the appraisal waiver offer. With this update, DU will issue this message on any loan casefile that was impacted by a recent disaster. The message will indicate that:
  - the property is located in an area that may have been impacted by a recent disaster,
  - the lender must take prudent and reasonable actions to determine if the condition of the property has been materially impacted by the disaster,
  - the lender must comply with the property eligibility requirements that pertain to properties affected by a disaster in the Selling Guide, and
  - if an appraisal waiver was offered, the lender may continue to use the appraisal waiver if the conditions described above are met.
- DU Underwriting Findings Report Updates - Enhanced Findings Report The "With Undisclosed DTI" will be removed from the Expense Ratios section in the Underwriting Analysis Report of the enhanced version of the DU Underwriting Findings report. This value will remain on the classic HTML, TXT, and XML (codified findings) versions of the report. In the Day 1 Certainty® section of the enhanced report, the "Collateral Rep and Warrant" section name will change to "Appraisal Rep and Warrant."
- Other Updates to Align with the Selling Guide –
  - Retire Form 1004MC - Selling Guide Announcement SEL-2018-06 removed the requirement for Form 1004MC, Market Conditions Addendum to the appraisal report. The message referencing the requirement for the 1004MC will be removed.

- HomeStyle Renovation - On a HomeStyle® Renovation mortgage loan, the cost of renovations cannot exceed 75% of the lesser of the sum of the purchase price plus renovation costs, or the “as completed” appraised value for purchase transactions; or the “as completed” appraised value for refinance transactions. DU will also include the PACE Loan Payoff amount (if applicable) in the calculation to determine if a loan casefile meets the 75% guideline.
- Employment-Related Assets as Qualifying Income - Selling Guide Announcement SEL2018-08 increased the maximum LTV, CLTV, and HCLTV ratio from 70% to 80% for loans where the asset owner is at least 62 years old at the time of the loan closing. DU will be updated to support this policy change. A new message will be issued when an income type of “Employment-related Assets” is provided, the LTV, CLTV, or HCLTV exceed 70%, and there is not at least one borrower on the loan application that is 62 years old (based on the date of birth or borrower age provided to DU). This message will specify that the lender must ensure that at least one borrower on the loan will be 62 at time of loan closing.
- Small Business Administration Loans - Selling Guide Announcement SEL-2018-09 clarified that all Small Business Administration (SBA) loans secured by the subject property must be treated as subordinate financing, included in the calculation of the CLTV and HCLTV ratios, and the monthly payment must also be included in the DTI ratio calculation unless the lender can satisfy specific requirements. The message issued by DU when subordinate financing is listed on the loan casefile but there is no corresponding payment entered in the Proposed Monthly Housing Payment section of the application will be updated. The message will specify that including no payment is acceptable if the subordinate lien is related to a business obligation and it complies with the policy in the Selling Guide that allows the exclusion of the payment.
- Removal of Form 2106 References - Selling Guide Announcement SEL-2018-09 removed the requirements for IRS Form 2106. The DU messages that reference Form 2106 will be updated to remove those references.
- Mortgage Insurance for New York Properties As specified in Selling Guide section B7-1-01: Provision of Mortgage Insurance, under a New York statute, a mortgage insurer must issue mortgage insurance based on a determination of the “fair market value” of the property. As a result, the determination of value for properties in New York is different from Fannie Mae’s standard definition of value that is used to calculate the LTV ratio. A new message will be issued for purchase loan casefiles for properties located in New York when the LTV calculated by DU is over 80% but the requirement for mortgage insurance under the New York statute may be different. This message will remind lenders to determine if mortgage insurance is required based on New York laws and regulations and refer the lender to the Selling Guide for additional details on MI requirements for properties in the state of New York.
- Reserves to be Verified - With DU Version 10.3 an eligibility guideline was added to ensure that cash-out refinance transactions for borrowers with a debt-to-income ratio exceeding 45% have at least six months of reserves disclosed on the loan application. The Reserves Required to be Verified on these transactions will be updated to include at this amount, at a minimum. Until this time, underwriting should manually check this requirement is met.

**Effective Date:** *Except for the DU validation service enhancements, the changes in this release will apply to DU Version 10.3 loan casefiles submitted or resubmitted on or after the weekend of March 23, 2019.*

**Link:** [https://www.fanniemae.com/content/release\\_notes/du-do-release-notes-03232019.pdf](https://www.fanniemae.com/content/release_notes/du-do-release-notes-03232019.pdf)

## **FHA-FEDERAL TAX LIABILITY UPDATE**

**Summary:** Upon receiving clarification from FHA, CMG’s FHA guidelines will be updated to clarify that FHA does not treat a tax liability the same as a delinquent tax lien. For a delinquent tax lien, FHA requires at three months paid as agreed. For a tax liability (that is not a tax lien) proof of the three months paid as agreed is not required; however, the lender is still responsible to verify borrower’s tax debt and include the tax payment into the total DTI. To verify the borrower’s tax liability and payment, a copy of the IRS agreement must be provided.

**Effective Date:** *Immediately*

## FHA FHAC APPRAISAL UPDATES DELAYED

**Summary:** The Appraisal Logging and Appraisal Transfer changes announced via FHA INFO #18-46 ([https://www.hud.gov/sites/dfiles/SFH/documents/SFH\\_FHA\\_INFO\\_18-46.pdf](https://www.hud.gov/sites/dfiles/SFH/documents/SFH_FHA_INFO_18-46.pdf)) have been delayed due to the government shutdown. Changes originally scheduled for January 28, 2019 are now scheduled to become effective February 25, 2019. These changes are described below.

### **Appraisal Logging:**

Effective for all appraisals uploaded to the EAD portal on or after February 25, 2019, the Appraisal Value field on the FHA Connection Appraisal Logging screen will no longer be editable. A corrected appraisal will be required to update the field.

For appraisal updates (Form 1004D), effective for case numbers assigned on or after February 25, 2019, the license number and name of the appraiser who completed the Form 1004D will be added to the Appraisal Logging screen.

### **Appraisal Transfers:**

Also effective for case numbers assigned on or after February 25, 2019, the Case Transfer screen in FHA Connection will be modified to enable mortgagees to electronically transfer appraisals at time of case transfer. Additionally, the name of the Case Processing menu link will be changed from "Case Transfer" to "Case/Appraisal Transfer."

An Appraisal Transfer field will be added to the screen. Mortgagees are not required to electronically transfer the appraisal when a case is transferred; however, a selection of "Yes" or "No" is required — the field cannot be left blank. When "Yes" is selected, and upon submission of the case transfer, all electronic appraisals submitted for that case that have been uploaded will be visible to the new lender as PDFs.

**Link:** FHA [Info #18-46](#)

**Note:** Requirements and implementation for B2G (LOS integration) vary – refer to the direct FHA update for more information on B2G impact.

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



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