

BULLETIN #2018-08

TO: Distribution

DATE: March 14, 2018

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Jumbo Updates: Premier 6200, Premier Non-QM 7200, Expanded 6600, Expanded Non-QM 7600 and Simply Jumbo 6700 Series
- Reminder: VA Circular 26-18-1 New Disclosure Requirements for IRRRLs

JUMBO UPDATES: PREMIER 6200, PREMIER NON-QM 7200, EXPANDED 6600, EXPANDED NON-QM 7600 AND SIMPLY JUMBO 6700 SERIES

Summary: The following updates apply to the Premier 6200, Premier Non QM 7200, Expanded 6600, Expanded Non QM 7600 & Simply Jumbo 6700 Series

- **Liabilities – Student Loans:** Revised the monthly payment calculation for student loans. The update mirrors Fannie Mae's current approach to student loan payments.
- **Income/Employment:**
 - **W2 Transcript:** Revised requirement for tax transcripts to allow for 2 years W-2 transcripts in lieu of tax transcripts when borrower's income is limited to strictly W-2 wages
 - **Self-Employed:** Added requirement for self-employment documentation to include a copy of the liquidity analysis if self-employment income analysis includes income from boxes 1, 2, or 3 on the K-1 that is greater than distributions indicated on the K-1. Additionally, if a liquidity analysis is required and the borrower is using business funds for down payment or closing costs, the liquidity analysis must consider the reduction of those assets.
 - **Disability Income – Long Term:** Added requirements for long-term disability from a private policy or employer-sponsored policy. A copy of the policy or benefits statement must be provided to determine current eligibility for disability payments, amount of payments, frequency of payments, and if there is an established termination date. If a termination date is indicated, it may not be within 3 years of the Note date.
 - **Retirement Income:** Changed time for existing distributions for IRA/401(k) or similar retirement asset to be 6 months prior to Note date. This is for borrowers with no prior 2-year history of receipt of distributions.
- **Property Eligibility - Condos:** Updated detached condominiums to no longer require project review.

Effective Date: *Immediately*

REMINDER: VA CIRCULAR 26-18-1 NEW DISCLOSURE REQUIREMENTS FOR IRRRLS

Summary: Reminder, VA Circular 26-18-1 specifies that starting with loans closed on and after April 1, 2018 the following requirements apply:

Lender should provide the Veteran's Statement and Lender Certification (note: lender certification only needed for payment increases of 20 percent or more) to the Veteran with the initial disclosure documents

no later than the third business day after receiving the Veteran's application

For the initial Statement, add the following categories from the Loan Estimate (this is the total costs plus the VA funding fee):

1. Origination charges, services you cannot shop for, services you can shop for, taxes and other government fees, other, or VA funding fee
2. For the initial Statement, VA would subtract any lender credits listed in section J.
3. The remainder is the closing costs for the recoupment calculation.
4. Divide the closing costs in (3) above by the decrease in monthly principal and interest payment for the number of months to recoup.

For the final Statement, add the following categories from the Closing Disclosure:

1. Origination charges, services borrower did not shop for, services borrower did shop for, taxes and other government fees, other, or VA funding fee
2. For the final Statement, subtract any lender credits from section J.
3. The remainder is the closing costs for the final recoupment calculation
4. Divide the closing costs in #3 above by the decrease in monthly principal and interest payment for the number of months to recoup.

Lenders should confirm in the Loan Guaranty Certificate (LGC) process that the Veteran was provided the disclosures as noted above.

Lender should provide VA with the Veteran Statement and Lender Certification (note: lender certification needed only for payment increases of 20 percent or more) and VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet, at the point of requesting the LGC.

In the case of an increased principal and interest payment due to a lower term, or from changing from an adjustable rate to a fixed rate, it is not necessary to show the recoupment in months; however, lenders should show all other fields in the Statement.

Effective Date: *Loans closed on and after April 1, 2018. Care must be taken immediately since the change applies to loans closed on or after April 1, 2018 and loans already in process may be impacted.*

Link to VA Circular 26-18--1:

https://www.benefits.va.gov/HOMELOANS/documents/circulars/26_18_1.pdf?_cldee=amNhYnJhbGxAY21nZmkuY29

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

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