

**BULLETIN #2016-11**

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**TO: Distribution**

**DATE: March 15, 2016**

**RE: CMG Financial Correspondent Lending  
Clarification and Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING CLARIFICATION AND UPDATES**

**Topics Covered in this Announcement:**

- [Clarification: VA Rebuttable Presumption IRRRL](#)
- [VA Update on Flint Michigan Water Contamination](#)
- [USDA Significant Handbook Changes & Training](#)

**CLARIFICATION: VA REBUTTABLE PRESUMPTION IRRRL**

**Clarification:** The VA IRRRL Rebuttable Presumption requirement of “No Mortgage Lates” is in reference to the most recent twelve (12) month period.

**Effective Date:** This clarification is effective immediately and guidelines/matrices will be updated by the end of next week.

**VA UPDATE ON FLINT, MICHIGAN WATER CONTAMINATION**

**Summary:** VA has issued Circular 26-16-8 to provide guidance on the Department of Veterans Affairs’ (VA) Minimum Property Requirements (MPRs) as a result of the emergency declaration in Genesee County, Michigan due to water contamination.

In accordance with Chapter 12, Section 3 of the VA Lender’s Handbook, each property which will become the security for a VA-guaranteed loan must have: “A continuing supply of safe and potable water for drinking and other household uses.” VA considers this to mean safe and potable water for bathing, showering and sanitary uses. Properties not in compliance with this MPR will not be eligible for VA guaranty.

**Action to Take:** Refer to VA Circular for full details on VA guidance and requirements.

**Link:** This Circular has been posted to the following URL-  
[http://www.benefits.va.gov/homeloans/resources\\_circulars.asp](http://www.benefits.va.gov/homeloans/resources_circulars.asp)

**Effective Date:** Immediately

**USDA SIGNIFICANT HANDBOOK CHANGES AND TRAINING**

**Summary:** As previously announced, on March 9, 2016 the final rule for 7 CFR Part 3555 and the

revised technical handbook, HB-1-3555, became effective for all conditional commitments issued by USDA.

**Origination & Underwriting Training:** USDA has prepared and provided training. The presentation will review the revisions to the 7 CFR Part 3555 final rule and HB-1-3555 with a focus on origination. New changes are listed followed by scenario based questions.

· **Training Link:** (The training presentation is on-demand and available 24 hours a day.)  
<https://usdard.adobeconnect.com/p5nrvfdqgbbff/?launcher=false&fcsContent=true&pbMode=normal>

· **Training Materials:** [Origination Training Handout](#)

**CMG Guidelines are updated and reposted with applicable changes as noted in Recent Updates and Highlighted:**

- o [CMG Correspondent USDA Matrix](#)
- o [CMG Correspondent USDA Guidelines](#)

**As a reminder,**

· **Underwriting Method.** CMG continue to require GUS “Accept” findings. Manual underwriting and manual downgrades are not eligible. USDA has issued guidance on when manual downgrades are required. Loans requiring manual underwriting are not eligible as they do not meet CMG eligibility.

· **Credit Score.** CMG continues to require that all borrowers have at least two credit scores, meet CMG’s minimum credit score requirement, and have traditional credit. This is in addition to USDA’s requirement for the borrower to meet USDA’s credit validation requirements (recently enhanced to two trade lines from three trade line minimum). Refer to full proposed changes for details on eligible trade lines for USDA’s Credit Score Validation requirements.

· **Bankruptcy.** CMG does not permit manual underwriting but will accept bankruptcies with revised waiting periods meeting USDA requirements with a valid GUS “Accept”. USDA has removed the requirement for a credit waiver if GUS approved therefore, less than three years may now be eligible if the file receives a GUS “Accept.” Refer to revision document for full details.

· **Short sales** may now be eligible if < 3 years if new guidance is met, including that the loan was not in default at time of the short sale, and loan receives a GUS “Accept.” Refer to revision document for full USDA guidance. CMG aligns with USDA waiting period eligibility with a valid GUS “Accept”.

**USDA Handbook and Final Rule Links:**

- [HB -1-3555 \(Appendix 1 is 7 CFR Part 3555\) published on March 9, 2016](#) .
- [7 CFR Part 3555 final rule](#)

**Effective Date:** March 9, 2016

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

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