



TO: Distribution

DATE: March 17, 2021

RE: CMG Financial Correspondent Lending
Updates 2021-16

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Disaster Update: Louisiana
- Reminder-USDA Handbook Updates
- Freddie Mac Update- Open End Accounts
- POA Update- Fannie Mae & Freddie Mac Borrower Acknowledgment
- JumboA and Jumbo Express Reminders
- Update to AIO Loan Pricing & New Program Release

DISASTER UPDATES LOUISIANA

Summary: On March 9th, 2021 FEMA issued a disaster declaration in Louisiana for the severe winter storms impacting 23 parishes. CMG's Disaster Policy is in effect for these counties. As with the previous Texas FEMA declaration, CMG is allowing the below flexibilities in regards to disaster inspection requirements:

Louisiana Severe Winter Storms ([DR-4590-LA](#))
Incident Period: February 11, 2021 - February 19, 2021
Declaration Date: March 9, 2021

Individual Assistance

Avoyelles (Parish), Bienville (Parish), Bossier (Parish), Caddo (Parish), Calcasieu Parish, Catahoula (Parish), Claiborne (Parish), Concordia (Parish), De Soto (Parish), East Baton Rouge (Parish), Franklin (Parish), Grant (Parish), La Salle (Parish), Madison (Parish), Natchitoches (Parish), Ouachita (Parish), Rapides (Parish), Red River (Parish), Richland (Parish), Sabine (Parish), Webster (Parish), West Carroll (Parish), Win (Parish)

Sellers are responsible for determining potential impact to a property located in an area where a disaster is occurring or has occurred.

Transaction Type	Requirement (temporary flexibility)
FHA Purchase & Refinance	Loans in impacted counties will be eligible for purchase once the appropriate FHA required inspection and MIC are obtained. For Streamline refinances, at a minimum, a borrower certification that there is no damage is required.
VA Purchase and Regular Refinance	<p>If the property was appraised on or before the date of the declared disaster and not closed prior to that date, the Lender Certification and Veteran Certification along with any supporting due diligence documentation must be provided in the loan file.</p> <hr/> <p>(1) Lender Certification This is to affirm that the property which is security for VA loan number _____ has been inspected to ensure that it was either not damaged in the recently declared disaster or has been restored to its pre-disaster condition or better.</p> <p>_____ (Lender Signature) (Lender Title) (Date)</p> <p>(2) Veteran Certification I have inspected the property located at _____ and find its condition now to be acceptable to me. I understand that I will not be charged for any disaster-related expenses and now wish to close the loan.</p> <p>_____ (Veteran Signature) (Date)</p> <p>(3) VA Loan Summary Sheet (VA Form 26-0286). The Remarks section of this form must be annotated "Lender and Veteran Disaster Certifications Enclosed." Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection or repairs.</p>

VA IRRRL w/o appraisal	VA IRRRLs require a Veteran statement indicating the property has not been impacted by the disaster. <i>(standard requirement)</i>
Conventional Conforming / USDA	<p>Loans with <i>Seller Certification</i>* meeting requirements outlined are eligible for purchase.</p> <p>Note: This includes AUS appraisal waivers offers subject to a satisfactory due diligence by the seller and supporting documentation with ability to represent and warrant the value and marketability of the subject property have not been adversely impacted.</p>
Non-Agency / Jumbo	Standard DAIR inspection required prior to purchase unless otherwise specified for a loan program. <i>(no exceptions at this time)</i>

***Seller Certification Requirements**

A Seller Certification is permitted when the following requirements are met:

- Must be executed by an employee of the Seller who will not receive direct compensation from the subject transaction
- Seller may determine their own form however the certification must meet the following requirements:
 - Must state that an acceptable inspection of the property was completed and/or certifications meeting Seller's due diligence requirements for Seller's internal disaster policy
 - Must indicate either the Seller's or CMG's loan number
 - Must be on Seller letterhead or a certification of property condition form

- Must indicate subject property complete street address, including city, state and zip code
- Must include the appropriate following language or a reasonable facsimile based on the due diligence the Seller has performed:
 - Inspections: "This is to confirm that the above referenced property has been inspected on XX/XX/XXXX (date of inspection to be included) and it is determined that it was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better."
 - Certifications: "This is to confirm that impact from the recent severe winter storms has been acceptably assessed and all parties have agreed to proceed with closing the transaction. It is determined that the property was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better."
- Printed Name and Signature of Seller's Representative, Title and Date.

Note: There is no change that the Seller represents and warrants that the property securing the mortgage loan is free of damage on the purchase date. Supporting documentation, the Seller relied upon to certify property condition and marketability must be included in the loan file.

Inspection/Certification documentation

The inspection document / certifications provided must address the specific disaster and indicate any apparent damage to subject property. Inspection reports may not be used to estimate or recertify value. The Seller will exercise prudent judgment in determining eligible documentation. There are no exceptions to FHA and VA mandatory requirements required for loan insurance/guaranty.

Note for all transactions: If the re-inspection notes that the property is uninhabitable, unsound, or that the property condition has been affected by the disaster:

- All identified damages and associated repairs must be resolved and meet applicable investor guidelines (Fannie Mae, Freddie Mac, FHA, VA, and USDA) and,
- The property must be habitable, sound, and the property value must be supported

REMINDER-USDA HANDBOOK UPDATES

Summary: USDA implemented the New Guaranteed Underwriting System, "New GUS", on March 1, 2021. As part of the implementation, the Agency updated several chapters in Handbook 1-3555.

- Chapter 5 – Origination and Underwriting Overview
- Chapter 8 – Applicant Characteristics
- Chapter 9 – Income Analysis
- Chapter 10 – Credit Analysis
- Chapter 12 – Property and Appraisal Requirements
- Chapter 15 – Submitting the Application Package

FREDDIE MAC UPDATE- OPEN END ACCOUNTS

EVALUATION OF 30-DAY (FORMERLY REFERRED TO AS "OPEN-END") ACCOUNTS

Freddie Mac is updating requirements for the treatment of 30-day accounts (i.e., accounts that require the balance to be paid in full monthly and previously referred to as "open-end" accounts). Due to the terms of these accounts, they are removing the option of including 5% of the balance as the qualifying monthly payment in the debt-to-income (DTI) ratio. The full amount of the outstanding account balance must be included in the debt payment-to-income ratio, or the underwriter must verify that the Borrower has sufficient funds to pay off the outstanding account balance. The funds must be in addition to any funds used to qualify the Borrower for the Mortgage transaction, and the source of funds must be an eligible source as described in [Section 5501.3](#). Loan Product Advisor@ feedback messages will be updated by July 6, 2021 to reflect these changes.

CMG's Effective Date: *In order to meet the Freddie Mac settlement deadline, all loans purchased on and after June 1st must adhere to the new requirement.*

Link: [Freddie Mac Bulletin 2021-09](#), Guide Impact: [Section 5401.2](#)

POA UPDATE- FANNIE MAE & FREDDIE MAC BORROWER ACKNOWLEDGMENT

Summary: As a best practice, CMG should begin requiring a borrower acknowledgement on all conventional conforming transactions utilizing a POA. Freddie Mac has delayed the previously announced POA changes to apply to Application Received Dates on or after June 30, 2021. Please refer to the selling guide section 6301.4 for full details.

As a reminder, with COVID-19 changes, Fannie Mae currently requires the following when a POA is used in conjunction with a purchase transaction:

A power of attorney may only be used in a purchase transaction with a note date on or after Apr. 7, 2020, if, after the Closing Disclosure or other closing statement, as applicable, has been delivered to the borrower before closing, an employee of the lender or settlement agent explains the terms of the loan to the borrower(s) to confirm that each borrower understands them. This discussion must take place in person, telephonically, or using a video conference system, and must be memorialized by an acknowledgment by the borrowers of his or her understanding of the terms of the loan. The acknowledgment may be in writing.

Full requirements are noted in the following:

- COVID -19 Related LL 2020-03
 - <https://singlefamily.fanniemae.com/media/22396/display>
 - <https://singlefamily.fanniemae.com/media/22316/display>
- Standard Fannie Mae Requirements: [B8-5-05-Requirements-for-Use-of-a-Power-of-Attorney](#)

JUMBOA AND JUMBO EXPRESS REMINDERS

Summary: Please note the important reminders regarding FAQ on the new JumboA and Jumbo Express Products -

- Agriculturally Zoned properties – not permitted
- Business debt - Installment debt paid by another entity such as the borrower's business must be included unless the business entity (not the borrower) is the primary obligor.

Effective Date: *n/a, reminder.*

UPDATE TO AIO LOAN PRICING & NEW PROGRAM RELEASE

Pricing:

- Coming changes to pricing will apply to loans based on the application date versus lock date.
- For applications dated on or before 3/31/21, current rate sheet pricing will apply.
- For applications dated on or after 4/1/21, the changes below will apply.

PROGRAM CODE	COMING PRICE CHANGES FOR APPLICATION DATED ON OR AFTER 4/1/21
801-WAB, 801WAB-NOO, 801-WAB-3FIX, 801-WAB-3FIX-NOO	Base price Improvement (.250 or more)
	Elimination of .500 LTV adjuster
	New .250 adjuster for cash-out loans
801-MBI-5FIX	Base price worsening (varies by margin)
	New .250 adjuster for cash-out loans
801-MBI	New .250 adjuster for cash-out loans

New 801-WAB-5FIX Program Release:

- A new 5-Year fixed term AIO Loan is slated for release on 3/22/21 and will include the following margins: 3.000%, 3.250%, 3.500% and 3.750%
- Owner occupied and second homes only
- Refer to 801-WAB guidelines upon release