

**BULLETIN #2018-09**

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**TO: Distribution**

**DATE: March 21,2018**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Compliance Reminder- Must Disclose at 6 Pieces
- Fannie Mae DU Version 10.2
- Reminder- Jumbo Products QM Designation

**COMPLIANCE REMINDER- MUST DISCLOSE AT 6 PIECES!**

**Summary:** The TRID Rule changed the requirement to disclose from 7 pieces of information to only 6 pieces, which are the borrower's name, income, SSN, property address, estimated value and loan amount. When these 6 pieces are received, you are required to disclose the LE within 3 business days. You cannot delay disclosing by withdrawing the loan and starting over – that is a violation of both federal and state law!

On a Purchase when you're only missing the property address, **the moment** the borrower or realtor gives you an address, you are required to disclose.

If you're not sure what program to quote the borrower, use your best estimation on what the borrower will qualify for or the most common loan program, like a 30 year fixed. If the borrower later chooses a different loan program that results in different pricing, that is a valid changed circumstance.

The following TRID FAQs provide further detail:

1. **What is considered a “complete application” for requiring the LE to be delivered?** A complete application consists of the following 6 pieces:
  1. Borrower's Name
  2. Borrower's Income (stated, not verified)
  3. Borrower's Social Security Number to obtain a credit report (could also be a Tax EIN)
  4. Property Address
  5. Estimate of the Value of the Property
  6. Loan Amount Sought

The submission of these 6 pieces may be in written, electronic or oral format. Regardless of how the information is provided, once these 6 pieces are received, the LE must be delivered within 3 business days. The seventh piece that allowed lenders to define any other item needed for the lender to consider it a complete application (often referred to as the “catchall item”) was removed with the TRID Rule. Although the catchall item was removed from the definition of “application,” this does not prevent a lender from collecting whatever additional information it deems necessary in connection with a request for the extension of credit, but once a lender receives the 6 pieces listed above, it has an application and must provide the LE within 3 business days. Example: Assume a lender requires all applicants to submit 20 pieces of information. On Monday, the borrower submits only 6 pieces of information and informs the lender that he/she will contact the lender on Tuesday with answers to the other 14 questions. The 6 pieces provided by the borrower were the same 6 listed above. Even though the lender requires 14 additional pieces of information to process the borrower's request for a mortgage loan, the lender has received an application for the purposes of the Rule and therefore must comply with the requirement to issue the LE within 3 general business days of Monday.

2. **If the borrower submits the 6 pieces of information but does not indicate a preferred loan product or term, what do you disclose on the LE?** The lender has discretion in deciding what loan product and term to disclose in a LE as long as the disclosures are made in good faith and consistent with the best information reasonably available to the lender at the time standard. The lender may provide multiple LEs to cover multiple loan products, however the lender is not required to do so.
3. **What if you saved a borrower's information from a previous transaction, when would this be considered an application?** Merely maintaining any of the items of information from a previous transaction would not constitute an application for purposes of the definition if the borrower has not actually submitted the information or indicated that he or she wishes such information maintained by the lender to be used for an application. Example: Even though a lender that is servicing a borrower's existing loan knows the property address, the lender is not deemed to possess that information for purposes of the definition of "application" unless the borrower actually submits the address, or indicates that he or she wants the lender to use the address, in connection with a new application.
4. **Can a Fee Worksheet/Itemization be provided to the borrower before receiving a complete application and issuing the LE?** Yes, however it cannot resemble the LE and it must contain the following disclaimer at the top of the first page in 12-point font or greater: "Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan." The requirement for this disclaimer exists when providing a list of closing costs common in the consumer's area, providing a list of available rates for loan products, and in certain advertisements.
5. **If you have a preapproval or prequalification with all pieces of an application except the property address and the realtor then provides a property address, is this now a complete application even though the purchase contract hasn't been executed?** Yes, once you have all 6 pieces of an application, it is complete and the LE must be disclosed. There is no leniency in the Rule to allow the lender to wait until a purchase contract is executed. Loan officers should be careful with their communication with borrowers and realtors to be clear that once either party provides the loan officer with a property address, then the application is complete and must be disclosed.

Please contact TRID Help Desk [trid@cmgfi.com](mailto:trid@cmgfi.com) with questions.

## FANNIE MAE DU VERSION 10.2

**Summary:** Effective the weekend of March 17, 2018, Fannie Mae implemented Desktop Underwriter® (DU®) Version 10.2. Changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of March 17, 2018. Loan casefiles created in DU Version 10.1 and resubmitted after the weekend of March 17 will continue to be underwritten through DU Version 10.1. Below are highlights of some of the changes.

### PROPERTY INSPECTION WAIVER

The following updates will be made to the Property Inspection Waiver (PIW) messaging issued by DU.

- Properties with a Recent Appraisal DU will not offer a PIW when a recent appraisal has been uploaded to the Uniform Collateral Data Portal (UCDP) from any lender. DU Version 10.2 will issue a message to inform the lender when the loan casefile is not eligible for a PIW offer because a recent appraisal with a matching property address was submitted to UCDP.
- PIW on Investment Properties A PIW offer will no longer be issued on investment property loan casefiles when the borrower is using subject rental income to qualify. In order for a PIW offer to be issued on an investment property loan casefile, the negative subject net cash flow entered on the DU loan application must be at least the amount of the PITIA for the subject property.

### CONDO PROJECT REVIEW MESSAGING

- As specified in Selling Guide B4-2.1-01, General Information on Project Standards, the project eligibility review is waived for all limited cash-out refinance transactions on Fannie Mae-owned loans with an LTV ratio of 80% or less. DU will suppress the existing project review messages and issue a new project eligibility message on these loans. The new message will indicate that, based on the Owner of Existing Mortgage field on the online loan application, the existing loan is Fannie Mae-owned and that the project eligibility review is waived if the lender can confirm that the project has the required project-related property and flood insurance coverage, and the project is not a condo hotel or motel, houseboat project, or timeshare or segmented ownership project.

### FEDERAL INCOME TAX REPAYMENT PLANS

In the January Selling Guide update Fannie Mae outlined conditions when an IRS tax repayment plan for delinquent federal income tax payments may be included in the DTI ratio instead of requiring the lien to be paid in full prior to or at closing. DU Version 10.2 will include the following to support this policy update:

- The message issued when a tax lien is found on the borrower's credit report will be updated to refer the lender to the Selling Guide to determine eligibility to include the payment due under a federal income tax installment agreement in the DTI ratio instead of requiring payment in full.
- A new DU message will be issued when a borrower answers Yes to Declaration f. on the loan application (Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee?). This message will inform the lender that the borrower declared a delinquency or default on a Federal debt or financial obligation, and will refer the lender to the Selling Guide to determine eligibility to include the payment due under a federal income tax installment agreement in the DTI ratio instead of requiring payment in full.

#### HOUSING GOALS MESSAGES

Five new Observation messages will be added to DU informing lenders if a loan may be eligible towards one of Fannie Mae's housing goals. The messages will be issued using information associated to the borrower's income, the transaction, and the subject property after the address is processed through geocoding logic.

#### RETIREMENT OF DU VERSION 10.0

With the release of DU Version 10.2, DU Version 10.0 will be retired.

- Therefore, effective the weekend of March 17, 2018, customers will no longer be able to resubmit loan casefiles to DU Version 10.0.
- To obtain an updated underwriting recommendation after the weekend of March 17, customers must create a new loan casefile and submit it to DU.

**Note:** DU Version 10.0 loan casefiles would have been created prior to July 29, 2017; therefore those loan casefiles would have been underwritten at least eight months prior to the retirement of DU Version 10.0.

**Effective Date:** *Changes in this release will apply to new loan casefiles submitted to DU on or after the weekend of March 17, 2018. Loan casefiles created in DU Version 10.1 and resubmitted after the weekend of March 17 will continue to be underwritten through DU Version 10.1.*

**Fannie Mae DU Release Notes:** [Version 10.2](#)

#### REMINDER: JUMBO PRODUCTS- QM DESIGNATION

**Summary:** The guidelines for the Premier Jumbo (6200 & 7200) and the Expanded Jumbo (6600 & 7600) products are updated to reflect THE REQUIREMENTS FOR QM designation for investment property transactions to reflect "Exempt" when the transaction is exclusively for business purposes.

	QM/TR Designation	Description	Applicable Products
	QM Safe Harbor	Loan is not a Higher – Priced Covered Transaction (HPCT)	6200, 6600, 6700
	QM Rebuttable Presumption	Loan is a Higher-Priced Covered Transaction (HPCT)	6200, 6600, 6700
	Non-QM/TR	Loan has Non-QM attribute (refer to guidelines)	7200, 7600
	*Exempt	Used for investment property transactions when the transaction is exclusively for business purposes.	6200, 6600, 7200, 7600

**\*NOTE:** Investment property transactions require an attestation from the borrower stating the property is used 100% of the time for business purposes in order for the designation to be Exempt. If the borrower does not use the property 100% of the time for business purposes, the loan is subject to QM.

As a reminder, cash-out refinances of investment properties must contain an attestation regarding the proceeds from the cash-out refinance. If 100% of the proceeds are not used for business purposes, the loan is subject to QM.

- Business Purpose = Cash out funds are used to expand a business or improve the rental property.
- Not Business Purpose = When cash out funds are used for a personal purpose (e.g. paying off a credit card, purchasing a car, depositing into a personal savings account, etc.), the loan is no longer primarily for business purpose.

**Effective Date:** *Immediately*

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

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