



BULLETIN # 2019-12

TO: Distribution

DATE: April 3, 2019

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Reminder-GNMA Seasoning Requirements
- Updated Condo Questionnaires
- FHA/VA Manufactured Homes- Minimum Credit Score
- Update: All In One properties owned Free and Clear
- Jumbo Series Guideline updates

REMINDER- GNMA SEASONING REQUIREMENTS

Summary: As a reminder, the GNMA seasoning requirements must be met for all VA IRRRL & Regular Refinance transactions and all FHA cash out refinances; not just VA to VA refinances or FHA to FHA refinances. If the lien to be paid off is not guaranteed by the VA or insured by FHA the seasoning requirement still applies.

VA loans: The note date of the refinance loan must be on or after the later of:

- the date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced, and
- the date on which 6 full monthly payments have been made on the mortgage being refinanced.

FHA Loans: FHA cash out refinance loans are eligible if and only if:

- the borrower made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and
- the first payment due date of the refinance loan occurs no earlier than 210 days after the first payment

Important Note:

For VA loans - In order to correctly calculate, documentation will need to be obtained that documents when the first payment was made on the lien being refinanced.

For any FHA Cash out refinance or any VA refinance (IRRRL or Regular/Cash-out Refinance) the worksheet should be completed and included in the loan file if the lien to be paid off is less than 12 months old.

Effective Date: *n/a this is a reminder*

Link:

[GNMA Seasoning Refinance Transaction Worksheet](#)

[VA Circular 26-18-13 \(IRRRL\)](#)

[GNMA APM 18-04 \(All VA Refinances\)](#)

[VA Circular 26-19-05 \(VA Cashout\)](#)

UPDATED CONDO QUESTIONNAIRES

Summary: Effective immediately, CMG will be requiring the use of the updated project questionnaires. The 2-4 unit/detached condo / attached PUD questionnaire answers two questions that are required to determine eligibility for the waiver of project review.

The standard questionnaire has updated verbiage in the ineligible project types specifically to priority lien and hotel/motel operations.

Effective Date: *Immediately*

Link:

[CMG 2-4 Unit Detached/Attached PUD HOA Cert-Questionnaire](#)

[CMG HOA Cert-Questionnaire](#)

FHA/VA MANUFACTURED HOME- MINIMUM CREDIT SCORE

Summary: Effective immediately, CMG's minimum required credit score for FHA and VA manufactured homes is 640. Previously, the minimum was 660.

Effective Date: *Immediately. The FHA/VA Manufactured Home Guideline Addendum is updated and reposted.*

ALL IN ONE UPDATE- PROPERTIES OWNED FREE AND CLEAR

Summary: CMG's All In One guidelines are updated to clarify requirements regarding properties owned free and clear. Previously, the guidelines specific that free and clear properties are considered on an exception basis only. Guidelines now reflect the following:

- Zero initial advances (draws) are not allowed. If a property is free and clear, the borrowers must verify their need for cash out of closing by submitting a letter of explanation.

Effective Date: *Immediately. This is a clarification.*

JUMBO SERIES GUIDELINE UPDATES

Summary: Various updates to 6200, 6600, 6700, 6900, 7200, 7600, & 7900 Series:

- **Underwriting Documentation**
 - Removed requirement for all appraisals aged more than 120 days from Note date require a new appraisal. Removed recert of value not allowed.
- **Reserve Requirements**
 - Added clarification - borrowed funds (secured or unsecured) are not allowed for reserves.
- **Income/Employment**
 - Revised the 2106 expense (unreimbursed business expense) requirement due to tax law changes now in effect that prohibit many professions from filing 2106 expenses on their tax returns. For borrowers with 2106 expenses on 2017 tax returns and no expenses indicated on 2018 tax returns (due to the tax law change), a 12-month average of expenses must be based on the 2017 tax return and deducted from qualifying income.
 - Clarification added for Partnership (1065) and S-Corporation (1120S) returns – business returns for these entities are typically due March 15th with an extension allowed until September 15th. After the extension date, the loan is not eligible without the filed tax return. This is based on changes made by the IRS in 2016.
- **Appraisal Requirements**
 - Added Appraisal Update (Form 1004D) is now allowed for appraisals over 120 days old but no more than 180 days old. The appraiser must inspect the exterior of the property, include a photo, and review current market data to determine the value of the property has not declined since the original

appraisal date.

- **6200 Series only:**
 - **Eligibility Matrix**
 - Removed the overlay under footnote 2 indicating Agency High Balance loan limits are not eligible for transactions with LTVs greater than 80%. Select QM will now allow a minimum loan amount of \$484,351 for 1-unit properties and \$1 over conforming loan limits for properties with 2- 4 units regardless of LTV
 - Removed the overlay under Select QM Loan Notes indicating that loans between conforming loan limits and agency high balance loans are eligible except on loans with LTVs greater than 80%. Select QM will now allow a minimum loan amount of \$484,351 for 1-unit properties and \$1 over conforming loan limits for properties with 2-4 units regardless of LTV.
- **7200 Series only:**
 - **Reserve Requirements**
 - Removed requirement that at least 6 months reserves of the subject PITIA must be in a liquid non-retirement account for borrowers not of retirement age
- **7200 & 7600 Series only:**
 - **Eligibility Matrix**
 - Added Non-QM attribute for investment properties (subject or non-subject) that are short-term rentals, vacations rentals or seasonal rentals with no lease in place - rental income can be considered if the property is reflected on Schedule E of tax returns for the most recent two years and there is no prohibition or restriction (imposed by city/county) on short-term rentals that impacts rental income received.
 - **Income/Employment**
 - Added investment properties (subject or non-subject) that are short-term rentals, vacations rentals or seasonal rentals with no lease in place - rental income can be considered if the property is reflected on Schedule E of tax returns for the most recent two years and there is no prohibition or restriction (imposed by city/county) on short-term rentals that impacts rental income received.
- **6200, 6600, & 7600 Series only:**
 - **Non-Permanent Resident Alien**
 - Removed requirement for loan product to be 30-year fixed only. Non-permanent resident aliens will be allowed on all fixed rate and ARM products within the 6200, 6600, and 7600 Series.

Effective Date: *April 8, 2019* Guidelines will be updated and reposted.

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



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