



BULLETIN # 2019-19

TO: Distribution

DATE: May 8, 2019

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Freddie Mac LPA Resubmission Tolerances
- Freddie Mac- Disclosing Adverse Property Conditions
- Reminder: Superfund Sites

FREDDIE MAC LPA RESUBMISSION TOLERANCES

Summary: Freddie Mac is revising LPA resubmission tolerances. To meet the required delivery dates, all loans closed/purchased after 6/15/2019 are subject to the new resubmission tolerances.

DTI Ratio: As reflected in the following table, Loan Product Advisor resubmission will be required any time the DTI ratio exceeds 45%.

Loan Product Advisor resubmission tolerances		
	Current tolerance	Revised tolerance
Resubmission to Loan Product Advisor is not required when...	<ul style="list-style-type: none"> • The total difference does not change the total DTI ratio by more than three percentage points, and • The total DTI ratio on the previous submission did not exceed 45% 	<ul style="list-style-type: none"> • The new DTI ratio does not exceed 45%, and • The total difference does not change the total DTI ratio by more than three percentage points

Decrease in the loan amount on a refinance transaction

As reflected in the following table, to ensure there is no change in the appraisal waiver eligibility, Loan Product Advisor resubmission is required if the loan amount has decreased on a refinance transaction and the Lender has accepted an appraisal waiver offer.

Loan Product Advisor resubmission tolerances		
	Current tolerance	Revised tolerance
Resubmission to Loan Product Advisor is not required when...	<ul style="list-style-type: none"> • The loan amount decreases by no more than 1%; and • At the time of the most recent Loan Product Advisor submission mortgage insurance is not required or mortgage insurance is required, and: <ul style="list-style-type: none"> ○ The change does not impact the amount of the mortgage insurance coverage; and ○ The amount of the mortgage insurance premium collected by the Lender is based on the new loan amount and the Seller obtains a new mortgage insurance certificate 	<ul style="list-style-type: none"> • The loan amount decreases by no more than 1%; and • At the time of the most recent Loan Product Advisor submission mortgage insurance is not required or mortgage insurance is required, and: <ul style="list-style-type: none"> • The change does not impact the amount of the mortgage insurance coverage, and • The amount of the mortgage insurance premium collected by the Lender is based on the new loan amount and the Seller obtains a new mortgage insurance certificate, and • For Mortgages that qualify for an appraisal waiver, the Lender has not accepted the appraisal waiver offer

FREDDIE MAC-DISCLOSING ADVERSE PROPERTY CONDITIONS

LENDER DISCLOSURE ON CONTAMINATED SITES, HAZARDOUS SUBSTANCES OR OTHER ADVERSE CONDITIONS

Freddie Mac now requires that the lender must disclose to the Borrower any information that the lender is aware of that may adversely affect the market value, condition or marketability of the subject property. This includes, but is not limited to, the presence of any Contaminated Site, Hazardous Substance or other adverse conditions affecting the subject property or neighborhood.

In addition, see a CMG reminder on superfund sites in this memo.

<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl1909.pdf>

REMINDER: SUPERFUND SITES

Summary: EPA's Superfund program is responsible for cleaning up some of the nation's most contaminated land and responding to environmental emergencies, oil spills and natural disasters. The Superfund site assessment process evaluates potential or confirmed releases of hazardous substances that may pose a threat to human health or the environment. The location of a subject property in a Superfund site or the proximity to a Superfund site may be evident via information in the purchase contract, appraisal, title work, and/or LoanSafe report. Current/potential contamination, marketability, or legal issues need to be addressed and reviewed and the adequacy of property as security for the mortgage determined.

LoanSafe:

- **Example Loan Safe Alert:** The subject property is located in the same zip as a Superfund site (an uncontrolled or abandoned place where hazardous waste is located) recognized by the EPA.
- **LoanSafe Recommended Action:** Verify status of Superfund site through the EPA website. Ensure any environmental hazards have been addressed on the appraisal, any required notifications are given to transaction participants, and loan is eligible for the intended program. Confirm all appropriate legal requirements for transfer of the property.

Resources:

- **Fannie Mae Guidance:** <https://www.fanniemae.com/content/guide/selling/b4/1.4/08.html>
- **EPA & Superfund sites here:** <https://www.epa.gov/superfund>
- **EPA site assessment process:** <http://www.epa.gov/superfund/superfund-site-assessment-process>
- **Look-up a specific Superfund site here:** <https://www.epa.gov/superfund/search-superfund-sites-where-you-live>

Action to Take: Review file for potential environmental hazards, research Superfund sites when applicable, and contact the EPA for additional information as needed:

- Disclose any information regarding environmental hazards to the appraiser and note the individual mortgage file accordingly if the real estate broker, the property seller, the property purchaser, or any other party to the mortgage transaction informs the lender that an environmental hazard exists in or on the property, or in the vicinity of the property.
- The lender must disclose such information to the borrower, and to comply with any state or local environmental laws regarding disclosure.
- The lender must make the final decision about the need for inspections and the adequacy of the property as security for the mortgage. (The appraiser to comment on the effect of a hazard on the value and marketability of the subject property & the appraiser would have to note when there is market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities.)

*Please contact your Correspondent National Sales Manager
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