

BULLETIN # 2019-24

TO: Distribution

DATE: June 5, 2019

RE: CMG Financial Correspondent Lending
Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Important DACA Update- Conventional Conforming- Eligible for DU loans ONLY
- All In One #801-MBI Enhancement- Massachusetts
- All In One Update- New Margins Released
- All In One #801-WAB New Appraisal Review Process
- Disaster Updates: Iowa & Oklahoma

IMPORTANT DACA UPDATE- CONVENTIONAL CONFORMING- ELIGIBLE FOR DU LOANS ONLY

Summary: Based on updated agency guidance DACA borrowers are only eligible for conventional conforming loans underwritten with DU. The additional documentation and eligibility requirements in the guidelines continue to apply.

Action to Take – Underwriter: Complete the investor designation screen as noted below for any loan with a DACA borrower. This includes DU loans going forward.

Effective Date: *Immediately*

ALL IN ONE #801- MBI ENHANCEMENT- MASSACHUSETTS

Summary: Effective immediately, the All In One #801-MBI will be available in Massachusetts. The underwriter must complete a certification regarding the required subprime test.

As a reminder, all refinances require the Massachusetts Net Tangible Benefit Worksheet. As with all other Massachusetts refinance transactions, this form must be completed and signed by lender before closing.

Transactions in Massachusetts (MA) are subject to the below additional considerations:

1) Massachusetts Loans – Subprime Mortgage Loan Rule (ARM Products):

The Massachusetts Subprime Mortgage Loan Rule applies to owner occupied transactions when any borrower is a first time homebuyer:

- **Conforming loan amounts** (Based on the line of credit amount): the AIO fully-indexed rate (Index + Margin) may not exceed 3% over the 30-year treasury rate, as of the 15th (or next business day if the 15th falls on a weekend) of the preceding (prior) month the application was taken.
- **Non-Conforming loan amounts** (Based on the line of credit amount): the AIO fully-indexed rate (Index + Margin) may not exceed 4% over the 30-year treasury rate, as of the 15th (or next business day if the 15th falls on a weekend) of the preceding (prior) month the application was taken.
- **U.S. Treasury Rate Look-Up:** <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2018>

Example:

- AIO Application date: October 1
- Loan Amount (Line Amount): \$410,000
- AIO Fully indexed rate (Index + Margin): 5.5%
- 30-year Treasury Rate value as of September 17th: 3.13%
- Formula for testing Subprime status: 3.3% + 4% = 7.13%
- Result: AIO loan application passes state Subprime Mortgage test and can close

Underwriter must complete the MA Subprime Lender Certification and include in the loan file.

2) Massachusetts Loans – Refinancing within 60 months (Net Tangible Benefit):

If refinancing a primary or second home within 60 months, MA requires a “borrower’s interest test” which verifies net tangible benefit (NTB). The NTB form included in the loan documents must be signed/dated

by the borrower(s) on or before closing.
In addition:

- The AIO Loan APR at time of closing may not exceed 1% over the Prime Rate Index as published in the Wall Street Journal.
- Prime Rate Index Look-Up: http://www.wsj.com/mdc/public/page/mdc_bonds.html

CONSUMER MONEY RATES						
Consumer Money Rates						
Monday, October 01, 2018						
Interest Rate	YIELD/RATE (%)		52-WEEK		CHANGE IN PCT. PTS	
	Last	Wk Ago	High	Low	52-Wk	3-Yr
Federal-funds rate target	2.00-2.25	1.75-2.00	2.00	1.00	1.00	2.00
Prime rate*	5.25	5.00	5.25	4.25	1.00	2.00
Money market, annual yield	0.47	0.47	0.53	0.25	0.17	0.18
Five-year CD, annual yield	1.89	1.88	1.89	1.44	0.45	0.42
30-year mortgage, fixed	4.71	4.85	4.87	3.85	0.84	0.85
15-year mortgage, fixed	4.12	4.15	4.17	3.14	0.98	1.05
Jumbo mortgages, \$424,100-plus	4.93	5.16	5.16	4.21	0.56	0.52
Five-year adj mortgage (ARM)	4.72	4.80	4.82	3.38	1.34	1.45
New-car loan, 48-month	3.93	4.42	4.52	2.99	0.87	0.75

* Base rate posted by 70% of the nation's largest banks. [Get this by E-mail](#)

Source: SIX Financial Information, WSJ Market Data Group, Bankrate.com

Example:

- Previous mortgage closing date: April 10, 2016
- AIO Application Date: October 1, 2018
- Net Tangible Benefit Test Required: Yes
- AIO APR: 5.5%
- Current Prime Rate Index value: 5.25%
- Formula for testing Net Tangible Benefit: $5.25\% + 1\% = 6.25\%$
- Result: AIO loan application passes state Net Tangible Benefit test and can close

3) Massachusetts Loans – High Cost Test:

- Loan must pass Massachusetts High Cost ComplianceEase audit.

Effective Date: *Immediately*

Guidelines have been updated and reposted

ALL IN ONE UPDATE- NEW MARGINS RELEASED

Summary: Three additional margin options are now available on the on the fully-adjustable term. This provides the opportunity for borrowers to secure margins below 3.250% and as low as 2.500% over the 1-month LIBOR.

- New margins include 3.000%, 2.750% and 2.500%.

Effective Date: *Immediately. These additional margins are now posted on the AIO rate sheet.*

ALL IN ONE #801-WAB NEW APPRAISAL REVIEW PROCESS

Summary: For all #801-WAB transactions, a revised appraisal review process is now required. All appraisals will be subject to an initial QA review through a third party that is expected to take 24 hours. If it is determined that a full QA is required, and additional 4-5 days may be necessary. Any additional costs will be charged to the borrower.

Effective Date: *Immediately*

DISASTER UPDATE: IOWA & OKLAHOMA

Summary:

FEMA has declared new individual assistance counties in Iowa and Oklahoma. Note that for Oklahoma (DR-4438), there is no FEMA End Date available, and there has not been an FHA Waiver issued. The CMG Disaster Area Policy is applicable to the full list of counties below:

Iowa

Full list of Designated Counties (Individual Assistance) - FEMA End Date: 5/16/2019

Fremont, Harrison, **Louisa**, Mills, Monona, Pottawattamie, **Scott**, Shelby, Woodbury

Note: Counties in black are pre-existing, while counties in **red** are new additions.

Oklahoma – New Disaster Declaration

Full list of Designated Counties (Individual Assistance) – No FEMA End Date

Muskogee, Tulsa, Wagoner

Note: FHA loans on properties located in the above OK counties are ineligible for closing until a FEMA End Date is established or an FHA Waiver is released. The CMG Disaster Area Policy applies.

Links:

<http://www.fema.gov/>
<https://www.fema.gov/disaster/4421>
<https://www.fema.gov/disaster/4438>
[CMG Disaster Policy](#)

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