CMG FINANCIAL
Correspondent Lending

BULLETIN #2018-18

TO: Distribution

DATE: June 4, 2018

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- New Product Release: Prime Jumbo 6800 Series
- Update! Seasoning Requirements for ALL VA Refinances
- Reminder: USDA Changes to Eligibility Maps on June 4th

NEW PRODUCT RELEASE: PRIME JUMBO 6800 SERIES

Summary: We are pleased to announce the release of the new Prime Jumbo (6800 Series) product. Guidelines and pricing will be available beginning Monday, June 4th . Please see below for product highlights:

Product Codes

6830 Prime Jumbo 30Yr Fixed
6815 Prime Jumbo 15Yr Fixed
6805 Prime Jumbo 5/1 ARM
6807 Prime Jumbo 7/1 ARM
6810 Prime Jumbo 10/1 ARM

Product Eligibility

30 & 15 year fixed
5/1 ARM with 2/2/5 Caps. Qualify at the higher of note rate plus 2% or fully indexed rate.
7/1 and 10/1 ARM wth 5/2/5 Caps. Qualify at the higher of the note rate or the fully indexed rate.

ATR/QM Safe Harbor Only. All loans must be manually underwritten and fully documented.

Product Highlights

All loans must be credit conditioned by a designated CMG auditor and status must be "Audit Complete-Conditions Pending" prior to locking.

Minimum and Maximum Loan Amounts

- Minimum: $ 453,101

- Maximum (Refer to Matrix): Up to 80% LTV/CLTV $3,000,000, Over 80% LTV/CLTV $1,500,000

Eligible Property Types / Ownership: SFR, PUD (attached or detached), Warrantable Condo. Fee simple only (Leasehold not permitted).

Ineligible Property Type: Co-op, Manufactured, Mixed use, Properties zoned agricultural or commercial, Properties > 20 acres, Hobby Farms, Any leased or owned solar panels with a UCC associated with the property and/or creating an easement on title is ineligible

Maximum Financed Properties: The max. number of financed properties to any one borrower is limited to 2.

Credit Considerations

- Max age of credit report: 90 days at closing. Minimum trade line requirements must be met.
- Mortgage Lates: 0 x 30 last 24 months
- Major Derogatory (BK, DIL, Short sale, Modification, Foreclosure) – Seven year seasoning to application date
- All Judgments or liens affecting title must be paid.
- Charge-offs and collections exceeding $1,000 (either individually or in aggregate) must be paid. All past due accounts must be brought current prior to closing.

Minimum Trade Line Requirements: All borrowers must have sufficient credit to generate a usable credit score, which must meet the minimum requirement published in the LTV matrix. The borrower's credit report should include a credit history that meets the following minimum trade line requirements. Authorized user accounts to not satisfy minimum trade line requirements. Each borrower must meet the requirements below:

- Credit reporting history five years or longer
- Acceptable credit score, **and**
- **History of four*** or more trade lines with a minimum 12 months review period
    - At least one trade line was last active within the past 24 months, and
    - All trade lines paid as agreed in the last 48 months.

* It is recommended that one qualifying trade be a mortgage trade lines. In all cases, a 24 month housing payment history is required to be documented: 0x30x24.

Note: Any Borrower not employed, or employed but not using their income to qualify does not need to meet the minimum trade line requirements listed above.

Assets: Borrower must have 5% of own funds. Gift/Gift of equity not eligible as borrower funds. IPC Limit: 3%

Reserves:

Occupancy	Loan Amount	LTV/CLTV/HCLTV	Reserves Needed
Primary & Second Home	<= $1,000,000	<= 80%	6 months
	> $1,000,000	<= 80%	12 months
	<= $1,000,000	> 80%	18 months
	> $1,000,000 to $1,500,000	> 80%	24 months
Investment	<= $1,500,000	< 80%	12 months
	> $1,500,000		18 months

Eligible Borrowers: US Citizen, Permanent Resident Alien, First Time Home Buyer*, Inter-Vivos Revocable Trusts.
*FTHB – Standard reserves and DTI requirements apply. 24 month rental history required. FTHB not

permitted on investment property transactions.

Number of appraisals: One full appraisal required

Departing Residence: Borrower must have two years of rental management experience or sufficient Reserves (additional 6 months based on subject PITIA) to use rental income. These reserves are in addition to any other reserves required for the loan transaction. Fully executed lease agreement required in all cases to use rental income.

Effective Date: *Immediately*

Link to Guidelines 6800 Series Jumbo

UPDATE! VA SEASONING REQUIREMENTS FOR VA REFINANCES

As previously announced in CMG Correspondent Lending Bulletin 2018-17 VA has issued important program changes that go into effect immediately for applications taken on or after May 25, 2018. **In addition, there is a more restrictive GNMA update that is effective immediately that impacts seasoning restrictions for all VA refinances:**

New GNMA VA refinance seasoning requirement requires that the note date of the refinance loan must be on or after the later of:

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

This is more restrictive because the 210 day waiting period is to the new note date vs. not first payment date of the new loan. In addition, this requirement is effective immediately. (Although VA seasoning requirements shall not apply to a VA cash-out or "regular" refinance if the principal amount of the new cash-out loan will exceed the amount of the loan being refinanced, GNMA seasoning requirements do apply to all cash out / regular refinance transactions.)

Also, please note that the VA Circular and new GNMA requirement reference the date the first monthly payment was made vs the first monthly payment date.

As a reminder, the additional new requirements in the VA Circular address the following:

- Fee Recoupment – Rebuttable Presumption no longer permitted!
- Net Tangible Benefit – New!
- Exhibit A – Discount Points & Acceptable Appraisal Reports

FEE RECOUPMENT

The lender, which also includes any broker or agent of the lender, and any servicer or issuer of an Interest Rate Reduction Refinance Loan (IRRRL), must:

- Provide recoupment statements to VA in accordance with VA Circular 26-18-1 and 26-18-1 Exhibit A, Policy Guidance for VA Interest Rate Reduction Refinance Loans (IRRRL), and;
- Certify that all fees and incurred costs, referenced in VA Circular 26-18-1, shall be recouped on or before the date that is 36 months after the date of the loan, as determined by the date of the loan note.

Note: The recoupment calculation is described in Circular 26-18-1, and is the result of lower monthly payments of the refinanced loan. Circular 26-18-1 Exhibit A

CMG will no longer permit Rebuttable Presumption IRRRLs. This is effective with loan applications taken on or after May 25, 2018.

NET TANGIBLE BENEFIT

The lender, which also includes any broker or agent of the lender, and any servicer or issuer of an IRRRL, must provide the Veteran or borrower a net tangible benefit test (NTB) as follows:

- A case in which the previous VA loan had a fixed interest rate and the new refinanced loan will have a fixed interest rate; the new refinanced loan must have an interest rate that is not less than 50 basis points (.50 less in interest rate) less than the previous loan.
- A case in which the previous VA loan had a fixed interest rate and the new refinanced loan will have an adjustable interest rate, the new refinanced loan must have an interest rate that is not less than 200 basis points (2.00 less in interest rate) less than the previous loan, and
- The lower interest rate is not produced solely from discount points unless;
    - Such points are paid at closing; and
    - For discount point amounts that are less than or equal to one discount point, the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain a loan-to-value (see exhibit A) ratio of 100 percent or less; and
    - For discount point amounts that are greater than one discount point, the resulting loan balance after any fees and expenses allows the property with respect to which the loan was issued to maintain a loan-to-value (see exhibit A) ratio of 90 percent or less.

EXHIBIT A – DISCOUNT POINTS & ACCEPTABLE APPRAISAL REPORTS

According to The Protecting Veterans from Predatory Lending Act of 2018, a loan-to-value determination must be made when discount points are charged. When discount points are not charged, a value determination is not required. These appraisals will not be ordered through WebLGY or the VA Fee Panel. Lenders should use their appraisal management and assignment process to complete a value determination. Acceptable forms of appraisal reports are:

- Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055)
- Uniform Residential Appraisal Report (Fannie Mae 1004)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075)
- Individual Condominium Unit Appraisal Report (Fannie Mae 1073)
- Other industry accepted appraisal reports for manufactured and multi-unit homes

Note: CMG only permits IRRRLs without an appraisal valuation product when certain requirements are met. Refer to CMG Guidelines for CMG eligibility of an IRRRL without a valuation product. However, when discount points are charged VA requirements must be met and the above are the only acceptable appraisal reports to determine LTV.

Appraisal Cost and Recoupment Calculation

- If lenders require the Veteran to pay for the cost of the appraisal, the cost must be included as part of the recoupment cost.
- The Veteran may only be charged a reasonable and customary amount, and only charged for one appraisal. Loan-to-value is calculated by dividing the VA base loan amount (excluding the funding fee, if any) by the value determined in one of the methods listed above.

After obtaining the VA Loan Identification Number (LIN), lenders have the ability to upload the appraisal report in WebLGY. If the appraisal is not uploaded prior to loan guaranty, lenders must upload it to the correspondence link of the VA LIN in WebLGY. Lenders must pay close attention at the time of guaranty to WebLGY messages.

Effective Date: Loan applications taken on or after May 25, 2018 that do not meet the new requirements will not be eligible for guaranty by VA. The GNMA Seasoning requirement is effective immediately.

Loans that do not meet the requirements of The Protecting Veterans from Predatory Lending Act of 2018, will not be eligible for guaranty. WebLGY will prevent guaranty of loans that do not meet recoupment, net tangible benefit, and loan seasoning requirements. VA will be performing file audits to ensure that lenders are complying with the new law. GNMA seasoning requirements for all VA refinances (IRRRL and cash out) must also be met.

Circular: https://www.benefits.va.gov/HOMELOANS/documents/circulars/26_18_13.pdf

REMINDER: USDA CHANGES TO ELIGIBILITY MAPS ON JUNE 4TH

Summary: On June 4, 2018, all properties for new applications must be located in an eligible rural area based on the new eligibility maps. However, a property that is located in an area being changed from rural to non-rural may be approved if all of the following conditions are met:

1. The application is dated and received by the lender prior to June 4, 2018 and the Loan Estimate was issued by the lender within 3 days of application receipt.
2. The applicant has a signed/ratified sales contract on a property that is dated prior to June 4, 2018.
3. Applicant meets all other loan eligibility
requirements.

If the property is located in an area being changed from rural to non-rural, lenders must provide Rural Development all of the following information in addition to all other required documentation. For loans submitted via the Guaranteed Underwriting System (GUS), the documentation must be uploaded into the system.

- Copy of the signed/ratified and dated sales contract.
- Copy of the Loan Estimate issued to the applicant.
- Verification that the property was located in an eligible rural area prior to June 4, 2018. Note: Maps of the "Previous Eligible Areas" (eligibility maps prior to June 4, 2018) will be available on the Eligibility site beginning June 4, 2018. A printout of the map indicating the property address was previously eligible is acceptable.

GUS underwriting recommendations will display an INELIGIBLE property determination for property that is no longer located in an eligible rural area. The INELIGIBLE property determination is the second half of the GUS underwriting recommendation. For example, an ACCEPT/INELIGIBLE underwriting recommendation will apply to a request where the applicant's credit and capacity assessment is an ACCEPT (first part of the underwriting recommendation) however the property is located in an INELIGIBLE area (second part of the underwriting recommendation). This does not prevent the lender from completing the final submission to Rural Development. The Rural Development reviewer will be able to override the property eligibility determination when the lender has uploaded the required documentation noted above.

Effective Date: *Immediately*

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

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