



BULLETIN # 2019-25

TO: Distribution

DATE: June 12, 2019

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Fannie Mae HomeReady Income Limits- Changes Coming in July
- Fannie Mae Miscellaneous Updates
- Disaster Updates
- 6900/7900 Series Renew Non-Agency Guideline Updates

FANNIE MAE HOMEReadY INCOME LIMITS- CHANGES COMING IN JULY

Summary: Fannie Mae is changing the income limit requirements for all HomeReady loans to not exceed 80% AMI for the property's location. (This includes properties in low-income census tracts.)

Currently, to be eligible for a HomeReady loan, the borrowers' total annual qualifying income may not exceed 100% of the area median income (AMI) for the property's location. There is no income limit for properties located in low-income census tracts (census tracts where the median income is not greater than 80% AMI). To better align with their housing goals, Fannie Mae is changing the income limit requirements for all HomeReady loans to not exceed 80% AMI for the property's location. (This includes properties in low-income census tracts.)

Effective Dates

- The above changes will apply to new loan casefiles submitted to DU the weekend of July 20, 2019.
- The 2019 HomeReady income limits will also be implemented in DU and in the HomeReady Income Eligibility Lookup Tool at the same time.
- On July 3, 2019 the Selling Guide will be updated to reflect the HomeReady 80% AMI limit.

Link: <https://www.fanniemae.com/content/announcement/11906.pdf>
[View DU Release Notes](#)

FANNIE MAE MISCELLANEOUS UPDATES

Summary: Fannie Mae has announced that certain new loan casefiles submitted to DU on or after July 20, 2019 will receive an Ineligible recommendation when multiple high-risk factors are present. Additional details are not yet available. In addition, Fannie Mae has announced the following updates:

IRS TAX CODE CHANGES – DU VALIDATION SERVICE

Currently, when a lender enters Pension/Retirement income in DU, the DU validation service will validate retirement income in the form of pension and annuity income because it is separately identified on its own line item on the tax transcript. Other types of retirement income that would require documentation of a three-year continuance are not

currently eligible for validation.

- With the changes contained in the Tax Cuts and Jobs Act, effective with 2018 tax returns, all retirement income will be included on one line within the tax returns. As a result, all retirement income will now be eligible for validation.
- When a lender enters Pension/Retirement income in DU and a tax transcript is obtained, DU will issue a new message requiring lenders to determine the source of the retirement income, and if the income was derived from pension or annuity, then no action is required.
- However, if the income was derived from an IRA distribution or any other eligible retirement income type that relies on the depletion of an asset, the lender must obtain documentation to evidence enough assets to support a three-year continuance.

Note: This new message will be issued on loan casefiles submitted or resubmitted after the weekend of July 20, 2019 where a 2018 tax transcript is received for a borrower that disclosed Pension/Retirement income on the loan application.

ASSET MESSAGE UPDATE – DU VALIDATION SERVICE

A new informational message will be issued to provide details about the accounts appearing on the asset vendor report. Note: This update will only apply to loan casefiles created on or after July 20, 2019.

TAX REFORM LEGISLATION POLICY – SELLING GUIDE

A limited number of policies that reference specific IRS tax forms have been updated to incorporate changes made to 2018 IRS forms as a result of the Tax Cuts and Jobs Act. This includes new references to Schedule 1, filed as part of IRS Form 1040 effective with reporting of 2018 income for tax filing purposes. In addition, the reference to the Adjusted Gross Income Approach has been removed as it no longer serves to provide guidance in completion of Fannie Mae's Cash Flow Analysis (Form 1084). The Form 1084 has also been updated to remove a reference to "entertainment" to align with changes to the IRS tax forms.

Effective Date: *The selling guide update is effective immediately, the DU Validation Services Updates will take place in DU the weekend of July 20th.*

Links:

<https://www.fanniemae.com/content/announcement/se11905.pdf>

<https://www.fanniemae.com/content/announcement/ll1906.pdf>

[View DU Release Notes](#)

DISASTER UPDATES

Summary: FEMA has declared new individual assistance counties in Oklahoma, Arkansas, and South Dakota. Note that there is no FEMA End Date available for Oklahoma or Arkansas, and there have not been FHA Waivers issued. The CMG Disaster Area Policy is applicable to the full list of counties below:

Oklahoma

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

Canadian, Creek, Logan, Muskogee, Osage, Ottawa, Rogers, Tulsa, Wagoner, Washington

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

Arkansas – New Disaster Declaration

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

Conway, Crawford, Faulkner, Jefferson, Perry, Pulaski, Sebastian, Yell

South Dakota – New Disaster Declaration

Full list of Designated Counties (Individual Assistance) – FEMA End Date: 4/26/2019

Bennett, Bon Homme, Charles Mix, Dewey, Hutchinson, Jackson, Mellette, Minnehaha, Oglala Lakota, Todd, Yankton, Ziebach

Links:

<https://www.fema.gov/>

[Oklahoma Disaster 4438](#)

[Arkansas Disaster 4441](#)

[South Dakota 4440
Disaster Policy](#)

6900/7900 SERIES RENEW NON-AGENCY GUIDELINES

Summary: Effective immediately, the 6900/7900 Series Renew Non-Agency guidelines are updated as follows:

- Increased minimum loan amount for transactions in New York state from \$100,000 to \$1 over current conforming/high balance limits set by FHFA. Minimum loan amount in all other states remains at \$100,000.
- Updated the reserve requirement for a departure residence pending sale from 6 months reserves to 3 months reserves.
- Updated non-warrantable condominium commercial space to allow up to 50%, removed the requirement to have a separate HOA.

Effective Date: *Immediately*

Guidelines: <http://skynet.cmgmortgage.com/Operations/Shared%20Documents/CMG-6900-7900-Renew-Series-Jumbo.pdf>

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