

BULLETIN # 2019-32

TO: Distribution

DATE: July 3, 2019

RE: CMG Financial Correspondent Lending
Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- HOME POSSIBLE & HOMEReady- CHANGE TO AMI
- BLUE WATER NAVY BILL- SIGNED BY THE PRESIDENT- WHAT DOES IT MEAN?
- REMINDER- VA IRRRL & RECOUPMENT
- VA IRRRL & DISCOUNT POINTS- FIXED RATE TO FIXED RATE
- DISASTER UPDATES

HOME POSSIBLE AND HOMEReady CHANGES TO AMI

Summary: Beginning in July, both the Fannie Mae HomeReady and the Freddie Mac Home Possible programs are limiting borrowers to 80% AMI. The new income limit requirements for all HomeReady and Home Possible loans will be changed 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 or Home Possible 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).

Action to Take: Loans with borrower incomes from 80.01 to 100% AMI will need to have valid approval through DU/LPA prior to the effective date of the change.

Effective Date:

- Freddie Mac is scheduled to update Loan Product Advisor® and the Home Possible Income & Property Eligibility tool on July 28, 2019, to reflect the updated Borrower income limits (80% of the AMI), as well as the 2019 AMI limits.
- Fannie Mae - the 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.

Links:

https://guide.freddie.mac.com/app/guide/content/a_id/1003261
<https://www.fanniemae.com/content/announcement/11906.pdf>

BLUE WATER NAVY BILL-SIGNED BY THE PRESIDENT- WHAT DOES THIS MEAN?

Summary: Congress has passed the Blue Water Navy Bill and the President signed the bill earlier this week. The principal focus of this legislation is to provide assistance to veterans who served offshore of the Republic of Vietnam during the Vietnam War and were exposed to an herbicide agent. As part of the legislation, it includes several provisions affecting the VA home loan program. The two most important provisions are:

The legislation removes loan amount cap on VA loans; **however, VA Circulars and a Ginnie Mae response are pending.** Based on the law, the loan amount would no longer be tied to the Freddie Mac limit. In other words, a veteran could use their entitlement to purchase a home without a downpayment or any cash investment regardless of the loan size. Watch for further updates regarding the implementation of this change.

- The legislation also changes guaranty fees slightly for certain veteran groups starting on January 1, 2020 including first-time and repeat users.
 - o Starting January 1, 2020, both active duty servicemen and veterans will pay 2.30 percent funding fees for initial use. This change lowers the funding fee for reservists.
 - o On subsequent use of their VA entitlement, there will be an increase of 30 bps in their funding fees to 3.60% for each of these groups.
 - o The funding fees will revert back to the current fee structure in January 2022 unless additional legislation is enacted.

Revised H.R. 299 (2019): Changes to the Loan Fee Table for loans closing Between 1/1/20 & 12/31/2021		
Type of Loan	Active Duty Veteran	Reservist
Initial loan with 0-5% down	2.15 ▶ 2.30	2.40 ▶ 2.30
Subsequent loan with 0-5% down	3.30 ▶ 3.60	3.30 ▶ 3.60
Loans with 5-10% down	1.50 ▶ 1.65	1.75 ▶ 1.65
Loans with at least 10% down	1.25 ▶ 1.40	1.50 ▶ 1.40

Effective Date: The law states that the effective date of this provision will be loans guaranteed on or after January 1, 2020. However, VA has not issued any Circulars at this time. Additionally, Ginnie Mae may provide a response. Watch for further updates regarding the implementation of this change.

Links:

- <https://www.congress.gov/116/bills/hr299/BILLS-116hr299enr.pdf>
- <https://www.congress.gov/bills/116th-congress/house-bill/299>

REMINDER: VA IRRRL RECOUPMENT

Summary: As announced earlier this week in Bulletin 219-30 , we have clarified the policy regarding recoupment on VA IRRRLs. Based on review of the law, all IRRRLs need to meet the 36 month recoupment requirement. Lenders must adhere to the requirements in both the written law and guidance issued via VA Circulars. There is no exception noted in the law for an increasing payment associated with an ARM to fixed or reduction in term that exempts the IRRRL from the required recoupment. Further communications on this topic will follow if the VA publishes additional guidance.

Effective Date: *Immediate.*

VA IRRRL & DISCOUNT POINTS- FIXED RATE TO FIXED RATE

Summary: Updated IRRRL NTB requirements to clarify that the additional requirements regarding discount points and appraisal requirements do not apply to fixed rate to fixed rate transaction.

Effective Date: *Immediately.*

References:

- https://www.benefits.va.gov/HOMELOANS/documents/circulars/26_18_13.pdf
- <https://www.federalregister.gov/documents/2018/12/17/2018-27263/loan-guaranty-revisions-to-va-guaranteed-or-insured-cash-out-home-refinance-loans>

DISASTER UPDATES

Summary: FEMA has declared individual assistance on Turner county in South Dakota. The county has been added to the CMG Disaster List, and the Disaster Area Policy applies. Additionally, a FEMA End Date is now established for Arkansas DR-4441.

Arkansas – End Date established for DR-4441

Full list of Designated Counties (Individual Assistance) – FEMA End Date: 6/14/2019

Arkansas, Conway, Crawford, Desha, Faulkner, Jefferson, Logan, Perry, Pope, Pulaski, Sebastian, Yell

South Dakota – End Date & New Counties for DR-4438

Full list of Designated Counties (Individual Assistance) – FEMA End Date: 6/7/2019

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

Counties already announced are in black, while newly added counties are in red.

Links:

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

<https://www.fema.gov/disaster/4440>

<https://www.fema.gov/disaster/4441>

<https://docs.cmqfi.com/corporate/Disaster-area-cps-1004-ALL.pdf>

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