CMG FINANCIAL
Correspondent Lending

BULLETIN # 2019-35

TO: Distribution | **DATE: July 17, 2019**

RE: CMG Financial Correspondent Lending Updates | **EFFECTIVE: As noted below**

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- LOUISIANA - TROPICAL STORM BARRY
- IMPORTANT FHA DISASTER POLICY UPDATE REGARDING INSPECTIONS AND END DATE
- REMINDER: DACA BORROWERS INELIGIBLE FOR ANY FHA INSURED TRANSACTION
- REMINDER – VA RECENT NEW REQUIREMENTS
- HOME POSSIBLE INCOME LIMIT CHANGES AND LPA DETERMINATION OF ELIGIBILITY
- PRIME JUMBO 6800 SERIES GUIDELINE

LOUISIANA-TROPICAL STROM BARRY

Summary: CMG is monitoring the impact of Tropical Storm Barry. Effective immediately, fundings/purchases are suspended for properties located in the coastal parishes.

Suspended Parishes: **Iberia Jefferson Lafourche Orleans,Plaquemines, St Bernard ,St Charles, St Mary Terrebonne, Vermillion**

CMG Corporate Credit is is monitoring the situation and will provide additional updates.
Link: https://www.nhc.noaa.gov/graphics_at2.shtml?key_messages

IMPORTANT FHA DISASTER UPDATE REGARDING INSPECTIONS AND END DATES

Summary: On July 10th, FHA released handbook updates that include important information regarding a change in timing of inspections in Presidentially Declared Major Disaster Areas (PDMDAs). FHA has changed its policy to accelerate the timing of inspections in PDMDAs. FHA now permits the inspection to be dated 14 days from the Incident Period start date (in addition to “after the Incident Period”). In the past, HUD policy required inspections to be signed after the Incident Period (“End Date”) or a waiver was issued.

For example, in the recent disaster in Missouri (storms, tornadoes and flooding), the FEMA incident start date was April 29th. However, the Presidential disaster declaration was not issued until July 9th. Prior to the Handbook change, inspections would be required for all properties in affected counties once the PDMDA was issued (July 9th) but could not be ordered until the Incident Period ended or a waiver is granted. With this change in the Handbook update, the PDMDA end date has no impact on FHA processing and inspections can be ordered since 14 days have passed since the Incident Period start date of April 29th.

HUD added that "if the effective date of the appraisal is on or after the date required above for an inspection, a separate inspection report is not necessary. The new guidance also confirms what was in an FAQ that the FEMA trigger is "individual assistance" in a PDMDA.

Here is the revised portion of the HUD Handbook 4000.1
"All Properties with pending Mortgages or endorsements in areas under a Presidentially Declared Major Disaster Areas (PDMDA) designated for individual assistance must have a damage inspection report that identifies and quantifies any dwelling damage. The damage inspection report must be completed by an FHA Roster Appraiser even if the inspection shows no damage to the Property, and the report must be dated after the Incident Period (as defined by FEMA) or 14 Days from the Incident Period start date, whichever is earlier. If the effective date of the appraisal is on or after the date required above for an inspection, a separate damage inspection report is not necessary."

Effective Date: This change may be implemented immediately. (Announced by FHA on July 10, 2019 via FHA Info #19-34.)

Link: FHA_INFO_19-34.pdf

REMINDER: DACA BORROWERS INELIGIBLE FOR ANY FHA INSURED TRANSACTION

Summary: As a reminder, DACA recipients are ineligible for FHA programs. FHA points to USCIS FAQs that state that DACA does not confer "lawful status" to recipients. Because "lawful residency" is an eligibility requirement for FHA programs, FHA has deemed these potential borrowers ineligible.

Effective Date: N/A – this is a reminder.

REMINDER – VA RECENT NEW REQUIREMENTS

Summary: As a reminder, lenders must comply with the following guidance regarding the VA funding fee.

- Funding Fee Exemption Determination. Ensuring that the funding fee exemption information is up to date at the time of closing is essential to avoid incorrect charges to exempt Veterans. Lenders must not advise Veterans who believe they are exempt from paying the funding fee to close on a loan without first establishing their funding fee exemption status.
- For IRRRLs, a COE is now required.
- For all loans, if the COE does not show that the Veteran is exempt from paying the funding fee, the lender must ask the Veteran if he or she has a claim for compensation pending with VA. If so, the lender must obtain an updated COE no earlier than 3 days before the loan closing using the COE "Correct" function in WebLGY. Instructions for the "Correct" function are found in the "Quick Reference Document For Correct Certificate of Eligibility" available at: https://www.benefits.va.gov/HOMELOANS/documents/docs/LGY_COE_Quick_Reference_Document.pdf. Step-by-step instructions are available on the VA's Lender Resource webpage in the Lender's COE tutorial.
- The lender must ask the Active Duty Servicemember if he or she has a pre-discharge claim pending. If so, the lender must contact the Regional Loan Center (RLC) immediately to request assistance in obtaining a proposed or memorandum rating in the event that the Servicemember may be exempt from paying the funding fee as noted in Item 2 above. If a proposed or memorandum rating is not obtained and a closing takes place, the Servicemember is not eligible for funding fee exemption.

Effective Date: Immediate. CMG guidelines are scheduled to be updated the week of July 22nd, but the new requirements are already in place by VA and must be adhered to.

HOME POSSIBLE INCOME LIMIT CHANGES AND LPA DETERMINATION OF ELIGIBILITY

Summary: As previously announced, Freddie Mac is updating their requirements to state that, for Home Possible Mortgages, the Borrower's qualifying income, converted to an annual basis, must not exceed 80% of the AMI for the location of the Mortgaged Premises. This change includes properties in low-income census tracts. Loan Product Advisor will apply the updated Borrower income limits and the 2019 AMI limits as follows:

Loan Product Advisor determination of Home Possible eligibility	
IF the Mortgage is submitted as a Home Possible Mortgage on and after July 28, 2019 and...	**THEN the following income limits are applied...**
For the following resubmissions: • The last submission before the effective date was also a Home Possible Mortgage, and • The income limits were met	The better of the following income limits: • 2019 AMI limits at 80% of the AMI **OR** • 2018 AMI limits at 100% of the AMI or low-income census tracts
For the following submissions: • The Mortgage is submitted for the first time • The Key Number cannot be identified, or • The last submission before the effective date was not submitted as Home Possible and/or did not meet the income eligibility limits	2019 AMI limits at 80% of the AMI

Effective Date: July 28, 2018. Freddie Mac Guide impact: Guide Section 4501.7. CMG Guidelines will be updated and reposted the week of July 22nd.

PRIME JUMBO 6800 SERIES GUIDELINE-REMINDER

Departing residence & rental income from property being vacated by the consumer. In order to meet QM requirements, underwriters may not consider any rental income from a consumer's principal residence that is being vacated in favor of another principal residence, except under the conditions described below. This is in addition to the existing guideline requirements that specify the borrower must have two years of rental management experience or sufficient Reserves (additional 6 months based on subject PITIA) to use rental income.

When a consumer vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may only be considered in the underwriting analysis under the circumstances listed in the table bel**ow.**

Exception	Description
Relocations	The consumer is relocating with a new employer or being transferred by the current employer to an area not within reasonable and locally-recognized commuting distance. A property executed lease agreement (that is, a lease signed by the consumer and the lessee) of at least one year's duration after the loan is closed is required. Note: Underwriters should also obtain evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner
Sufficient Equity in Vacated Property	The consumer has a loan-to-value ratio of 75 percent or less, as determined either by: • A current (no more than six months old) residential appraisal, or • Comparing the unpaid principal balance to the original sales price of the property. Note: The appraisal, in addition to using forms Fannie Mae 1004/Freddie Mac 70, may be an exterior-only appraisal using form Fannie Mae/Freddie Mac 2055, and for condominium units, form Fannie Mae 1075/Freddie Mac 466.

Note: There is no change to the requirement that a fully executed lease agreement required in all cases to use rental income.

https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1026/Q/#h1-h2

Effective Date: Immediate – reminder of QM requirements.

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