

**BULLETIN #2017-35**

**TO: Distribution**

**DATE: August 16, 2017**

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Non-Agency Program Enhancements
- Secondary- Adjustments to High Balance

**NON-AGENCY PROGRAM ENHANCEMENTS**

**Summary:** The 6200 Premier QM, 7200 Premier Non-QM, 6600 Expanded QM, 7600 Expanded Non-QM, and 6700 Simply Jumbo QM programs are scheduled to be updated with the changes outlined below. Effective date of changes – loans locked on or after 8.21.2017.

**UNDERWRITING GUIDELINES > RENTAL HISTORY** Applies to: 6200 Premier QM, 7200 Premier Non-QM, 6600 Expanded QM, 7600 Expanded Non-QM, and 6700 Simply Jumbo QM programs.

- Revised the requirement for a Verification of Rent (VOR) from 24 months to 12 months

**UNDERWRITING GUIDELINES > DEROGATORY CREDIT** Applies to: 6200 Premier QM and 7200 Premier Non-QM programs.

- Added credit events (bankruptcy, short sale, foreclosure, notice of default, deed-in-lieu and loan modification) are allowed if seasoned for 7 years
- Multiple derogatory credit events not allowed
- Credit events less than 7 years will be considered with extenuating circumstances on a case-by-case exception basis, complete details to follow in guideline update.

**Applies to:** 6600 Expanded QM and 7600 Expanded Non-QM programs.

- Decreased the seasoning requirement for credit events (bankruptcy, short sale, foreclosure, deed-in-lieu) from 7 years to 4 years
- Borrowers with credit events between 4-7 years must meet the following requirements:
  - Tradeline requirements must be met
  - Satisfactory housing payment history for 24 months required
  - No mortgage lates since credit event
  - No public records since credit event
  - Primary residence – purchase or rate/term refinance with a maximum of 80% LTV or program max if lower
  - Multiple derogatory credit events not allowed
  - Credit events less than 4 years will be considered with extenuating circumstances on a case-by-case exception basis, complete details to follow in guideline update.

**UNDERWRITING GUIDELINES > ASSETS > BUSINESS FUNDS** Applies to: 6200 Premier QM, 7200 Premier Non-QM, 6600 Expanded QM and 7600 Expanded Non-QM programs. (Excludes 6700 Simply Jumbo QM)

- Added business funds as allowable source of funds for reserves if the following requirements are met:
  - Business funds for reserves or a combination of personal/business funds for reserves require the total amount of reserves to be 2X or double the normal requirement for the subject property and additional financed REO
  - Cash flow analysis required using most recent three months business bank statements to determine no negative impact to the business
  - Business bank statements must not reflect any non-sufficient funds activity or overdrafts
  - Borrower must be 100% owner of the business

UNDERWRITING GUIDELINES > INELIGIBLE PROPERTIES 6200 Premier QM, 7200 Premier Non-QM, 6600 Expanded QM and 7600 Expanded Non-QM Program Eligibility Guides. (Excludes 6700 Simply Jumbo QM)

- Increased the acceptable acreage from 20 acres to 40 acres
  - Maximum land value 35% (if land value exceeds 35%, exception may be considered)
  - No income producing attributes
  - Transaction must be 10% below maximum LTV/CLTV as allowed on 6200/7200 Premier for transactions over 20 acres
  - Transaction must be 5% below maximum LTV/CLTV as allowed on 6600/7600 Expanded.
  - 30-year fixed rate only for transactions over 20 acres
- Under Ineligible Properties changed from >20 acres to >40 acres

**Effective Date:** Loans locked on or after August 21, 2017. Guidelines will be updated and reposted by the effective date.

## SECONDARY- ADJUSTMENTS TO HIGH BALANCE

**Summary:** CMG is revising adjustments on Agency Fixed & Arm Adjustments, defining Agency High Balance. This can be found on the 2<sup>nd</sup> page of the ratesheet, Agency LLPA tab. These changes were effective Monday 8/14/2017.

CMG will be adding 2 more rows defining High Balance adjustments (HB Fixed, HB ARM – purchase & rate/term refi, or HB ARM – Cashout). Note that it needs to **calculate off of the higher of LTV or CLTV**

AGENCY FIXED AND ARM ADJUSTMENTS								
Adjustments are to PRICE - Use all that apply. Adjustments are not representative of guidelines.								
	<=60 %	60.01-70	70.01-75	75.01-80	80.01-85	85.01-90	90.01-95	95.01-97
<b>High Balance Adjustments (based on higher of LTV or CLTV)</b>								
Fixed - Cash Out (in addition to standard Cash Out Adjustment)	1.00 0	1.000	1.000	1.000	N/A	N/A	N/A	N/A
ARM - Purchase & Rate/Term Refi	1.00 0	1.000	1.000	1.750	1.750	1.750	2.000	N/A
ARM - Cash Out (in addition to standard Cash Out Adjustment)	1.75 0	1.750	1.750	2.500	N/A	N/A	N/A	N/A

**Effective Date:** *Immediately*

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

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