BULLETIN #2017-35

TO: Distribution
RE: CMG Financial Correspondent Lending Updates

DATE: August 16, 2017
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:
  o 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
  o Cash flow analysis required using most recent three months business bank statements to determine no negative impact to the business
  o Business bank statements must not reflect any non-sufficient funds activity or overdrafts
  o 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
  o Maximum land value 35% (if land value exceeds 35%, exception may be considered)
  o No income producing attributes
  o Transaction must be 10% below maximum LTV/CLTV as allowed on 6200/7200 Premier for transactions over 20 acres
  o Transaction must be 5% below maximum LTV/CLTV as allowed on 6600/7600 Expanded.
  o 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 2nd page of the ratesheet, Agency LLP A 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

<table>
<thead>
<tr>
<th>AGENCY FIXED AND ARM ADJUSTMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments are to PRICE - Use all that apply. Adjustments are not representative of guidelines.</td>
</tr>
<tr>
<td>&lt;=60%</td>
</tr>
<tr>
<td>High Balance Adjustments (based on higher of LTV or CLTV)</td>
</tr>
<tr>
<td>Fixed - Cash Out (in addition to standard Cash Out Adjustment)</td>
</tr>
<tr>
<td>ARM - Purchase &amp; Rate/Term Refi</td>
</tr>
<tr>
<td>ARM - Cash Out (in addition to standard Cash Out Adjustment)</td>
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</tbody>
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Effective Date: Immediately

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