

BULLETIN # 2019-41

TO: Distribution

DATE: August 21, 2019

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- FHA Issues New Condominium Approval Rule
- VA Circular 26-19-23: Blue Water Navy Vietnam Veterans Act of 2019

FHA ISSUES NEW CONDOMINIUM APPROVAL RULE

Summary: FHA has issued policy revisions that include the ability to approve individual units in nonapproved condo projects. The new policy will go into effect beginning October 15th. In summary, FHA's new rule:

- Introduces a new single-unit approval process to make it easier for individual condominium units to be eligible for FHA-insured financing;
- Extends the recertification requirement for approved condominium projects from two to three years;
- Allows more mixed-use projects to be eligible for FHA insurance.

Additional details include, but are not limited to the following topics:

Single-Unit Approvals: As of October 15, FHA will insure mortgages for selected condominium units in projects that are not currently approved. An individual unit may be eligible for Single-Unit Approval under the following conditions:

- The individual condominium unit is located in a completed project that is not approved;
- For condominium projects with 10 or more units, no more than 10 percent of individual condo units can be FHA-insured; and projects with fewer than 10 units may have no more than two FHA-insured units.

Minimum Owner-Occupancy Requirements: FHA will require that approved condominium projects have a minimum of 50 percent of the units occupied by owners for most projects.

FHA Insurance Concentration in Condominium Projects: FHA will only insure up to 50 percent of the total number of units in an approved condominium project.

Commercial/Nonresidential Space Limits: FHA will require that the commercial/non-residential space within an approved condominium project not exceed 35 percent of the project's total floor area.

Read more in HUD's press release:

https://www.hud.gov/press/press_releases_media_advisories/HUD_No_19_121

Single Family Policy Handbook Guidance

FHA's new Single Family Handbook sections were published and provide the additional requirements needed in

order to implement FHA's new policy, including requirements for single-unit approvals, minimum owner occupancy requirements, and commercial/non-residential space limits. [Read FHA's changes to its Single Family Handbook](#)

Effective Date: *October 15, 2019. FHA is scheduled to issue a Mortgagee Letter next week that will outline the process for case number assignments for applications utilizing the Single-Unit Approval process. And in September, FHA will host an industry stakeholder briefing call to assist mortgagees and other interested parties in FHA transactions to better understand the FHA's condominium project approval requirements.*

VA CIRCULAR 26-19-23: BLUE WATER NAVY VIETNAM VETERANS ACT OF 2019

Summary: Earlier this week, VA published this circular that provided interim guidance on the implementation of the Blue Water Navy law. The circular provides examples and outlines that full entitlement is required.

- For Veterans with full entitlement, the maximum amount of guaranty for a loan above \$144,000 is 25 percent of the loan amount.
- If a veteran's entitlement is not restored, the maximum amount of guaranty entitlement is 25% of the Freddie Mac limit, reduced by the amount of entitlement previously used (not restored) by the Veteran.
- The Act & Circular do not change the maximum amount of guaranty entitlement available to Veterans for loans equal to or less than \$144,000 regardless of the Freddie Mac limit.

Restoring entitlement for cash-out refinance of active VA-guaranteed loans

- Lenders may restore entitlement for a cash-out refinance of active VA-guaranteed loans when ordering or correcting the Certificate of Eligibility (COE).
- Step-by-step instructions on how to obtain a cash-out refinance conditional COE and/or correct a COE are located in the links can be found at <https://www.benefits.va.gov/homeloans/lenders.asp>, Lender's Certificate of Eligibility (COE) Tutorial, and Correct COE Quick Reference. The cash-out refinance restoration condition must be shown on the COE for the entitlement to be restored.

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: *VA will not be implementing the removal of the no downpayment cap until 2020 meaning any loans closed in 2019 will not be eligible for the higher loan limits with no downpayment. Additionally, Ginnie Mae may provide a response. Watch for further updates regarding the implementation of this change.*

Link to circular: https://www.benefits.va.gov/homeloans/documents/circulars/26_19_23.pdf

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