

BULLETIN #2016-40

TO: Distribution

DATE: August 23, 2016

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- [USDA Reducing Guarantee and Annual Fee in October](#)
- [Reminder: Disaster Policy Updates](#)
- [Reminder: FHA TOTAL Scorecard and FHA Connection Updates](#)
- [VA Fees Policy Updates](#)
- [Enhancement: New York 3-4 Unit Properties](#)
- [Employee Loans](#)

USDA REDUCING GUARANTEE AND ANNUAL FEES IN OCTOBER

Summary: Effective October 1, 2016 (the start of fiscal year 2017) program fees for USDA Rural Development's guaranteed home loan program will be significantly reduced.

- The **upfront guarantee fee will change from 2.75% to 1.0%** of the loan amount.
- The **annual fee will change from 0.50% to 0.35%** of the average scheduled unpaid principal balance for the life of the loan.

Reminder: One month of the Annual Fee must be collected at closing.

Effective Date: The change applies to loans which are obligated by the Agency in fiscal year (FY) 2017. FY 2017 begins October 1, 2016, and ends at the close of business September 30, 2017. A loan is obligated when USDA has approved a complete loan application package and issued Form RD 3555-18 "Conditional Commitment for Single Family Housing Loan Guarantee" to the USDA approved lender.

USDA Education & Training Resources:

- Additional program information and training is available on the Lender Interactive Network Connection (LINC) Training and Resource Library at <https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do>.
- USDA Rural Development's current **3555** Lender Handbook can be found at www.rd.usda.gov/publications/regulations-guidelines/handbooks#hb13555.

References/Links:

- <http://www.rd.usda.gov/files/AnnualFee.pdf>
- http://www.rd.usda.gov/files/IA_hp_rhsqianews-05-2016.pdf

REMINDER: DISASTER POLICY UPDATES

Reminder: During this past week, CMG instated the CMG Disaster Policy for the following list of counties impacted by disasters:

California			
San Bernadino County			
Louisiana			
Acadia Parish	Ascension Parish	Avoyelles Parish	East Baton Rouge Parish
East Feliciana Parish	Evangeline Parish	Iberia Parish	Iberville Parish
Jefferson Davis Parish	Lafayette Parish	Livingston Parish	Pointe Coupee Parish
St. Helena Parish	St. Landry Parish	St. Martin Parish	St. Tammany Parish
Tangipahoa Parish	Vermilion Parish	Washington Parish	West Feliciana Parish

Note: The designation of an area as a "disaster area" for the purpose of CMG's Disaster Policy is made by CMG Corporate Credit and can be based on a federally or state declared disaster area (FEMA or state/federal agency), or through knowledge of a disaster as a result of news and media or personal contacts.

Links:

FEMA Disasters: www.fema.gov/disasters

Governor's State of Emergency Declaration: <https://www.gov.ca.gov/home.php>

Louisiana (DR-4277) Declaration: <https://www.fema.gov/disaster/4277/>

REMINDER: FHA TOTAL SCORECARD & FHA CONNECTION UPDATES

Summary: FHA is changing the definition of the Required Investment field in its TOTAL Mortgage Scorecard and FHA Connection (FHAC) technology, **effective for case numbers assigned on or after August 22, 2016**. This definition change will provide a more precise representation of the borrower's investment into the transaction.

Current Required Investment Definition:

- Borrower Funds to Close Required: Lenders must enter the total amount that the borrower is required to pay at closing. If the borrower is receiving cash back, the amount should be a negative number.
- *Uniform Residential Loan Application*, Section VII, Details of Transaction Line p; Cash from/to Borrower.
- **New Required Investment Definition (for case numbers assigned on or after August 22)** □ Borrower's Investment into the Transaction: If the borrower is receiving cash back, the amount should be a negative number.
- *Uniform Residential Loan Application*, Section VII, Details of Transaction Line i, Total Costs:

TOTAL Mortgage Scorecard Implementation

FHA has notified its Automated Underwriting System (AUS) vendors of this change. The AUS vendors are in the process of making the adjustments to their calculations for submission to the TOTAL Mortgage Scorecard. There may be a small population of loans that have case numbers assigned prior to August 22 that have not previously been scored by the TOTAL Mortgage Scorecard. In these instances:

- A mortgagee's AUS vendor may not know which calculation to use until after the loan with a case number has been scored for the first time, and the AUS vendor obtains the version number that indicates the case number assignment date range; and
- Mortgagees may receive messages from their AUS vendor that the loan needs to be resubmitted and re-run through the TOTAL Mortgage Scorecard in order to obtain the correct result from the TOTAL Mortgage Scorecard.

FHA expects that this scenario will only be applicable to a small number of transactions.

FHAC Implementation

For case numbers assigned on or after August 22, mortgagees should ensure that the amount of the Required Investment entered into FHAC's Required Investment field on the Insurance Application screen is calculated using the new definition.

VA FEES POLICY UPDATE

Summary: The CMG VA Fees Policy is corrected to reflect that a pest inspection fee is an unallowable fee unless VA has specified a State Deviation. Circular 16-14-10 States VA treats pest inspection fees the same as any other unallowable fee.

In addition, [Chapter 8](#) of the VA Lender's Handbook states Additional fees attributable to local variances may be charged to the veteran **only** if specifically authorized by VA. The lender may submit a written request to the Regional Loan Center for approval if the fee is normally paid by the borrower in a particular jurisdiction and considered reasonable and customary in the jurisdiction.

The VA also posts a table with details of the current allowable state and territory fees and charges deviations (exceptions) from fees normally considered unallowable:

http://www.benefits.va.gov/homeloans/documents/docs/state_deviations.pdf

Note: In addition, the VA Fee Policy is being updated per previous announcements to remove links to Itemization Worksheets and these worksheets will be removed.

Links: [CMG VA Fees Policy CPS 1015-ALL](#)

Effective Date: *Immediately*

ENHANCEMENT: NEW YORK 3-4 UNITS

Summary: Effective August 24th, 2016 CMG will allow permit 3-4 unit properties in New York subject to 100% QC audit. This enhancement applies across the board to all loan programs, as applicable:

- Fannie Conventional Conforming, including High Balance, DU Refi Plus & HomeReady
- Freddie Conventional Conforming, including High Balance, LP Open Access & HomePossible
- FHA
- VA
- 6600 Series Jumbo

Note: This update is not applicable for USDA or Freddie Mac Home Possible Advantage as these programs only permit 1 unit properties. In addition, it is not applicable to the 6200 Series Jumbo as this program does not permit 3-4 unit properties in any state.

Effective Date: *August 24th, 2016*

EMPLOYEE LOANS

Summary: For Employee loans the requirements currently noted in the CMG Loan Program matrices will be removed and replaced with the requirement that a Employee Loan requires a second signature by CMG Management prior to purchase.

- **Current Requirement:** Owner Occupied only. The following documentation is required: •2 yrs personal 1040 tax returns •2 yrs business tax returns (if applicable) •2 yrs W2s & Paystub (current with YTD earnings) •2 months bank statements •AVM / QC tool including validation of value
- **New Requirement:** A Correspondent Employee Loan requires a second signature by CMG Management prior to purchase.

Effective Date: *Update is effective immediately and applies to all financing types. CMG Guidelines and Overlay Matrix will be updated accordingly by 8/24.*

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

3160 Crow Canyon Road, Suite 400, San Ramon, CA. 94583 | 800.501.2001 | NMLS #1820 | www.cmgfi.com

© 2016 CMG Financial, All Rights Reserved. CMG Financial is a registered trade name of CMG Mortgage, Inc., NMLS #1820 in most, but not all states. CMG Mortgage, Inc. is an equal opportunity lender, licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act No. 4150025; Loans made or arranged pursuant to a California Finance Lenders Law No. 6053674. For information about our company, please visit us at www.cmgfi.com. To verify our complete list of state licenses, please visit www.nmlsconsumeraccess.org. For more information on State licenses, please visit <http://www.cmgfi.com/corporate/licensing>.

