



BULLETIN # 2019-44

TO: Distribution

DATE: September 4, 2019

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

### CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- FHA Condominium Changes – Industry Call
- Freddie Mac LPA Cashout Maximum LTV Reduced From 85% to 80%
- All In One #801-MBI-FIX – 740 Minimum FICO Now Permitted on 5 Year Fixed > 80% LTV
- All In One #801-Prime Now Available

#### FHA CONDOMINIUM CHANGES- INDUSTRY CALL

**Summary:** FHA subject matter experts will host an industry stakeholder briefing call to assist mortgagees and other interested parties in FHA transactions better understand the FHA's condominium project approval requirements. Call details follow:

- Title: SF Condominium Project Approval Final Rule and Handbook Changes
  - Date: Tuesday, September 10, 2019
  - Time: 2:00 PM to 3:00 PM (Eastern)
  - Dial-in: (800) 230-1092
  - Target Audience: Mortgagees, Servicers, and all other interested stakeholders in FHA transactions

#### Links:

- FHA Info 19-44: [https://www.hud.gov/sites/dfiles/SFH/documents/SFH\\_FHA\\_INFO\\_19-44.pdf](https://www.hud.gov/sites/dfiles/SFH/documents/SFH_FHA_INFO_19-44.pdf)
- HUD's press release: [https://www.hud.gov/press/press\\_releases\\_media\\_advisories/HUD\\_No\\_19\\_121](https://www.hud.gov/press/press_releases_media_advisories/HUD_No_19_121)
- Mortgagee Letter 19-13: <https://www.hud.gov/sites/dfiles/OCHCO/documents/19-13ml.pdf>
- FHA Handbook Changes: [Read FHA's changes to its Single Family Handbook.](#)

Effective Date: *Condo rules change October 15, 2019. Industry call on September 10 (see above for details).*

#### FREDDIE MAC LPA CASHOUT MAXIMUM LTV REDUCED FROM 85% TO 80%

**Summary:** Currently, CMG guidelines allow for Freddie Mac LPA cash out >80% to 85% subject to the following items that must be manually checked: 1 unit property only, primary residence only, fixed rate only, nonmanufactured homes, no financed MI, minimum 740 fico, standard loan amounts only (no high balance), nonstreamlined project reviews, and the associated LPA purchase restriction messaging can be disregarded.

Change: Effective as noted below, cash-out refinance mortgages with LTV/TLTV/HTLTV ratios above 80% will no longer be eligible.

Effective Date: The following cutoff dates apply to conventional conforming cash out refi 80.01 – 85%:

- Last day to lock: September 30, 2019
- Last day to purchase: October 31, 2019

**ALL IN ONE #801-MBI-FIX- 740 MINIMUM FICO NOW PERMITTED ON 5 YEARS FIXED >80% LTV**

**Summary:** A 740 minimum credit score (previously 760) is now eligible when the LTV exceeds 80% on the five year fixed product (#801-MBI-FIX). Guidelines will be updated and reposted September 3 with the following update:

**801 MBI AIO Eligibility Matrix**

Primary Residence & Second Home					
Type	Loan Amount	Purchase/Rate & Term		Cash Out	
		Max LTV	Min Score	Max LTV	Min Score
Full Doc	Up to \$625,000	85.01% – 90% <sup>(2)</sup>	760 <sup>(2)</sup>	n/a	n/a
	Up to \$850,000	80.01% – 85% <sup>(2)</sup>	760 <sup>(2)</sup>	n/a	n/a
	Up to \$1,000,000	80%	700	80%	700
	\$1,000,001 - \$1,500,000	75%	700	75%	700
	\$1,000,001 - \$1,500,000	80% <sup>(1)</sup>	720	N/A	N/A
	\$1,500,001 - \$2,000,000	70%	720	70%	720

1. Requires 15% of line in reserves and only available for purchase transactions
2. Up to 90% LTV with MI now eligible. Loans from 80.01 to 90% LTV are eligible for mortgage insurance subject to the following parameters:
  - o 1-unit primary residences
  - o Purchase and rate/term refinance transactions (cash-out not permitted)
  - o **Minimum credit score:**
    - 760: 801-MBI
    - 740: 801-MBI-5FIX (A minimum credit score of 740 is allowed when the loan has a fixed rate of interest for the first 5 years of the loan.)
  - o Loan Amount / LTV / MI Coverage:
    - Maximum 90% LTV to \$625,000 – 12% coverage required.
    - Maximum 85% LTV to \$850,000 – 6% coverage required.
  - o Approved MI Provider: Arch MI – AMG Coverage. Non-delegated submissions only.
  - o LPMI and BPMI single premium only (AMG master policy). (borrower paid monthly MI is not available)
  - o Additional requirements are as noted in [Part K – Private Mortgage Insurance](#) of these guidelines.

**Effective Date:** *Immediately*

**ALL IN ONE #801 PRIME NOW AVAILABLE**

**Summary:** CMG is announcing the release of the All In One #801-Prime product. This new All in One product will be serviced by Northpoint Bank and now available for Correspondent. See below for highlights.

**801-PRIME AIO ELIGIBILITY MATRIX**

Primary Residence <sup>(1,2)</sup> and Second Home <sup>(2)</sup>			
Purchase, Rate & Term and Cash Out – Primary & Second Home			
Occupancy	Max Loan Amount	Max LTV	Minimum Credit Score
Primary residence & Second Home <sup>(1)</sup>	\$1,000,000	80%	720
	\$1,500,000	75%	720
	\$2,000,000	70%	720
Non-Owner Occupied <sup>(1)</sup>			
Purchase and Rate and Term: Non-owner Occupied			
Occupancy	Max Loan Amount	Max LTV	Minimum Credit Score
Non-owner occupied	\$1,000,000	75%	720
Cash-Out <sup>(2)</sup> : Non-owner Occupied			
Occupancy	Max Loan Amount	Max LTV	Minimum Credit Score
Non-owner occupied	\$1,000,000 <sup>(1)</sup>	70%	720

1. Texas properties – second home and non-owner occupied only (no primary residences)
2. Non-Owner occupied, \$250,000 limit cash out
3. For non-owner occupied and second home transactions maximum number of properties financed is ten. For Primary Residence transactions the maximum number of financed properties is not limited.

**Additional Notes for all occupancy types:**

- Payment calculated at 1-month LIBOR Index + margin, by the LOC amount, amortized over 30 years.
- Max debt ratio = 40%
- Zero initial advances (draws) are not allowed. If a property is free and clear, the borrowers must verify their need for cash out of closing by submitting a letter of explanation.

**Geographic Restrictions:** Available in all 50 states. See guidelines for restrictions that apply to Texas, Massachusetts, and New York.

**Minimum Line Size:** No minimum.

**Maximum Draw Amount:** 99% of line

**Debt-to-Income Ratios:** Maximum 40%

**Property Types:**

- SFR's (modular and manufactured not permitted)
- 2-4 units properties
- Condo's; no litigation permitted
  - Non-Warrantable Condos considered on a case by case basis.

**Property Ownership Restrictions**

- Maximum number of financed properties:
  - If subject property is the primary residence: **Unlimited.**
  - If subject property is the second home: **10**
  - If subject property is a non-owner: **10**
- Borrowers are limited to four (4) loans or two million dollars (\$2,000,000) total in loans funded/purchased by CMG.
  - This program allows for up to four AIO loans per borrower. Total AIO exposure cannot exceed \$2,000,000 based on aggregate total line amounts. In addition, the following apply when a borrower has multiple AIO loans:
    - Investment properties must have a positive cash flow.
    - When using more than two (2) AIO loans, six months PITIA in reserves is required for each additional property. This is in addition to the reserves required for the subject property.
- Loan files must include the AIO simulator results in the loan file.

**Effective Date:** Guidelines, product and pricing available immediately.

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



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