

**BULLETIN # 2018-31**

**TO: Distribution**

**DATE:**  
September 5, 2018

**RE: CMG Financial Correspondent Lending Updates**

**EFFECTIVE: As noted below**

**CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

**Topics Covered in this Announcement:**

- Freddie Mac Updates Bulletin 2018-13
- Enhancement: Conventional Conforming Cash Out to 85% LTV
- Freddie Mac Number of Financed Properties

**FREDDIE MAC UPDATES BULLETIN 2018-13**

**Summary:** Freddie Mac has announced a number of upcoming changes. See below for highlights.  
**Freddie Bulletin:** <http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl1813.pdf>

**HOME POSSIBLE® MORTGAGES**

- Enhanced credit flexibilities and simplified Home Possible® Mortgage requirements through the consolidation of Home Possible and Home Possible Advantage® into a single offering – This is not effective until October 29, 2018.

**PAYMENT CALCULATION REQUIREMENTS FOR STUDENT LOANS**

- Currently, student loans that are in repayment are subject to different requirements than those that are in deferment or forbearance. Freddie Mac is aligning their requirements for student loans that are in repayment, deferment or forbearance, providing one simplified approach for the calculation of student loan debt.

For student loans in...	Previous requirements	New requirements
<b>Repayment</b>	Use the greater of: <ul style="list-style-type: none"> <li>• The payment amount on the credit report</li> <li>• 0.5% of the original loan balance</li> <li>• 0.5% of the current loan balance</li> </ul>	<ul style="list-style-type: none"> <li>• If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or</li> <li>• If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding balance, as reported on the credit report</li> </ul>
<b>Deferment</b>	Use the greater of: <ul style="list-style-type: none"> <li>• The payment amount on the credit report</li> <li>• 1% of the original loan balance</li> <li>• 1% of the outstanding balance</li> </ul>	
<b>Forbearance</b>		

**FLEXIBILITIES TO OUR CASH BACK REQUIREMENTS FOR "NO CASH -OUT " REFINANCE MORTGAGES**

- Previously, for a "no cash-out" refinance Mortgage, proceeds could be used to disburse cash to the Borrower (or other payee) not to exceed 2% of the new refinance Mortgage, or \$2,000, whichever was less. To provide flexibility in the disbursement of cash back to the Borrower, Freddie Mac is revising their requirements to permit cash back up to the greater of 1% of the Mortgage amount or \$2,000.

**MARKET CONDITIONS ADDENDUM TO THE APPRAISAL REPORT**

- The deletion of the requirement that Form 71 be provided with all appraisal reports  
Note: Fannie Mae also recently removed this requirement for DU conventional conforming loans.

**CONDOMINIUM PROJECT INSURANCE**

- Updates to the property, flood, liability and fidelity or employee dishonesty insurance requirements, including
  - Allow a Condominium Unit, including a Condominium Unit in a 2- to 4-unit Condominium Project, to be insured through an individual property insurance policy, in lieu of the condominium homeowners association (HOA) policy, if the condominium governing documents require. Common elements must be covered through the condominium HOA policy.
  - Allow a Condominium Unit in a 2- to 4-Unit Condominium Project to be insured through

an individual policy, in lieu of the condominium HOA policy for flood insurance, if the condominium governing documents require.

**Note:** 2-4 unit condo projects that do not have a master policy may be eligible when borrowers have their own insurance (ho-6 / ho-3 ) instead of a master policy for LPA transactions only.

- An increase to the allowable deductible for Condominium Projects

**Effective Date:** *Changes are effective immediately unless otherwise noted above.*

#### **ENHANCEMENT: CONVENTIONAL CONFORMING CASH OUT TO 85% LTV**

**Summary:** We are excited to announce that beginning Tuesday, September 4th, certain conventional conforming cash out transactions will be eligible for up to 85% LTV. Cash out transactions up to 85% LTV will be allowed subject to the following eligibility parameters:

- **LPA Transactions Only (Investor Designation must be "Freddie Only")**
- **1 unit property**
- **Primary residence only**
- **Fixed Rate only**
- **Minimum credit score: 740**
- **Manufactured homes are NOT eligible**
- **Financed mortgage insurance NOT permitted**
- **Standard loan amounts only; high balance not permitted**
- **Streamlined project reviews are not permitted**
- **Pricing adjustment applies**

**Action to Take:** Eligibility items are a manual check; associated LPA purchase restriction messaging can be disregarded.

**Link:** [CMG Conventional Guidelines](#)

**Effective date:** *This was effective September 4, 2018*

#### **FREDDIE MAC NUMBER OF FINANCED PROPERTIES**

**Summary:** As previously announced, Freddie Mac updated their maximum number of financed requirements effective August 20th. For second home and Investment Property Mortgages, the number of 1- to 4-unit financed properties that a Borrower individually is, and all Borrowers collectively are, obligated on to was six (including the subject property and the Borrower's Primary Residence).

Freddie Mac increased the maximum number of financed properties permitted to 10 provided that, when the number of financed properties is greater than six:

- The Mortgage Must:
  - Be a Loan Product Advisor Mortgage with a Risk Class of Accept
  - Have a minimum Indicator Score of 720
- The lender must verify reserves of eight months of the monthly payment on each additional second home and/or 1-4 unit Investment Property that is financed and on which the Borrower is obligated.

At this time, Loan Product Advisor is updated to reflect this change

**Investor Designation:** The investor designation matrix is updated to reflect that 7 or more properties underwritten with DU must be targeted as Fannie Only. (currently states 5-10)

**Link:** [Freddie Mac Bulletin 2018-10](#)

**Effective Date:** LPA transactions are now eligible for this enhancement; the update for Investor Designation requirements are effective immediately.

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



© 2018 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, California Finance Lenders Law No. 6063674. For information about our company, please visit us at [www.cmgi.com](http://www.cmgi.com). To verify our complete list of state licenses, please visit [www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org). For more information on State licenses, please visit <http://www.cmgi.com/corporate/licensing>

[Unsubscribe here](#), if you don't wish to receive these messages in the future.  
null, null null