

BULLETIN #2017-51

TO: Distribution

DATE: October 4, 2017

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- New Program Release-FHA's 203(h) Disaster Relief Program
- Disaster Area Update- Georgia

NEW PROGRAM RELEASE-FHA'S 203(H) DISASTER RELIEF

Summary: Effective immediately, CMG will purchase FHA's Section 203(h) mortgages. Section 203(h) of the National Housing Act authorizes FHA to insure Mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase or reconstruction of a Single Family Property. It allows FHA to insure mortgages made by qualified Mortgagees to victims of a Presidentially-Declared Major Disaster Area (PDMDA) who have lost their housing, or whose housing was damaged and are in the process buying another house. Section 203(h) loans must be processed and underwritten in accordance with the regulations and requirements applicable to the 203(b) program except when specifically addressed by the guideline addendum.

The new guideline addendum is posted on our website click below for link to addendum: [CMG 203\(h\) Disaster Relief FHA Guideline Addendum](#)

See below for a summary of highlights. Refer to the posted guideline addendum for full details.

PRODUCT CODES / PRICING – COMBINING 203(H) WITH 203(B)

Utilize standard CMG product codes for 203(b) transactions. FHA Connection will need to reflect 203(h) program eligibility when combining 203(b) with 203(h). Override may need to be requested from lock desk for LTVs exceeding FHA's standard 96.5%.

ELIGIBILITY & DOCUMENTATION HIGHLIGHTS

- Purchase only, rehab/reconstruction not permitted
- Single Family Property or a unit in an FHA-approved Condominium Project only. No manufactured homes. No 2-4 unit properties.
- Max LTV: The Borrower is not required to make the Minimum Required Investment (MRI). The maximum Loan-to-Value (LTV) ratio limit is 100 percent of the Adjusted Value. Override may need to be requested from lock desk for LTVs exceeding FHA's standard 96.5%.
- The FHA case number must be assigned within one year of the date the PDMDA is declared, unless an additional period of eligibility is provided.
- When a Borrower is purchasing a new house, the lender may exclude the Mortgage Payment on the destroyed residence located in a PDMDA from the Borrower's liabilities. To exclude the Mortgage Payments from the liabilities, the lender must:
 - obtain information that the Borrower is working with the servicing lender to appropriately address their mortgage obligation; and
 - apply any property insurance proceeds to the Mortgage of the damaged house
- The lender must document and verify that the Borrower's previous residence was in the disaster area, and was destroyed or damaged to such an extent that replacement is necessary.

Documentation attesting to the damage of the previous house must accompany the mortgage application. If purchasing a new house, the house need not be located in the area where the previous house was located.

Effective Date: *Immeidately*

Link: <http://docs.cmgfi.com/guidelines/FHA-203h-Disaster-Relief-WS-Corr.pdf>

DISASTER AREA UPDATE-GEORGIA

Summary: FEMA has issued a notice declaring an end to the Disaster Declaration in Georgia. The incident period for this disaster is closed effective September 20, 2017. In addition, the declaration is amended to include Charlton and Coffee Counties for Individual Assistance.

Links:

- <https://www.fema.gov/disaster/4338>
- <https://www.fema.gov/disaster/notices/amendment-no-3-4>
- <https://www.fema.gov/disaster/notices/amendment-no-2-14>
- <https://www.fema.gov/disaster/notices/amendment-no-1-13>

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

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