

BULLETIN # 2018-42

TO: Distribution

DATE: October 10, 2018

**RE: CMG Financial Correspondent Lending
Updates**

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- FANNIE MAE INCOME UPDATES- ANNOUNCEMENT 2018-08
- USDA- PREPARE FOR UPCOMING HB-1-3555 CHAPTER 9 INCOME ANALYSIS
- TEXAS TRANSACTIONS- ELIGIBILITY OF CONVERTING A6 TO NON A6
- UPDATED TRID POLICY
- REMINDER: JUMBO 6200,6600, 6700 AND Non-QM 7200 and 7600 SERIES DISCOUNT POINTS
- REMINDER: BAILEE & ENDORSEMENT REQUIREMENTS
- DISASTER UPDATE: HURRICANE MICHAEL

FANNIE MAE INCOME UPDATES- ANNOUNCEMENT 2018-08

Summary: Fannie Mae issued announcement 2018-08 that includes the following updates.

UNION MEMBERS

Fannie Mae is clarifying the policies related to employment verification to address borrowers who work in occupations that result in a series of short-term job assignments (such as a skilled construction worker, longshoreman, or stagehand), where a union facilitates the borrower's placement in each assignment. In these cases, the Fannie Mae Selling Guide now permits this type of union to provide:

- the verbal verification of employment for a union member who is currently employed, and
- an executed employment offer or contract for future employment for a union member who is not scheduled to begin employment until after the loan closes.
- All other existing requirements for employment offers or contracts still apply as noted in CMG guidelines

Effective Date: *Immediately*

EMPLOYMENT-RELATED ASSETS AS QUALIFYING INCOME

Fannie Mae has expanded their policy regarding employment-related assets used as qualifying income. They increased the maximum LTV, CLTV, and HCLTV ratio from 70% to 80% for loans where the asset owner is at least 62 years old at the time of the loan closing. If the asset(s) is jointly owned, all owners must be borrowers on the loan and the borrower whose employment-related asset is being used as income must be at least 62 years old at the time of closing.

Effective Date: *Desktop Underwriter® (DU®) will be updated in a future release to reflect this change. Until that time, loans that receive an Approve/Ineligible recommendation due to a LTV, CLTV, or HCLTV ratio over 70% may be eligible when the loan complies with the updated policy.*

Link: <https://www.fanniemae.com/content/announcement/sel1808.pdf>

USDA-PREPARE FOR UPCOMING HB-1-3555 CHAPTER "9" INCOME ANALYSIS REVISIONS

Summary: USDA is providing revision overview and advance notice for upcoming changes to the income analysis section of the handbook. USDA will issue a Special Procedure Notice (SPN) when the new Chapter 9 is published and the new version will be effective 60 days from the date of publication.

To assist lenders in preparing for the chapter changes the following items are available from the [USDA LINC Training and Resource Library](#) under "7 CFR 3555 Training":

- **"HB-1-3555 Chapter 9 Revision Overview":** This recorded webinar is 13 minutes in length and will provide an overview of specific revision highlights.
- **Handouts:** Webinar power point slides available for one slide per page, two slides per page, and one slide per page with notes.
- **Advance Copy:** Preview the entire handbook Chapter 9 that is pending publication.

Effective Date: *USDA will issue a Special Procedure Notice (SPN) when the new Chapter 9 is published. The new version will be effective 60 days from the date of publication. New Conditional Commitment requests submitted to USDA after the 60-day period must follow the revised chapter guidance.*

TEXAS-ELIGIBILITY OF CONVERTING A6 TO NON A6

Summary: Texas amendments now for a rate/term refinance of a home equity loan. Under the previous law, a home equity loan could only be refinanced into another home equity loan or reverse mortgage – commonly known as the "once a home equity, always a home equity" rule. Effective for new applications, a Texas home equity loan may be refinanced with a regulator rate/term refinance as long as all of the following conditions are met:

- Eligible programs*
 - Premier 6200 & 720
 - Expanded 6600 & 7600
 - Conventional conforming transactions
 - FHA transactions
 - VA transactions and
 - The following non-agency programs:

Note: – all program requirements for a rate/term must also be met

- The rate/term refinance cannot close until a full year has elapsed since the closing date the home

- equity loan was closed;
- The refinance may not include the advance of any additional funds other than:
 - Funds to pay off the secured debt, and
 - The actual costs and reserves to refinance the loan.

 - The principal loan amount cannot exceed 80% of the fair market value of the property
 - Correspondent Lender to defer to their legal and compliance departments for guidance.

 - The 12-Day Notice (aka Refinance Option Disclosure) must be delivered the borrowers no later than 3 business days after the application date and received by all owners/borrowers at least 12 calendar days prior to the closing/signing date.
 - Program Change: If the loan starts as a different program then changes to the A4, this notice must be delivered within 3 days of that program change to A4.

Effective Date: *October 15, 2018 New Applications*

Guidelines: CMG Guidelines, as applicable, will be updated and reposted this week. Eligible programs noted above.

UPDATED TRID POLICY

Summary: The new final TRID rule, commonly referred to as TRID 2.0, is effective on all applications received on or after 10/1/2018. The optional compliance period started 10/10/2017, so all loans may follow the updated provisions of the new rule as of that 2017 date.

Effective Date: *October 1, 2018*

Questions? Contact Compliance@cmgfi.com

REMINDER: JUMBO 6200, 6600, 6700 AND Non-QM 7200 and 7600 SERIES DISCOUNT POINTS

Summary: Before any discount points can be identified as Bona Fide, the rate must be improved by a minimum of 20 basis points for each discount point. If the note rate does not improve by at least 20 bp for each discount point, then discount points will NOT be identified as Bona Fide.

Effective Date: *Immediately*

REMINDER: BAILEE & ENDORSEMENT REQUIREMENTS

Summary: As a reminder CMG requires a Bailee letter prepared by the lender's warehouse bank when warehouse lines are used to secure interest in an original note. The Bailee letter or agreement should be addressed as follows: CMG Financial, without Recourse.

- Except in Ohio and New York the Original Note and Bailee letter must include proper endorsement as follows:
 - Pay to the order of:

- CMG Mortgage, Inc., dba CMG Financial Without Recourse

- In Ohio and New York, collateral Assignment/Allonge Endorsement is as follows:

- Pay to the order of:

- CMG Mortgage, Inc. without Recourse

Effective Date: *This is a reminder*

Link: [CMG Seller's Guide](#)

DISASTER UPDATE: HURRICAN MICHAEL

Summary: CMG is monitoring the impact of Hurricane Michael. In addition to the counties previously suspended in Florida, CMG is suspending fundings/purchases for properties located in the following counties for Alabama and Georgia:

Georgia: Baker, Brooks, Colquitt, Cook, Decatur, Early, Grady, Lowndes, Miller, Mitchell, Seminole, Thomas

Alabama: Baldwin, Coffee, Covington, Dale, Escambia, Geneva, Henry, Houston, Mobile

Fundings/purchases continue to be suspended for properties located in the following Florida counties:

Escambia, Santa Rosa, Okaloosa, Walton, Holmes, Washington, Bay, Jackson, Calhoun, Gulf, Gadsden, Liberty, Franklin, Leon, Wakulla, Jefferson, Madison, Taylor, Hamilton, Suwannee, Lafayette, Dixie, Columbia, Gilchrist, Levy and Citrus

CMG Corporate Credit is monitoring the situation and will provide additional updates regarding Disaster Policy implementation for impacted areas.

Links: [CMG Disaster Policy](#)

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