TO: Distribution  
DATE: October 14, 2020

RE: CMG Financial Correspondent Lending Updates 2020-71  
EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Disaster Area Updates - Florida
- Disaster Area Update - Louisiana Parishes & Mississippi Counties
- FHA Temporary Waiver Interior Photos for Disaster Inspections
- Reminder - Seller Contributions
- USDA Lapse in Funding Reminder

DISASTER AREA UPDATES - Florida

Summary: Florida FEMA posted an updated declaration for Florida due to the impact of Hurricane Sally: DR-4564

Incident Date: September 14, 2020  
End Date: TBD  
Declared Date: September 23, 2020

CMG’s Disaster Policy applies to the following counties:

- Bay, Escambia, Okaloosa, Santa Rosa, Walton

DISASTER AREA UPDATES - Louisiana Parishes & Mississippi Counties

Summary: At this time, CMG’s disaster policy applies to the below parishes and counties in Louisiana and Mississippi. The suspension is lifted and purchases may resume with an appropriate disaster area inspection. In some cases, it may be prudent to obtain an inspection if the subject property is in a known impacted area even if the county/parish is not listed below. The below have been identified by FEMA for Public Assistance but at this time FEMA has not assessed for individual assistance.
Effective Date: CMG’s Disaster Policy is in effect for the above noted counties and parishes even though there is not yet a FEMA declaration for individual assistance.

Link/Sources:
CMG’s Disaster Area Policy
White House Statement Approving Emergency Declaration
NOAA Hurricane Delta
https://www.fema.gov/disaster/3548
https://www.fema.gov/disaster/3547

FHA TEMPORARY WAIVER INTERIOR PHOTOS FOR DISASTER INSPECTIONS

Summary: FHA issued INFO #20-73 this week providing a temporary waiver for “interior” photographs when performing damage inspections on properties in Presidentially Declared Major Disaster Areas (PDMDAs). Exterior photos are required for any damaged properties in a PDMDA. This waiver also brings the inspection policy in line with the “exterior only” appraisal policy as a result of COVID-19.

Link to FHA Announcements Archives: https://www.hud.gov/program_offices/housing/sfh/FHA_info_messages

REMINDER- SELLER CONTRIBUTIONS

Summary: As a reminder, seller contributions are not permitted to be used to make the borrower’s down payment, meet financial reserve requirements, or meet minimum borrower contribution requirements. Interested party contributions that exceed closing costs or the limits of the program are considered financing concessions (inducements to purchase) and are NOT eligible to be treated simply as a principal reduction. The underwriter must review and treat the excess contribution per underwriting guidelines as financing concession (GSE terminology) or inducement to purchase (FHA terminology). The property’s sales price must be adjusted downward to reflect the amount of contribution that exceeds the maximum, and the maximum LTV/CLTV ratios must be recalculated using the reduced sales price or appraised value.

See below for additional references to Fannie Mae and FHA Guidance.

Reference Fannie Mae: Selling Guide 3-4.1.03 Interested Party Contributions B3-4.1.03, Types of Interested Party Contributions (IPCs)
FHA - What seller contributions are considered inducements to purchase?

Inducements to Purchase are treated the same way for both TOTAL and Manual underwriting. Inducements to Purchase refer to certain expenses paid by the seller and/or another Interested Party on behalf of the Borrower and result in a dollar-for-dollar reduction to the Adjusted Value of the property before applying the appropriate Loan-to-Value (LTV) percentage. These inducements include, but are not limited to:

- contributions exceeding 6 percent of the Purchase Price;
- contributions exceeding the origination fees, other closing costs and discount points;
- decorating allowances;
- repair allowances;
- excess rent credit;
- moving costs;
- paying off consumer debt;
- Personal Property;
- sales commission on the Borrower’s present residence; and
- below-market rent, except for Borrowers who meet the Identity-of-Interest exception for Family Members.

(1) Personal Property

Replacement of existing Personal Property items listed below are not considered an inducement to purchase, provided the replacement is made prior to settlement and no cash allowance is given to the Borrower. The inclusion of the items below in the sales agreement is also not considered an inducement to purchase if inclusion of the item is customary for the area:

- range
- refrigerator
- dishwasher
- washer
- dryer
- carpeting
- window treatment
- other items determined appropriate by the Homeownership Center (HOC)
(2) Sales Commission
An inducement to purchase exists when the seller and/or Interested Party agrees to pay any portion of the Borrower's sales commission on the sale of the Borrower's present residence. An inducement to purchase also exists when a Borrower is not paying a real estate commission on the sale of their present residence, and the same real estate broker or agent is involved in both transactions, and the seller is paying a real estate commission on the property being purchased by the Borrower that exceeds what is typical for the area.

(3) Rent Below Fair Market
Rent may be an inducement to purchase when the sales agreement reveals that the Borrower has been living in the property rent-free or has an agreement to occupy the property at a rental amount considerably below fair market rent. Rent below fair market is not considered an inducement to purchase when a builder fails to deliver a property at an agreed-upon time, and permits the Borrower to occupy an existing or other unit for less than market rent until construction is complete.

For additional information see Handbook 4000.1 II.A.4.d.iii(H) and II.A.5.c.iii(H) at https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsg

USDA LAPSE IN FUNDING REMINDER

Summary: At the beginning of each fiscal year, funding for the guaranteed loan program is not available for a short period of time – approximately two weeks. USDA anticipates this brief lapse in funding to continue for FY 2021. During the temporary lapse in funding, Rural Development-Rural Housing Service (RHS) will issue Conditional Commitments (Form RD 3555-18/18E) “subject to the availability of commitment authority” for purchase and refinance transactions.

- For standard USDA products CMG will fund Rural Development loans for eligible applicants that are issued “subject to the availability of commitment authority”.

Link: Weekly Memo September 18, 2020

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