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**TO: Distribution**

**DATE: October 14, 2020**

**RE: CMG Financial Correspondent Lending  
Updates 2020-71**

**EFFECTIVE: As noted below**

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### **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.

Louisiana				
Acadia	Allen	Ascension	Assumption	Avoyelles
Beauregard	Calcasieu	Cameron	Catahoula	Concordia
East Baton Rouge	East Feliciana	Evangeline	Iberia	Iberville
Jefferson	Jefferson Davis	Livingston	Lafayette	Lafourche
Orleans	Ouachita	Plaquemines	Pointe Coupee	Rapides
St. Bernard	St. Charles	St. Helena	St. James	St. John the Baptist
St. Landry	St. Martin	St. Mary	St. Tammany	Tangipahoa
Tensas	Terrebonne	Vermilion	Washington	West Baton Rouge
West Feliciana				
Mississippi				
Adams	Amite	Claiborne	Copiah	Forrest
Franklin	George	Hancock	Harrison	Hinds
Humphreys	Issaquena	Jackson	Jefferson	Jefferson Davis
Lawrence	Lincoln	Madison	Marion	Pearl River
Pike	Rankin	Sharkey	Simpson	Stone
Walthall	Warren	Wilkinson	Yazoo	

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 PDMMA. 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 3-4.1.02 Interested Party Contributions](#) B3-4.1.03, [Types of Interested Party Contributions \(IPCs\)](#)

#### Lender Checklist for IPCs (Fannie Mae)

The lender must ensure that all of the following requirements for an IPC are satisfied.

✓	Lender Checklist for IPCs
	Ensure that any and all IPCs have been identified and taken into consideration.
	Provide the appraiser with all appropriate financing data and IPCs for the subject property granted by anyone associated with the transaction.

✓	<b>Lender Checklist for IPCs</b>
	Ensure that the property value is adequately supported.
	Ensure that the LTV and CLTV ratios, after any IPCs are taken into consideration, remain within Fannie Mae's eligibility limits for the particular product.
	Ensure that mortgage insurance coverage, if applicable, has been obtained, based on the LTV ratio after any IPC adjustments have been made.
	Scrutinize all loan and sales contract documents, including but not limited to the sales contract, the loan estimate, the <i>Uniform Residential Loan Application</i> (particularly Section VII, Details of Transaction), the appraisal report, and the settlement statement.
	Ensure that all elements of the settlement statement were taken into consideration during the underwriting process.
	Ensure that fees and expenses are consistent between all documents. Analyze any differences and review any discrepancies.

**See below for more details that FHA publishes in their FAQ:**

**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/hsgq](https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgq)

**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.***



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