

TO: Distribution

DATE: October 16, 2019

RE: CMG Financial Correspondent Lending
Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Disaster Update: Texas
- Freddie Mac Updates

DISASTER UPDATE: TEXAS

Summary: Due to Tropical Storm Imelda, FEMA has issued Major Disaster Declaration DR 4466 with individual assistance for the following counties in Texas:

Chambers, Harris, Jefferson, Liberty

Incident Period: September 17, 2019 - September 23, 2019
Major Disaster Declaration declared on October 04, 2019

CMG's Disaster Policy must continue to be adhered to. These counties required application of the disaster policy effective September 20th based on a designation from Corporate Credit.

At this time, CMG will remove the following counties from the Disaster List as they are not included in the FEMA declaration: **Brazoria, Galveston, Hardin, Jasper, Matagorda, Newton, and San Jacinto counties.**

FHA Reminder:

- 14 Days from the Incident Period Start Date = October 1, 2019
- For FHA transactions all properties with pending Mortgages or endorsements in areas under a Presidentially-Declared Major Disaster Areas (PDMDA) designated for individual assistance must have a damage inspection report that identifies and quantifies any dwelling damage. The damage inspection report must be completed by an FHA Roster Appraiser even if the inspection shows no damage to the Property, and the report must be dated after the Incident Period (as defined by FEMA) or 14 Days from the Incident Period start date, whichever is earlier. If the effective date of the appraisal is on or after the date required above for an inspection, a separate damage inspection report is not necessary.

Links:

<https://www.fema.gov/disaster/4466>
[CMG Disaster Policy](#)

FREDDIE MAC UPDATES

Summary: Freddie Mac recently issued Bulletin 2019-20 addressing several topics. Topics include, but are not limited to, the below:

CASH BACK ON PURCHASE TRANSACTION MORTGAGES & PRINCIPAL CURTAILMENTS

- The Borrower may receive cash back, or a principal curtailment may be made, only as a result of the following:
- Reimbursement for the overpayment of costs, fees and charges paid by the Borrower in connection with the purchase transaction Mortgage. Examples of such overpayments include, but are not limited to, an earnest money deposit exceeding the required down payment amount, a fee paid at loan application that is covered by a financing concession at loan closing, a Closing Cost that is reduced after closing, or gift funds given at loan closing and exceeding the amount needed for closing.
- In jurisdictions where real estate taxes are paid in arrears, receipt of funds from the property seller for real estate taxes that cover a period prior to the Note Date.
- Refunds mandated by federal laws or regulations.
- The minimum Borrower contribution, if applicable, must be met at closing). If the projected cash back, as described above, results in the Borrower not meeting the minimum Borrower contribution at closing, the excess amount of the cash back must be applied as a principal curtailment.
- Any cash back or principal curtailment, as described above, must be reflected on the Settlement/Closing Disclosure Statement. In instances of reimbursement for the overpayment of costs, fees and charges, and/or refunds mandated by federal law or regulation, the Mortgage file must include documentation supporting the amount and the reason for the reimbursement and/or refund.

INCOME REQUIREMENTS

In response to industry feedback and to provide greater specificity, Freddie Mac is updating their requirements for employed income analysis and calculation, with a focus on base non-fluctuating and fluctuating hourly employment earnings and additional fluctuating employment earnings (e.g., commission, bonus, overtime and tip income). The changes include:

- Adding a requirement that for base hourly earnings to be considered non-fluctuating for the purpose of income calculation, the Borrower must have a documented history of working the same number of hours with the same employer for a minimum of six months.
- Clarification that “fluctuating hourly employment earnings” are considered to be wages that are based on an hourly rate of pay and where the number of hours fluctuate each pay period
- Alignment of income calculation requirements for all fluctuating employment income types (hourly base, overtime, bonus, commission and tips). The calculation is based on whether the income trend is determined to be consistent, increasing or declining.
- Adding requirements for additional analysis when income fluctuation between the prior year(s) and yearto-date exceeds 10%. As part of this change, the requirement for additional analysis when earnings show “a high degree of volatility or an irregular pattern” is being removed.

Guide impacts: Guide Sections [5301.1](#) and [5303.2](#) through [5303.4](#)

New guidance should be applied immediately but must be applied to all loans closed/funded after March 20, 2020.

MONTHLY HOUSING AND DTI RATIOS

Freddie Mac is updating their Guide to require that flood insurance and special assessments with more than 10 monthly payments remaining be included in the monthly housing expense-to-income ratio for the subject property and in the monthly DTI ratio for any other property owned, as these items can have a significant impact on the Borrower's ability to meet his or her monthly obligations.

Guide impacts: Section [5401.1](#) and [5401.2](#)

New guidance should be applied immediately.

EMPLOYER ASSISTED HOMEOWNERSHIP (EAH) BENEFIT

Freddie Mac is revising requirements for Employer Assisted Homeownership (EAH) Benefits as follows:

- Removing the requirement that the EAH Benefit must permit the Borrower to continue making payments on the loan in the event the Borrower no longer works for the employer. This change better aligns with employer benefit programs and applies to EAH Benefits that are both unsecured loans and secured loans.
- For EAH Benefits that are unsecured loans, specifying that those funds may be used only for Down Payment and Closing Costs. We are also removing several requirements specific to repayment terms.
- For EAH Benefits that are secured loans with regular monthly payments, clarifying that those payments must be included in the monthly housing expense-to-income ratio.

Guide impacts: Sections: [4204.01](#), [4204.2](#) and [5501.4](#)

Effective Date: *Immediately*

FLORIDA CONDOS AND STREAMLINE REVIEWS

In addition, in Bulletin 2019-11, Freddie Mac updated several condo eligibility criteria. To provide greater access to credit, they increased the maximum total loan-to-value (TLTV) ratio and Home Equity Line of Credit TLTV (HTLTV) ratio requirements for a Mortgage secured by a Condominium Unit in an Established Condominium Project located in Florida to be eligible for streamlined review. The new loan-to-value (LTV)/TLTV/HTLTV ratio requirements are as follows:

- Primary Residences: 75/90/90%
- Second homes and Investment Properties: 70/75/75%

Links:

<https://guide.freddie.mac.com/app/guide/bulletin/2019-20>

<https://guide.freddie.mac.com/app/guide/bulletin/2019-11>

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



© 2019 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. 6053674. For information about our company, please visit us at www.cmgfi.com. To verify our complete list of state licenses, please visit www.nmlsconsumeraccess.org. For more information on State licenses, please visit <http://www.cmgfi.com/corporate/licensing>.

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

null, null null