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**TO: Distribution**

**DATE: October 21, 2020**

**RE: CMG Financial Correspondent Lending  
Updates 2020-73**

**EFFECTIVE: As noted below**

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### CMG FINANCIAL CORRESPONDENT LENDING UPDATES

#### Topics Covered in this Announcement:

- Choosing LPMI vs EPMI or IMAGIN
- Freddie Mac Updates Bulletin 2020-38

#### CHOOSING LPMI PRODUCT VS EPMI OR IMAGIN

**Summary:** As a reminder, CMG offers agency paid mortgage insurance (APMI) products as an alternative to the borrower-paid mortgage insurance (BPMI) and lender-paid mortgage insurance (LPMI) options that most lenders have. Fannie Mae's Enterprise- Paid Mortgage Insurance (EPMI) and Freddie Mac's "IMAGIN" offerings provide another option for obtaining mortgage insurance that satisfies MI requirements for high-LTV loans. If pricing is comparable or better for an APMI product code vs LPMI, an APMI product may help streamline the origination process. This is not a "No MI" product; however, there is no additional due diligence required for meeting MI company specific overlays or approvals and no separate mortgage insurance certificate that must be obtained.

#### Agency Paid Mortgage Insurance requires specific program codes to be utilized:

- "EPMI" product codes are used for agency paid mortgage insurance underwritten with DU.
- Freddie/LPA loans must utilize "IMAGIN" product codes.

**Eligibility:** 1-2 unit properties only (3-4 unit not permitted). No manufactured homes. Minimum LTV 80.01. Follow all other standard CMG conventional conforming guidelines.

**Effective Date:** This is a reminder that agency paid mortgage insurance products are an alternative to the traditional mortgage insurance acquired by lenders.

#### FREDDIE MACE UPDATES BULLETIN 2020-38

**Summary:** Freddie Mac has announced the below updates and clarifications.

#### Monthly Home Equity Line of Credit (HELOC) Payments:

- Freddie Mac is now permitting the use of 1.5% of the outstanding HELOC balance when the HELOC monthly payment amount is not captured in the Mortgage file documentation or on the credit report. However, documentation of the HELOC terms, including the payment amount, continues to be required for HELOC's originated concurrently with the First Lien Mortgage.

**PUDS:**

- Lenders are no longer required to verify insurance for the Common Elements in a PUD and ground lease community or to verify if a master or blanket insurance policy provides insurance coverage for Common Elements. Lenders must continue to verify and maintain evidence of insurance, as required by the Guide on any individual unit in a PUD and ground lease community, or a PUD master/blanket insurance policy.

**Additional Guide Updates and Reminders:**

- LPA – Freddie Mac is updating LPA Feedback messages to remove the Minimum Assessment Feedback (MAF).
- Tax- Exempt Social Security Income – Freddie Mac is providing a specific example regarding the recently announced requirements that permit for the income to be grossed up 15% without obtaining documentation evidencing the income is tax-exempt.

For Social Security income (i.e., retirement income, disability benefits, survivor benefits and Supplemental Security Income), the underwriter may gross up 15% of the income without obtaining additional documentation. For example, if the Borrower's Social Security income is \$1,000/month, the underwriter can gross up \$150 (i.e., 15% of \$1,000) without obtaining documentation that this portion of the income is tax exempt. Using 25% as the income adjustment factor, the income is calculated as follows:

$$\$150 \times 25\% = \$37.50$$

$$\$1,000 + \$37.50 = \$1,037.50$$

\$1,037.50 can be used for qualifying without obtaining tax returns or other documentation evidencing that the income is tax exempt.

The underwriter must obtain additional documentation in order to gross up the entire amount of income (i.e., \$1,000) for use in qualifying the Borrower.

**Effective Date:** *Updates and clarifications are effective immediately. For the HELOC calculation, Loan Product Advisor® messaging will be updated accordingly at a later date.*

Link: [Freddie Mac Selling Guide Bulletin 2020-38](#)

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



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