

BULLETIN # 2018-45

TO: Distribution

DATE: October 24, 2018

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- USDA FY 2019 SFH Guaranteed Funds Now Available
- USDA HB-1-3555 Chapter 9 Revision Effective Date
- Disaster Updates Summary
- Freddie Mac Bulletin 2018-18 Updates
- Fannie Mae Alert – Five More Fictitious Employers

USDA FY 2019 SFH GUARANTEED FUNDS NOW AVAILABLE

Summary: Fiscal Year (FY) 2019 funding for Rural Development's Single Family Housing Guaranteed Loan Program is now available. Loan guarantee requests that received Form RD 3555-18E, "Conditional Commitment for Single Family Housing Loan Guarantee" (aka Conditional Commitment), contingent upon the availability of an appropriation, will be obligated in the Agency's financial system over the next 2-3 business days. An updated Conditional Commitment will be electronically generated by the Agency to remove the "contingent upon" language. Lender receipt of the updated Conditional Commitment will signal the request has been successfully obligated by the Agency.

NOTE: Closing transactions are not eligible for submission to USDA until a loan is successfully obligated.

Once the loan has closed (including loans that were closed prior to the obligation of funds by the Agency) the lender may submit their request for Loan Note Guarantee along with a closing package. For manually submitted packages, ensure the lender certification on the Conditional Commitment is signed and dated after the Agency's obligation date (the issuance date on the updated Conditional Commitment). Lenders using the Agency's automated Lender Loan Closing (LLC) system will complete the lender certification electronically (i.e. no manual signature/date required).

Effective Date: *October 18, 2018*

USDA -HB-1-3555 CHAPTER 9 REVISION EFFECTIVE DATE

Summary: [Procedure Notice \(PN\) 518](#) has been published for the Single Family Housing Guaranteed Loan Program on October 16, 2018. The PN states that the revised HB-1-3555 Chapter 9 will be effective on December 15, 2018.

Complete loan application packages submitted to USDA for Conditional Commitment requests beginning December 15, 2018 must meet the new HB Chapter 9 guidance.

The following items remain available on 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 will be effective December 15, 2018.

Effective Date: *December 15, 2018*

DISASTER UPDATES SUMMARY

Summary: FEMA has posted additional counties in Florida and Georgia and Wisconsin for individual assistance. Below is a current summary. This list continues to be subject to change as FEMA provides updates. These declarations for Florida (4399) and Georgia (4400) do not yet have an incident end date. There is an end date for Wisconsin (4402.)

As a reminder, FHA closings/purchases are not eligible in counties with FEMA declared individual assistance until a FEMA end date is declared (or FHA issues a waiver for the end date) and a disaster inspection is obtained.

Florida Designated Counties (Individual Assistance):

Bay, Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Leon, Liberty, Taylor, Wakulla, Washington

Incident Period: October 07, 2018
Major Disaster Declaration declared on October 11, 2018
<https://www.fema.gov/disaster/4399>

Georgia Designated Counties (Individual Assistance):

Baker, Crisp, Decatur, Dougherty, Early, Grady, Lee, Miller, Mitchell, Seminole, Terrell, Thomas, Worth

Incident Period: October 09, 2018
Major Disaster Declaration declared on October 14, 2018
<https://www.fema.gov/disaster/4400>

Wisconsin Designated Counties (Individual Assistance):

Crawford, Dane, Juneau, La Crosse, Monroe, Richland, Sauk, Vernon
<https://www.fema.gov/disaster/4402>

CMG's Disaster Policy Link: [CMG Disaster Area Policy](#)

FREDDIE MAC BULLETIN 2018-18 UPDATES

Summary: Freddie Mac has announced updates to Loan Collateral Advisor and requirements for condominium projects. Below are some significant updates. Please refer to Freddie Bulletin for complete

details, as needed.

LOAN COLLATERAL ADVISOR - EFFECTIVE OCTOBER 31 , 2018

Freddie Mac is making enhancements to Loan Collateral Advisor that will create appraisal review efficiencies, increase eligibility rates for representation and warranty relief for property value only and extend value representation and warranty relief for Mortgages secured by Condominium Units.

Loan Collateral Advisor enhancements will provide:

- Simplified risk scoring system
 - A single-risk score instead of the current two-score structure, which will make the appraisal review process more efficient and will be communicated to the Lender as the Loan Collateral Advisor risk score. The Loan Collateral Advisor risk score will be represented by a single score on a scale of one to five, provided in .5 increments, with one representing the lowest appraisal valuation risk score.
 - Greater transparency into our relief eligibility by identifying our representation and warranty relief threshold. Eligible Mortgages with loan-to-value (LTV)/ total LTV (TLTV)/ Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios less than or equal to 95% that have an appraisal with a Loan Collateral Advisor risk score of 2.5 or less will receive representation and warranty relief.
- Clearer feedback messaging – Fewer feedback messages will be returned on appraisals that are eligible for value representation and warranty relief and a redefined message structure will now group messages into categories. The revised messaging system will provide greater clarity to help identify potential issues during the appraisal review process.

For all eligible Mortgages, representation and warranty relief will be provided for value only to increase the overall relief eligibility rates. Lenders will no longer receive representation and warranty relief for condition and marketability of the Mortgaged Premises.

- For Mortgages that are eligible for value representation and warranty relief Lenders are responsible for ensuring the Mortgaged Premises meets our eligibility requirements, the accuracy and completeness of the appraiser's description of the subject property and for the requirements in Section 5601.9.
- Lenders will not be responsible for underwriting the appraisal to ensure the opinion of market value is accurate and adequately supported, the appraiser explaining how the final value conclusion was determined and the appraiser making appropriate adjustments.

CONDOMINIUM PROJECT REQUIREMENTS – EFFECTIVE IMMEDIATELY

Established and New Condominium Projects unit conveyance

- Established Condominium Projects: Unit conveyance requirement is changing from at least 90% unit conveyance to the unit purchasers to at least 75% for projects with greater than four units
- New Condominium Projects: Unit conveyance requirements changing from less than 90% unit conveyance to the unit purchasers to less than 75% for projects with greater than four units

Ineligible projects – Single entity ownership

- Increasing single entity ownership concentration maximum for projects with 21 or more units from 10% to 25%

Condo Project Review - 2- to 4-Unit Condominium Projects (Effective Date: TBD)

Freddie Mac has a new delivery option, Exempt From Review, for Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects. If the Lender chooses to deliver a Mortgage secured by a Condominium Unit in a 2- to 4-Unit Condominium Project as Exempt From Review:

- Lenders must comply with the Condominium Project eligibility requirements in Section 5701.2(b)
- Ineligible project requirements in Section 5701.3 are no longer applicable for 2- to 4- Unit Condominium Projects
- Lenders may continue to deliver Mortgages secured by Condominium Units in 2- to 4-Unit Condominium Projects as "Streamlined Review" or "Full Review," if the requirements in Sections 5701.4, 5701.5 or 5701.6 are met.
- Additionally, the requirements for liability insurance for 2- to 4-Unit Condominium Projects for all review types have been eliminated from Section 8202.5.

NOTE: At this time, CMG only permits limited or full reviews but is looking to release this delivery option in the future.

Investment property - Streamlined review of Condominium Units in Established Condominium Projects

- Freddie Mac is allowing Investment Property Mortgages with maximum LTV/TLTV/HTLTV ratios of 75% to be eligible for streamlined project reviews (previously an ineligible occupancy type).

Note:

The maximum allowable LTV/TLTV/HTLTV ratio is 70% for Mortgages secured by Condominium Units in Florida projects.

Link: <http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bll1818.pdf>

Effective Date: *As noted above*

FANNIE MAE UPDATED FRAUD ALERT: FIVE MORE FICTITIOUS EMPLOYERS

Summary: Fannie Mae has made further updates to the Fannie Mae fraud alert, "Misrepresentation of Borrower Employment," originally posted on May 24, 2018, which identified apparently fictitious employers being used on loan applications in Southern California. We have added five more apparently non-existent employers. View the updated [fraud alert](#) and other resources on our [Mortgage Fraud Prevention page](#).



Effective Date: *Immediately*

Please contact your Correspondent National Sales Manager

or your Correspondent Liaison with any questions.



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