



TO: Distribution

DATE: October 30, 2019

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- USDA FISCAL YEAR FUNDS AND OTHER UPDATES
- HOMEBUYER EDUCATION AND COUNSELING REMINDERS

USDA FISCAL YEAR FUNDS AND OTHER UPDATES

Summary: Please see the below for USDA updates regarding FY 2019 funds availability, data tolerances, and maximum interest rate.

FISCAL YEAR 2020 SFH GUARANTEED FUNDS NOW AVAILABLE

Fiscal Year (FY) 2020 funding for Rural Development's Single Family Housing Guaranteed Loan Program is now available.

Loan guarantee requests that received Form RD 3555-18/18E, "Conditional Commitment for Single Family Housing Loan Guarantee" 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 loan closing 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).

USDA DATA TOLERANCES

Recently, revisions were made to the tolerance threshold outlined in HB-1-3555, Chapter 5, "Origination and Underwriting Review." A [PN 529](#) was issued on October 4, 2019.

The new guidance under Paragraph 5.3G reads as follows:

"A tolerance threshold has been established when an increase in monthly payments do not exceed a cumulative total of \$50. Examples of these debts include but are not limited to installment loans, revolving credit lines, real estate taxes, final homeowner's insurance premiums, etc. This tolerance threshold applies to situations where an increase in monthly debt provided on the loan application at time of Conditional Commitment differs from the amount recorded at loan closing."

The established tolerance is applicable to the overall increase in the borrower's monthly debts and is not restricted to taxes and insurance only. Chapter 10, "Credit Analysis" of HB-1-3555 is currently under clearance and will provide additional guidance related to increases to the applicant's cumulative debt after the issuance of a Conditional Commitment.

ELIMINATION OF MAXIMUM INTEREST RATE CAP

The maximum interest rate cap was eliminated effective October 1, 2019 for all SFHGLP loans. Loans approved

and obligated prior to October 1, 2019 are still subject to the interest rate approved on the Conditional Commitment. However, lenders have the opportunity to resubmit the loan at a different interest rate.

When the Conditional Commitment (CC) has been issued but the loan has not closed, the guidance for resubmitting the loan to GUS may be found in paragraph 5.3(M) "Resubmission Policy." Any request to release GUS for data updates after the issuance of a Conditional Commitment will be treated as a new request and processed in the date order that the application was received.

When the CC has been issued and the loan has closed for a higher interest rate, the guidance for corrections can be found in paragraph 16.6(C) "Unacceptable Closing Documents." The lender may request to have the loan released back to increase the rate to match the promissory note. If the lender can make the necessary corrections and the Agency can ensure the loan meets regulatory requirements, a loan note guarantee will be issued.

Note: USDA loans are not eligible for purchase if the interest rate exceeds the rate on the Conditional Commitment.

HOME BUYER EDUCATION AND COUNSELING REMINDERS

HOMEREADY – FRAMEWORK FEE WAIVER

On October 23rd, Fannie Mae officially began waiving the Framework homeownership \$75 course fee.

- Lenders should continue to direct borrowers to register for the course through the existing HomeReady Framework URL: <https://homeready.frameworkhomeownership.org/>
- Payment fields have been removed.
- To qualify for the \$75 course waiver, borrowers must enroll on or after October 23rd.
- For reference, certificates of completion will include the course enrollment date.

POLICY CHANGES FOR HOMEOWNERSHIP EDUCATION REQUIREMENTS ARE TARGETED TO TAKE EFFECT DECEMBER 7, 2019.

- Non-HomeReady Purchase loans with LTV, CLTV, or HCLTV > 95%:
 - Today: Homeownership education is not required.
 - December 7: New loan casefiles submitted to Desktop Underwriter® (DU®) on or after the weekend of December 7, 2019 will require that at least one borrower on a mortgage loan with an LTV/CLTV/HCLTV > 95% completes homeownership education, regardless of the mortgage product chosen. This applies to loans where ALL occupying borrowers are first-time homebuyers.
- HomeReady Purchase loans:
 - Today: Homeownership education is required, even if borrowers are not first-time homebuyers.
 - December 7: New loan casefiles submitted to Desktop Underwriter® (DU®) on or after the weekend of December 7, 2019 will require homeownership education for at least one borrower only if ALL occupying borrowers are first-time homebuyers, regardless of LTV.

Effective Date: See above for additional Fannie Mae changes coming in December.

*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.cmgni.com. To verify our complete list of state licenses, please visit www.nmlsconsumeraccess.org. For more information on State licenses, please visit <http://www.cmgni.com/corporate/licensing>.

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