

**BULLETIN #2014-33**

**TO:** Distribution

**DATE:** November 12, 2014

**RE:** Appraisal Transfer Policy, Matrix Clarifications, AUS Resubmissions

**EFFECTIVE DATE:** Immediately

**Items covered in this announcement:**

- **New:** Conventional, Conforming Appraisal Transfer Policy
- Clarifications - Loan Program Matrices & Guidelines
- Automated Underwriting Resubmission Best Practice

**Effective Immediately:**

**New: Conventional, Conforming Appraisal Transfer Policy**

CMG Financial will accept appraisals transferred from another lender to the Correspondent Seller for conventional, conforming loans. As per the terms of the Seller's Loan Purchase Agreement and [CMG's Seller Guide](#), Chapter 6, Section 6, the Correspondent Seller is responsible for the appraisal quality and adhering to all appraisal regulatory and compliance requirements. Please refer to CMG's rate sheet for applicable loan level price adjustments.

**Clarifications - Loan Program Matrices & Guidelines**

With the recent publication of CMG's new [Loan Program Matrices & Guidelines](#), a number of questions have arisen. The following provides a brief summary of those questions and the corresponding clarifications.

- **No CLTV limit for VA Purchase and Refinance Transactions**  
There continues to be no CLTV limits on VA purchase and refinance transactions. The GNMA eligibility criteria of 25% Guaranty/Equity continues to be required. The reference to 100% CLTV cap has been removed from the [Loan Program Matrix](#).
- **Business assets may be an acceptable source of funds**  
For self-employed borrowers, business assets may be an acceptable source of funds for the down payment, closing costs and financial reserves when the individual federal income tax returns have been evaluated by the Seller, including, if applicable, the business federal income tax returns for that particular business (non-Schedule C). The borrower must be listed as an owner of the account and the account must be verified. The Seller must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business. [Loan Program Matrices & Guidelines](#) have been updated.
- **Lender Paid Single Premium** mortgage insurance (LPMI) is acceptable for conventional, conforming loans.
- **VA Loan Matrix has been updated:**
  - The statement indicating a High Balance product code is to be used for all loan amounts exceeding \$417,000 has been removed.
  - Loan amounts exceeding conventional standard loan amount will continue to utilize "High Balance" product codes.
  - Eligibility criteria based on whether or not a loan exceeds \$417,000 will remain the same regardless of whether the loan is priced as high balance.
- **USDA Matrix** disclaimer has been updated to reference USDA/GUS.

- **Non-Agency Matrix** appropriately indicates
  - Condotel loan amounts are acceptable from \$100,000 to \$1.5 Million with the indicated LTV/CLTV/HCLTV, FICO, Reserves and DTI limitations.
  - Non-Warrantable Condo loan amounts are acceptable from \$100,000 to \$2.5 Million with all the published Non-Agency program guidelines.

### **Automated Underwriting Resubmission Best Practice**

CMG Financial recognizes the importance of Automated Underwriting Systems (AUS) in the origination of mortgage loans. As outlined in the external resources below, fraud detection is an important part of the mortgage lending process. For this reason, CMG would like to remind its Sellers of the following industry best practices associated with AUS resubmissions:

Borrower information submitted to an AUS is a representation of the accuracy of that information to the agency/investor and must be completed with the most accurate and up-to-date information available at the time of submission to the AUS. Changing data and resubmitting the AUS should only be done when new information is received which is materially different from the information previously submitted. Manipulation and alteration of data to an AUS constitutes a misrepresentation of borrower data. Loan files with AUS excessive submission red flag messages should have an explanation in the file. As a general practice, switching from one AUS to another in order to receive a different result based on the same data is considered manipulation. Switching to a different AUS based on changing financing types or for program eligibility is generally acceptable.

*External Resources:*

- [DOJ – Settlement with JP Morgan Chase for Fraudulent Mortgage Lending Practices](#)
- [ACFE – Understanding the Basics of Mortgage Fraud](#)
- [FNMA – Desktop Underwriter Potential Red Flag Messages](#)

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

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