



TO: Distribution

DATE: December 11, 2019

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Conventional Conforming 2020 Loan Limits
- FHA 2020 Loan Limits
- VA 2020 Loan Limits, circular finalizes VA guidance regarding Blue Water
- CMG- VA Max Loan Amount Increase Purchase and Cashout Refinance
- Fannie Mae Selling Guide Updates
- Non-Permanent Resident Alien- Clarification Asylum Applicants
- Freddie Mac CreditSmart® Changes 12/31
- 2020 QM Points and Fees Thresholds
- 2020 Section 32 HOEPA Points & Fees Thresholds

CONVENTIONAL CONFORMING 2020 LOAN LIMITS

Summary: As a result of generally rising home values, the increase in the baseline loan limit, and the increase in the ceiling loan limit, the maximum conforming loan limit will be higher in 2020 in all but 43 counties or county equivalents in the U.S. FHFA baseline one-unit limit is increasing to \$510,400 (up from \$484,350). Effective immediately, loans may be locked and closed under the new limits as outlined below:

- CMG will accept 21+ day locks under the new limits. Once locked, loans under the new limits may close prior to the end of the year. Secondary will hold the loans for delivery as required by the agencies. (This is for Conventional Conforming Loan Limits only – see FHA & VA topics on 2020 Loan limit changes for FHA & VA loans)

For a list of the 2020 maximum loan limits for all counties and county-equivalent areas in the U.S. click [here](#).

The following chart contains the loan limits for 2020:

Units	General Loan Limits	
	Contiguous States, District of Columbia, and Puerto Rico	Alaska, Guam, Hawaii, and U.S. Virgin Islands
One	\$510,400	\$765,600
Two	\$653,550	\$980,325
Three	\$789,950	\$1,184,925
Four	\$981,700	\$1,472,550

Units	High-Cost Area Loan Limits*	
	Contiguous States, District of Columbia, and Puerto Rico	Alaska, Guam, Hawaii, and U.S. Virgin Islands
One	\$765,600	Not Applicable
Two	\$980,325	
Three	\$1,184,925	
Four	\$1,472,550	

* A number of states (including Alaska and Hawaii), Guam, Puerto Rico, and the U.S. Virgin Islands do not have any high-cost areas in 2020.

DU Loans: The 2020 loan limits will be applied to Desktop Underwriter (DU®) Version 10.2 and Version 10.3 loan casefiles submitted (or resubmitted) on or after the weekend of December 7, 2019. Also note that loan casefiles underwritten through DU prior to December 7 that receive an Ineligible recommendation due only to exceeding the 2019 loan limit may be delivered after January 1, 2020. The loan casefile does not have to be resubmitted to DU if the loan amount complies with the applicable 2020 loan limit.

LPA Loans: Freddie Mac updated Loan Product Advisor® on December 4, 2019.

Links:

[FHA Announcement](https://www.fanniemae.com/content/announcement/II1909.pdf)
<https://www.fanniemae.com/content/announcement/II1909.pdf>

Effective Date: Loans may be originated under the new limits effective immediately. Locks will be accepted as noted above beginning Monday, December 9th. Non agency loans that rely on limits will be subject to investors lock date restrictions.

FHA 2020 MORTGAGE LOAN LIMITS

Summary: FHA released 2020 Loan limits via [Mortgagee Letter 2019-19](#). FHA mortgage limits for calendar year 2020 are effective for case numbers assigned on or after January 1, 2020. FHA's nationwide forward mortgage limit "floor" and "ceiling" for a one-unit property in CY 2020 are \$331,760 and \$765,600, respectively.

From FHA: Because of changes made to the makeup of certain MSAs, there are 11 jurisdictions with a decrease in loan limits from the 2019 levels. To enable mortgagees to easily identify areas with loan limit decreases and increases, FHA has published a separate list of these jurisdictions. Mortgagees may view these lists along with a list of areas at the ceiling and a list of areas between the floor and ceiling on the Maximum Mortgage Limits web page at https://www.hud.gov/program_offices/housing/sfh/lender/origination/mortgage_limits.

Select the links below for additional mortgage limits guidance for forward mortgages:

- [FHA Mortgage Limits Search](#)
- [Areas at Ceiling](#)
- [Areas Between Floor and Ceiling](#)
- [Jurisdictions with Loan Limit Decreases](#)
- [Jurisdictions with Loan Limit Increases](#)

ACTION TO TAKE:

- Counties with decreasing limits—be sure to get case numbers ordered this year for loans that will be impacted by the decrease. (see screenshot below)
- Counties with increasing limits – it may be beneficial to the borrower to order the case number in 2020

Because of changes made to the makeup of certain MSAs, there are 11 jurisdictions with a decrease in loan limits from the 2019 levels. To enable mortgagees to easily identify areas with loan limit decreases and increases, FHA has published a separate list of these jurisdictions. Mortgagees may view these lists along with a list of areas at the ceiling and a list of areas between the floor and ceiling on the Maximum Mortgage Limits web page at

2020 FHA Forward Loan Limits – Jurisdictions with Decreases

county_name	fips_county_code	fips_state_code	State_Name	obaa_title	obaa_code	obaa_title19	obaa_code_19	geo_change	lha_tufl_19	lha_tufl_20	dChange	Change
Dutchess County	027	36	NEW YORK	New York-Newark-Jersey City, NY-NJ-PA	3500	Foughiteespe-Newburgh-Middletown, NY	35100	1	\$726,525	\$555,500	-\$171,025	-21%
Orange County	071	36	NEW YORK	New York-Newark-Jersey City, NY-NJ-PA	3500	Foughiteespe-Newburgh-Middletown, NY	35100	1	\$726,525	\$554,800	-\$171,725	-21%
Lincoln County	063	16	IDAHO	Haley, ID	25200			1	\$846,300	\$331,750	-\$514,550	-61%
Caroline County	033	51	VIRGINIA	Richmond, VA	40900			1	\$535,900	\$331,750	-\$204,150	-38%
Hickman County	081	47	TENNESSEE	Nashville-Davidson--Murfreesboro--Franklin, TN	34900			1	\$534,150	\$331,750	-\$202,400	-38%
Camden County	029	37	NORTH CAROLINA	Elizabeth City, NC	21020	Virginia Beach-Norfolk-Newport News, VA-NC	47200	1	\$726,525	\$458,800	-\$267,725	-37%
Suffingham County	028	51	VIRGINIA	Charlottesville, VA	18820			1	\$437,000	\$331,750	-\$105,250	-24%
Hood County	221	48	TEXAS	Dallas-Fort Worth-Arlington, TX	19100	Sansbury, TX	24180	1	\$395,800	\$331,750	-\$64,050	-16%
Somervell County	425	48	TEXAS	Dallas-Fort Worth-Arlington, TX	19100			1	\$395,800	\$331,750	-\$64,050	-16%
Tymer County	177	37	NORTH CAROLINA	All Deal Hills, NC	28820			1	\$395,000	\$331,750	-\$63,250	-16%
Stoley County	143	27	MINNESOTA	Minneapolis-St. Paul-Bloomington, MN-WI	33400			1	\$366,800	\$331,750	-\$35,050	-10%

VA 2020 LOAN LIMITS, BLUE WATER NAVY VIETNAM VETERANS ACT OF 2019 REMINDER

Summary: The new Freddie Mac Loan Limits will apply to loans closed on and after January 1, 2020 to the extent that is outlined in VA Circular 26-19-30 and exhibits. This circular finalizes VA guidance regarding the Blue Water Navy Vietnam Veterans Act of 2019 and addresses the three significant impacts to lending to veterans:

- Maximum amount of entitlement available to Veterans / the maximum guaranty of loans in excess of \$144,000,
- the VA loan (funding) fee table, and
- an additional waiver of the VA funding fee (Purple Heart recipients).

Effective date: Loans closing on and after January 1, 2019

Links:

- https://www.benefits.va.gov/HOMELOANS/documents/circulars/26_19_30.pdf
- https://www.benefits.va.gov/homeloans/documents/circulars/26_19_30_exhibita.pdf
- https://www.benefits.va.gov/homeloans/documents/circulars/26_19_30_exhibitb.pdf

For loans closing on and after January 1, 2020, a revised loan amount calculation worksheet is available for purchase transactions when the veteran has partial entitlement:

[VA 2020 Loan Calculation Purchase Partial Entitlement Only](#)

For refinance transactions, the funding fee field and the county limit fields are unlocked on the existing worksheet to allow for manual entry:

[VA Loan Calculation Cashout](#)

Funding Fee Changes - Reminder

Funding Fee changes previously announced are scheduled to take effect for loans closed in 2020:

Revised H.R. 299 (2019) Changes to the Loan Fee Table for loans closing Between 1/1/20 & 12/31/2021		
Type of Loan	Active Duty Veteran	Reservist
Purchase: 1 st Time Use with 0-5% down	2.15 ▶ 2.30	2.40 ▶ 2.30
Purchase: Subsequent use with 0-5% down	3.30 ▶ 3.60	3.30 ▶ 3.60
Purchase Loans with 5-10% down	1.50 ▶ 1.65	1.75 ▶ 1.65
Purchase Loans with at least 10% down	1.25 ▶ 1.40	1.50 ▶ 1.40
Cash-Out Refinance: 1 st Time Use	2.15 ▶ 2.30	2.40 ▶ 2.30
Cash-Out Refinance: Subsequent Use	3.30 ▶ 3.60	3.30 ▶ 3.60
IRRRLs (no change)	.50	.50

CMG-VA MAX LOAN AMOUNT INCREASE PURCHASE AND CASHOUT REFINANCES

Summary: CMG is increasing the maximum loan amount permitted for VA transactions to allow loan amounts that exceed \$1,200,000 provided additional criteria are met.

Loan Amount	Minimum Credit Score
Loan Amounts > \$1,200,000 to \$2,000,000 ⁽³⁾	680
Loan Amounts > \$2,000,000 to \$3,000,000 ⁽³⁾	720
Loan Amounts > \$3,000,000 to \$5,000,000 ⁽³⁾	760

3. For Purchase and Cashout transactions, loan amounts greater than \$1,200,000 require the following in addition to meeting all other CMG & VA requirements:

- Minimum six months reserves PITIA
- First time homebuyers not permitted
- Each applicant must have a minimum of 3 trade lines with at least 2 active trade lines (active is defined as last activity date less than or equal to 12 months from the current date) with 12 months satisfactory history on each trade line and a minimum 24 month credit file history
- Loan amount adjustments will apply.

Note: At this time, max LTV for cashout refinances continues to be 90% (this is due to Ginnie Mae & secondary market requirements)

Effective Date: *Pricing and guidelines are available*

FANNIE MAE SELLING GUIDE UPDATES

Summary: Fannie Mae has published Selling Guide Update 2019-09 addressing. The following items impactful items are addressed:

Non-Applicant Debt Clarification The Selling Guide currently permits lenders to omit debts identified as nonapplicant accounts from Desktop Underwriter® (DU®) and exclude them from the borrower's DTI ratio when supporting documentation is provided. With the December 2019 updates to DU, a corresponding message identifying potential non-applicant accounts will be retired. We have updated the Guide to consolidate the nonapplicant accounts policy in a single topic, and to clarify that lenders may continue to apply the policy to exclude

non-applicant accounts after the retirement of the DU message. Effective Date These changes will apply to loan casefiles submitted or resubmitted to DU on or after the weekend of December 7, 2019.

Bridge Loans in Monthly Debt Obligations Selling Guide B3-4.3-14, Bridge/Swing Loans permits a bridge loan (also referred to as a "swing" loan) to be an acceptable source of funds provided certain requirements are met. This topic also refers the reader to B3-6-05, Monthly Debt Obligations for more information about how to treat the resulting contingent liability; however, that topic is silent about bridge loans. We have updated B3-6-05 to describe when a bridge loan must be included (and when it can be excluded) from monthly debt obligations and the DTI ratio based on the existing policy in B3-4.3-14. We have not changed any of the existing requirements.

Titling Manufactured Homes Manufactured homes are often first titled as personal property, but they must be titled as real property for lenders to deliver the mortgage us. The process for titling as real property varies by state, and the variety of approaches is particularly complex and challenging for lenders originating manufactured home loans in more than one state. To assist lenders in originating manufactured homes in various states, we have published information on titling them as real property: [Titling Requirements for Manufactured Homes](#). This information does not constitute legal advice; lenders must consult their own legal counsel. Effective Date This information is available for immediate use. We will add titling information for additional states throughout 2020.

Link to Full Update: <https://www.fanniemae.com/content/announcement/sel1909.pdf>

Effective Date: As noted above

NON-PERMANENT RESIDENT ALIEN- CLARIFICATION ASYLUM APPLICANTS

Summary: FHA and Conventional Conforming guidelines are updated to clarify non permanent resident alien eligibility to specifically state that C08 status is not eligible.

Effective Date: *Immediately*

FREDDIE MAC CREDITSMART CHANGES 12/31

Summary: The CreditSmart® - Steps to Homeownership tutorial, focused on consumer education and financial literacy will be relaunched with the name CreditSmart® Homebuyer U effective December 31, 2019. The new tutorial will focus on homeownership education and seek to build a strong foundation of education and understanding of the homebuyer/homeowner experience. Any reference to "financial literacy" will change to "homeownership education" with this rebrand. Loan Product Advisor® feedback messages will be updated by February 4, 2020. Loan Product Advisor will continue to display "CreditSmart - Steps to Homeownership" for the interim period.

Guide impacts: [Sections 5103.6](#), [6302.9](#), [6302.14](#) and [6302.41](#)

Effective Date: *December 31, 2019*

2020 QM POINTS & FEES THRESHOLDS

Effective on loans with a consummation/signing date of 1/1/2020 or after:

The CFPB has updated the loan amount thresholds for the QM Points and Fees test. A loan is a Qualified Mortgage if the loan's total points and fees do not exceed the following thresholds:

3% of the total loan amount for a loan greater than or equal to \$109,898;
\$3,297 for a loan amount greater than or equal to \$65,939 but less than \$109,898;
5% of the total loan amount for a loan greater than or equal to \$21,980 but less than \$65,939;
\$1,099 for a loan amount greater than or equal to \$13,737 but less than \$21,980; and
8% of the total loan amount for a loan amount less than \$13,737.

The CMG Policy Quick Reference Guide will be updated January 1, 2020 and will state the following:

≥ \$109,898: 3% of the total loan amount
\$65,939 - \$109,898: \$3,297
\$21,980 - \$65,939: 5% of the total loan amount
\$13,737 - \$21,980: \$1,099
< \$13,737: 8% of the total loan amount

2020 SECTION 32 HOEPA POINTS & FEES THRESHOLDS

Effective on loans with a consummation/signing date of 1/1/2020 or after:

The CFPB has updated the thresholds for the Section 32 HOEPA Points and Fees test. In order to be a Section 32 high cost mortgage, the loan will exceed either the APR or the Points & Fees thresholds.

APR Threshold:

The APR threshold remains unchanged. To be a Section 32 high cost mortgage, the loan's APR will exceed the Average Prime Offer Rate (APOR) by more than 6.5% (or 8.5% for subordinate liens). Effective on loans with a consummation/signing date of 1/1/2020 or after:

Points & Fees Threshold:

Both the loan amount limit and the flat rate limit were updated. To be a Section 32 high cost mortgage, the loan's total points and fees will exceed:

5% of the total loan amount for a loan greater than or equal to \$21,980, or
The lesser of 8% of the total loan amount or \$1,099 for a loan less than \$21,980.

Note: The Section 32 HOEPA thresholds only apply to a loan for the borrower's principal dwelling

The updated Corporate Policy Quick Reference Guide and Truth in Lending and Reg Z Policy- Section 32 will be posted by January 1, 2020 and will state the following:

≥ \$21,980: 5% of the total loan amount
< \$21,980: lesser of 8% of the total loan amount or \$1,099

CMG does not purchase Section 32 High Cost loans.

*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>.