

TO: Distribution

DATE: December 24, 2019

RE: CMG Financial Correspondent Lending
Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Government Loans and High Balance Pricing
- USDA Future Handbook Revision Chapter 10 Credit Analysis
- Reminder: VA Handbook Updates including VA Housing Payment History for Refers
- AIO – Revised AIO Equity Line Initial Advance Acknowledgement Form

GOVERNMENT LOANS AND HIGH BALANCE PRICING

Summary: FHA, VA and USDA transactions are subject to “High balance” pricing and when the transaction exceeds the FHFA conforming loan limits a “high balance” product code must be utilized. Effective Monday, December 23rd, government transactions may close using standard product codes and pricing if the transaction is under the 2020 FHFA loan limit.

USDA CMG: For USDA transactions, effective January 1st, CMG will increase the maximum loan amount for all states to \$510,400. Any USDA loan amounts exceeding the FHFA one-unit limit require exception approval and high balance pricing.

FHA: As previously announced, FHA revised loan limits apply beginning with case numbers ordered on and after January 1, 2020. Systems and pricing under the new limits will be available beginning January 1, 2020 and case number assignment dates must coincide with correct FHA county limit.

Examples - Control for all Scenarios:

- Property is located in Adams County, Colorado. 1 unit property.
- 2019 FHFA base limit is \$484,350; 2020 base limit is \$510,400. (impacts high balance pricing)
- FHA - The FHA 2019 loan limit is \$561,200; 2020 FHA limit is \$575,000;. (impacts loan eligibility & case number ordering eligibility)
- VA – The VA 2019 loan limit is \$561,200; 2020 VA limit \$575,000. (impacts required down payment / loan closing eligibility date)

Scenario A - FHA: Borrower is purchasing a property and needs a loan amount of \$500,000.

- Loan amount is eligible under both 2019 and 2020 limits and case number may be ordered.
- Effective Monday, December 23rd, this loan can be locked and priced as a standard 3101 and does not require high balance pricing. (\$500,000 < \$510,400)

Scenario B - FHA: Borrower needs a loan amount of \$575,000 for the purchase.

- Case number cannot be requested prior to Jan 1, 2020.
- Once loan is eligible in 2020 a high balance product code must be utilized and high balance pricing will apply.

Scenario C – VA: The Veteran has full entitlement and needs a loan amount of \$500,000.

- Loan amount is under both 2019 & 2020 Freddie CLL and Veteran is eligible for zero down.
- Effective Monday, December 23rd, this loan can be locked and priced as a standard 4101 and does not require high balance pricing. (\$500,000 < \$510,400)

Scenario D – VA: The Veteran has full entitlement and needs a loan amount of \$575,000.

- If loan is closing in 2019, additional funds down will be required to meet the 25% guaranty/equity as VA will only guaranty 25% of \$561,200. As loan amount is higher than \$510,400, a high balance product code must be utilized and high balance pricing applies.
- If loan is closing in 2020, the VA will guaranty 25% regardless of the loan amount as long as the Veteran has full entitlement. No additional down payment is required if NOV supports purchase price. As loan amount is higher than \$510,400, a high balance product code must be utilized and high balance pricing applies.

Reminder: These pricing limits are different than established FHA and VA county limits that may impact the max loan amount.

Effective Date: *As noted above*

USDA FUTURE HANDBOOK REVISION CHAPTER 10: CREDIT ANALYSIS

Summary: The Single-Family Housing Guaranteed Loan Program (SFHGLP) will publish a revision to technical handbook HB-1-3555 Chapter 10, Credit Analysis. Prior to publication, an advance copy is available on USDA LINC's Training and Resource Library for lender review and preparation.

Highlights of the revised HB-1-3555 Chapter 10 include but are not limited to:

- Delinquent Child Support: Guidance to determine when an applicant is ineligible for a SFHGLP loan when they have delinquent court ordered child support.
- Credit Matrix: Guidance for all credit topics is moved to a new Attachment 10-A "Credit Matrix."
- Reduced GUS Accept downgrades: GUS Accept files will no longer require a downgrade for new debts, etc.
- Credit Exception Requirements: The requirement for a credit exception has been removed for collections, charge-offs, disputed accounts, Chapter 12 and 13 bankruptcy, consumer counseling plans, etc. Clarified guidance is provided for a complete and documented credit exception.
- Tolerance: The \$50 cumulative total of new/increased debts that may occur after the Agency issued a Conditional Commitment has been added to coincide with Chapter 5.
- Federal Taxes: Guidance is provided for repayment plans, approved extensions, and failure to file.

Link: <https://www.rd.usda.gov/files/RD-SFH-HB10AdvanceCopy.pdf>

Effective Date: *The advance copy and a revision aid will be available for a minimum of 30 days for review. The*

revised handbook chapter will become effective on the date the Procedure Notice (PN) is published by the Agency.

REMINDER: VA LENDER'S HANDBOOK UPDATES INCLUDING HOUSING PAYMENT HISTORY FOR REFERS

Summary: VA continues to issue Change Notices and update various chapters of the VA Lender's Handbook. These change notices are located at the bottom of the VA webpage for the VA Lender's Handbook: https://www.benefits.va.gov/warms/pam26_7.asp.

All SARs must review the updated appraisal chapters.

Change #25 Provided updates to chapter 4 that include but are not limited to the following:

Rent and Mortgage Payment History - The borrower's most recent 24-month rental history and any outstanding, assumed, or recently retired mortgages must be verified and rated. Housing expense payment history is often a primary indicator of how motivated the borrower is to make timely mortgage payments in the future. Although AUS approved loans may allow for a reduction in documentation requirements, the VA Lenders Handbook requires the following for Documentation Guidelines and Reductions for Refer:

- Provide a 24 month rental history directly from the landlord, through information shown on credit report or by cancelled checks. (previously, VA only required 12 months)

Foreclosure: If a foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy, use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re-established credit. If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.

Self Employment Business Analysis: Deductions and Expenses Claimed on Tax Returns

- Depreciation claimed as a deduction on the tax returns and financial statements of the business may be included in effective income.
- Business or roll over losses must be considered from all tax returns.
- What is reported to the IRS on a joint return must be used when applying for a federally guaranteed loan.
- On a joint tax return, the loss must be deducted from the borrower's income in both community and non-community property states.
- On a joint tax return, when a borrower and co-borrower have been faced with business losses, the Veteran/borrower and his/her spouse may want to consider both being on the loan in order to potentially qualify. The credit of both borrowers will be considered.

Other types of Income: A borrower in receipt of VA Pension or Disability benefits with Aid and Attendance should be discussed with the VA Pension Service, VA Compensation Service or the VA Hospital where the property is located to determine if the income is likely to continue for the foreseeable future.

Effective Date: *The changes to the handbook are released via the change notices and the effective date of the handbook changes are as noted on the change notice.*

REVISED AIO EQUITY LINE INITIAL ADVANCE ACKNOWLEDGEMENT FORM

Summary: The AIO Equity Line Initial Advance Acknowledgement Form is updated.

<http://docs.cmgfi.com/forms/AIO-Equity-Line-Initial-Acknowledgement-Form.pdf>

Effective Date: *Immediate. In addition, the AIO guidelines will be updated next week with the link to the form.*

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



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