

BULLETIN # 2018-57

TO: Distribution

DATE: December 26, 2018

RE: CMG Financial Correspondent Lending  
Updates

EFFECTIVE: As noted below

## CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Compliance Reminder: Must Disclose at 6 Pieces!
- Market Conditions Addendum to VA Appraisal
- VA Interim Final Rule on Cash-Out Refinances
- Retiring HARP – DU Refi Plus and LPA Open Access
- New Product Announcement - Fannie and Freddie New High LTV Refinance
- Non-Agency Products – 2019 Loan Limit Changes

## COMPLIANCE REMINDER: MUST DISCLOSE AT 6 PIECES

**Summary:** The TRID Rule changed the requirement to disclose from 7 pieces of information to only 6 pieces, which are the borrower's name, income, SSN, property address, estimated value and loan amount. For all loans subject to the TRID Rule, when these 6 pieces are received, we are required to disclose the LE within 3 business days. You cannot delay disclosing by withdrawing the loan and starting over – that is a violation of both federal and state law!

On a Purchase when you're only missing the property address, the moment the borrower or realtor gives you an address, you are required to disclose. It doesn't matter if an offer has been submitted or a contract signed.

The following TRID FAQs provide further detail:

### 1. What is considered a "complete application" for requiring the LE to be delivered?

A complete application consists of the following 6 pieces:

1. Borrower's Name
2. Borrower's Income (stated, not verified)
3. Borrower's Social Security Number to obtain a credit report (could also be a Tax EIN)
4. Property Address
5. Estimate of the Value of the Property
6. Loan Amount Sought

The submission of these 6 pieces may be in written, electronic or oral format. Regardless of how the

information is provided, once these 6 pieces are received, the LE must be delivered within 3 business days.

The seventh piece that allowed lenders to define any other item needed for the lender to consider it a complete application (often referred to as the "catch-all item") was removed with the TRID Rule. Although the catchall item was removed from the definition of "application," this does not prevent a lender from collecting whatever additional information it deems necessary in connection with a request for the extension of credit, but once a lender receives the 6 pieces listed above, it has an application and must provide the LE within 3 business days.

Example: Assume a lender requires all applicants to submit 20 pieces of information. On Monday, the borrower submits only 6 pieces of information and informs the lender that he/she will contact the lender on Tuesday with answers to the other 14 questions. The 6 pieces provided by the borrower were the same 6 listed above. Even though the lender requires 14 additional pieces of information to process the borrower's request for a mortgage loan, the lender has received an application for the purposes of the Rule and therefore must comply with the requirement to issue the LE within 3 general business days of Monday.

**2. The borrower provided a property address on a TBD loan, but they haven't signed an offer or purchase contract yet. Can't this address be deleted?**

No, once the borrower provides an address, you are legally required to treat the loan as a complete application (when the other 5 pieces are already present) under the TRID Rule. There is no leniency in the Rule to allow the lender to wait until a purchase contract is executed.

**3. If you have a preapproval or prequalification with all pieces of an application except the property address and the realtor then provides a property address, is this now a complete application even though the purchase contract hasn't been executed?**

Yes, once you have all 6 pieces of an application, it is complete and the LE must be disclosed. There is no leniency in the Rule to allow the lender to wait until a purchase contract is executed. Loan officers should be careful with their communication with borrowers and realtors to be clear that once either party provides the loan officer with a property address, then the application is complete and must be disclosed.

**4. If the borrower submits the 6 pieces of information but does not indicate a preferred loan product or term, what do you disclose on the LE?**

The lender has discretion in deciding what loan product and term to disclose in a LE as long as the disclosures are made in good faith and consistent with the best information reasonably available to the lender at the time standard. The lender may provide multiple LEs to cover multiple loan products, however the lender is not required to do so.

**5. What if you saved a borrower's information from a previous transaction, when would this be considered an application?**

Merely maintaining any of the items of information from a previous transaction would not constitute an application for purposes of the definition if the borrower has not actually submitted the information or indicated that he or she wishes such information maintained by the lender to be used for an application.

Example: Even though a lender that is servicing a borrower's existing loan knows the property address, the lender is not deemed to possess that information for purposes of the definition of "application" unless the borrower actually submits the address, or indicates that he or she wants the lender to use the address, in connection with a new application.

**6. Can a Fee Worksheet/Itemization be provided to the borrower before receiving a complete application and issuing the LE?**

Yes, however it cannot resemble the LE and it must contain the following disclaimer at the top of the first page in 12-point font or greater: "Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan." The requirement for this disclaimer exists when providing

a list of closing costs common in the consumer's area, providing a list of available rates for loan products, and in certain advertisements.

## MARKET CONDITIONS ADDENDUM TO VA APPRAISAL

**Summary:** VA released Circular 26-18-29 to announce that the Department of Veterans Affairs (VA) no longer requires appraisers to include [Fannie Mae Form 1004MC](#), in all VA appraisal reports.

Due to current conditions in the real estate market, Fannie Mae eliminated additional appraisal requirements to supplement the minimum standards set forth in the Uniform Standards of Professional Appraisal Practice. Specifically, Fannie Mae no longer requires appraisers to document an overview of neighborhood market conditions and trends in using [Fannie Mae Form 1004MC](#). Reporting market trend activity will remain an important undertaking for appraisers and they will continue to do so even without the requirement to complete [Fannie Mae Form 1004MC](#).

**Effective Date:** *Effective immediately, VA no longer requires appraisers to include this form in all VA appraisal reports. However, the market trend information is still required within the appraisal reports*

**Link:** [Circular 26-18-29](#)

## UPDATE: VA INTERIM FINAL RULE ON CASH-OUT REFINANCES

**Summary:** The VA is amending its rules on cash-out refinance loans via an interim final rule. This interim final rule is now available on the Federal Register website and it defines the parameters of when VA will permit cashout refinance loans, to include defining net tangible benefit, recoupment, and seasoning requirements. This internal final rule was expected to be published on Monday December 17th and will be effective 60 days later.

In addition, VA has issued [Circular 26-18-30](#) addressing the topic.

VA Cash Out Refinances will now include two categories:

- cash-outs in which the principal for the new loan is equal to or less than the pay-off amount on the refinanced loan (Type I Cash-Outs)
- cash-outs in which amount of principal for the new loan is larger than the pay-off amount (Type II Cash-Outs)

Action to Take: Watch for additional details regarding new net tangible benefit, recoupment, seasoning and disclosure requirements.

**Effective Date - Clarified:** *The rule is effective on February 15, 2019, and will apply to VA cash-out refinance loan applications taken on, or after, this date.*

**Links:**

<https://www.federalregister.gov/documents/2018/12/17/2018-27263/loan-guaranty-revisions-to-va-guaranteed-or-insured-cash-out-home-refinance-loans>

[https://www.benefits.va.gov/homeloans/documents/circulars/26\\_18\\_30.pdf](https://www.benefits.va.gov/homeloans/documents/circulars/26_18_30.pdf)

## RETIRING HARP- DU REFI PLUS AND LPA OPEN ACCESS

**Summary:** As previously announced, the HARP products (DU Refi Plus & LP Open Access) are scheduled to be retired at the end of 2018. The last day for a HARP loan application is December 31, 2018. The last day to lock HARP loans will be January 18, 2019.

**Effective Date:** *Last day for applications is 12/31/2018. Last day to lock DU Refi Plus or LPA Open Access is January 18, 2019. Non agency loans must meet investor specific requirements.*

## NEW PRODUCT ANNOUNCEMENT: FANNIE AND FREDDIE NEW HIGH LTV REFINANCE

**Summary:** Both Fannie and Freddie have High LTV products that will provide refinance opportunities to borrowers with existing Fannie Mae/Freddie Mac mortgages who are making their mortgage payments on time but whose LTV ratio for a new mortgage exceeds the maximum allowed for standard limited cash-out refinance options. CMG is scheduled to release these products before the end of the year so please watch for future updates. Loans under the new product options will need to meet several eligibility criteria and are not eligible to be closed until January 2019 at the earliest. Once released, the new products will be limited in scope in terms of eligibility with highlights as noted below:

- The loan being refinanced must be a first-lien, conventional mortgage loan, owned or securitized by Fannie Mae or Freddie Mac.
- The loan being refinanced must have a note date on or after October 1, 2017.
- At least 15 months have passed between the Note Date of the mortgage being refinanced and the Note Date of the high LTV refi mortgage.
- Borrower Benefit Borrowers must benefit from the refinance in at least one of the following ways:
  - Reduced monthly principal and interest payment
  - Lower interest rate
  - Shorter amortization term
  - More stable mortgage product, such as moving from an adjustable-rate mortgage to a fixed-rate mortgage
- Borrowers must be current with their payments and have:
  - No 30-day delinquencies in the most recent six months, and
  - No more than one 30-day delinquency in the past 12 months and no delinquency greater than 30 days.
- The mortgage being refinanced must not have been previously delivered to the agency as a HARP Product.

**Effective Date:** *Product guidelines and ratesheets are scheduled to be available starting December 24th, 2018. Pricing will be manual until approximately January 22nd so please reach out to the CMG lockdesk for assistance prior to that point:*

How to Contact lockdesk: [cmglockdesk@cmgfi.com](mailto:cmglockdesk@cmgfi.com)

## NON-AGENCY PRODUCTS- 2019 LOAN LIMIT CHANGES

**Summary:** The list below outlines the minimum loan amount changes for 2019 as it relates to CMG's NonAgency products:

- 6200 Series "Premier" Jumbo
  - Loans locked on or after 1/2/2019; min loan amount = \$484,351 for 1-unit properties with LTVs 80% or below
  - Loans locked on or after 1/2/2019; min loan amount = \$1 over HERA for LTVs over 80% or properties with 2-4 units
- 6400 Series "Flex" Jumbo
  - Loans locked on or after 1/1/2019 min. loan amount = \$484,351
- 6600 Series "Expanded" Jumbo
  - Loans locked on or after 1/2/2019 min. loan amount = \$1 over HERA
- 6700 Series "Simply" Jumbo

- Loans locked on or after 1/2/2019 min. loan amount = \$1 over HERA
  - 6800 Series "Prime" Jumbo
    - Loans locked on or after 1/1/2019 min. loan amount = 484,351
  - 7200 Series
    - Loans locked on or after 1/2/2019; min loan amount = \$484,351 for 1-unit properties with LTVs 80% or below
    - Loans locked on or after 1/2/2019; min loan amount = \$1 over HERA for LTVs over 80% or properties with 2-4 units
  - 7600 Series
    - Loans locked on or after 1/2/2019 min. loan amount = \$1 over HERA
  - 7800 Series
    - No change. Minimum loan amount = \$100,000
  - 6900/7900 Series "Renew"
    - No change. Minimum loan amount = \$100,000
- Effective Date:** *As noted above*

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



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