

**TO: Correspondent Lenders**

**FROM: Angela Breidenbach, Operations Manager**

**DATE August 9, 2016**

**RE: R Jumbo Product Update**

**R Jumbo Product Update**

The R Jumbo Product Guidelines have been updated as follows. Updates are effective as of 8/15/16. A revised R-Jumbo Product Program Eligibility Guide and Jumbo Program Eligibility Supplement are attached and will be posted to the correspondent web-site: [www.chlcorrespondent.com](http://www.chlcorrespondent.com) in the next few days.

**Select QM Program Eligibility Guide**

* Select QM Eligibility Matrix Footnote #6 – *Second Home Cash-Out Refinance Transactions* 
  + Removed the guideline “No rental income for the subject property showing on Schedule E of the borrower’s tax returns” on Second Home Cash-Out Refinance Transactions. *Effective for loans locked on or after 8/15/2016.*
  + Removed the guideline “Second Home Cash-Out Refinance transactions limit the number of financed properties to the subject property and a primary residence.” *Effective for loans locked on or after 8/15/2016.*
  + Refer to Eligible Occupancy Types – for further information regarding rental income on second homes.
* Select QM Eligibility Matrix Footnote #7  *– Investment Property Purchase and Rate and Term Refinance* Transactions
  + Added footnote “If using rental income an executed lease agreement must be provided; see Rental

Income in the Income / Employment section for more details.” *No effective date since this is clarification and not a change.*

* Underwriting Guidelines | Credit | Derogatory Credit | Outstanding Judgments/Tax Liens
  + Added requirement that tax liens, judgments, charge-offs and past-due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts. *Effective for loans locked on or after 8/15/2016.*
  + Medical collections are allowed to remain outstanding as long as the balance is less than $10,000 in aggregate. *Effective for loans locked on or after 8/15/2016.*
* Underwriting Guidelines | Assets | Asset Requirements | Business Funds
  + Added requirement to business funds with business bank statements reflecting overdrafts or NSFs are not eligible. *Effective for loans locked on or after 8/15/2016.*
* Underwriting Guidelines | Income / Employment | General Documentation Requirements
  + Added language for clarification purposes to indicate tax transcripts for “personal tax returns” are required. *No effective date since this is clarification and not a change.*
* Underwriting Guidelines | Multiple Financed Properties
  + Removed the guideline “Second Home Cash-Out Refinance transactions limit the number of financed properties to the subject property and a primary residence.” *Effective for loans locked on or after 8/15/2016.*
* Underwriting Guidelines | Ineligible Properties
  + Added to ineligible properties “Properties with a private transfer covenant unless the covenant is excluded under 12 CFR 1228 as an excepted transfer fee covenant.” *No effective date since this has been in effect based on Fannie Mae guidelines.*
* Underwriting Guidelines | Appraisal Requirements
  + Removed the guideline “A CDA is required” when two appraisals are required. Redwood will not require a CDA or Value Reconcilation from Clear Capital when two appraisals are provided. The lower of the two appraised values will be used to determine the LTV. *Effective for loans locked on or after 8/15/2016.*

As always, your business is greatly appreciated. If you have questions regarding these issues, please contact me at [abreidenbach@houseloan.com](mailto:abreidenbach@houseloan.com).

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