

CMG MI Guideline Changes

Frequently Asked Questions

Third Party Originations

Q1: What is a Third Party Originated loan?

A1: **Third Party Originated** loans include loans for which the loan origination (taking the loan application) or processing functions are performed by an entity other than the insured. Mortgage Service Providers that do not take the loan application but do process the application once received by the lender will **not** be considered as Third-Party Originators if they are paid for the services performed on an arm's-length fee basis, with payment of fees not being contingent on mortgage approval or closing.

Q2. Are Credit Union Service Organizations (CUSOs) considered to be Third Party Originators?

A2. No, we do not consider a CUSO to be a Third Party Originator. We also do not consider a mortgage that is originated and/or funded by a Credit Union's parent, wholly owned subsidiary, or holding company affiliate to be a Third Party Origination unless the loan origination (taking the loan application) is done by an entity other than the parent, wholly owned subsidiary or holding company affiliate.

Q3. What if my customer is a Credit Union that submits a loan to an investor for underwriting?

A3. Provided that the loan origination (taking the loan application), closing and funding are done in the name of the Credit Union submitting the loan for underwriting approval, we do not consider these loans to be Third Party Originations.

Q4. What if I use a Mortgage Service Provider or contract with a Third Party to handle specific aspects of the mortgage process for a loan?

A4. Provided that the loan origination (taking the loan application), closing and funding are done in the name of the lender contracting for the service, and the service provided is not related to obtaining an application, then the use of a Mortgage Service Provider or contracted Third Party is not considered a Third Party Origination. The use of mortgage insurance underwriting services is not considered a Third Party Origination.

Q5. What if the mortgage insurance is ordered after the loan has closed?

A5: We recognize that in some cases mortgage insurance may not be placed for a loan until after the loan has closed, funded and possibly even been purchased by an investor. These loans are not considered to be Third Party Originated unless the entity that took the loan application is different from the entity that closed and funded the loan.

Cash-Out Refinances

Q6: What does CMG MI consider as the definition of a cash-out refinance?

A6: A cash-out refinance transaction is defined as the repayment of an existing debt from the proceeds of a new mortgage to the same borrower, using the same property as security, thereby providing cash to the borrower. These include: payoff of existing mortgage(s) and closing costs where greater than 2% of the loan proceeds are to be distributed to the borrower; payoff of obligations of the borrower that are not secured by the subject property (debt consolidation); placing a new loan on a property that is owned by the borrower free and clear of any mortgage; payoff or re-subordination of a junior lien which is seasoned for less than 12 months where the proceeds from the subordinate lien were not used in their entirety to purchase the property (whether or not the borrower received any cash from the transaction); and all special purpose cash-out refinance transactions in which one owner buys out the interest of the other owner.

All cash-out refinance transactions are ineligible for CMG MI mortgage insurance.

Commitments

Q7: What happens if CMG MI's 4-month commitment term expires?

A7: CMG MI's commitments are valid for a term of 4 months (120 days). If the 4-month commitment term expires, your member will have to be re-qualified for mortgage insurance using CMG MI's current program guidelines and a new application of insurance will have to be submitted for a new commitment.