

**BULLETIN #2016-03**

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**TO: Distribution**

**DATE: January 21, 2016**

**RE: CMG Financial Correspondent Lending  
Reminders and Updates**

**EFFECTIVE: As noted below**

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**CMG FINANCIAL CORRESPONDENT LENDING REMINDERS AND UPDATES**

**Topics Covered in this Announcement:**

- Reminder: Fannie Mae Self-Employed Income
- Updates: DU for Government Loans

**REMINDER: FANNIE MAE SELF-EMPLOYED INCOME**

**Summary:** As a reminder, in August Fannie Mae had updated the self-employment income policies published in December 2014 regarding how to calculate and document self-employment income, including the parameters under which business income without a history of distribution may be included to qualify self-employed borrowers.

Income from partnerships, LLCs, estates, or trusts can only be considered if the lender obtains documentation verifying that

- the borrower has ownership of the income (Schedule K -1 may be used to document ownership share), and
- the income was actually distributed to the borrower.

Alternatively, the lender can obtain documentation verifying that

- the borrower has access to the income through a partnership agreement, LLC operating agreement, or other documentation that the lender determines is appropriate, unless the
- borrower(s) own 100% of the business in which case confirmation of access to the income is not required; and
- the business has adequate liquidity to support the withdrawal of earnings.

Examples of documentation required for this s analysis are:

- Partnership agreement or corporate resolution if not 100% owned; and
- bank statements or balance sheet showing on 1120's for liquidity.

Note: The December 2014 version of the *Cash Flow Analysis* (Form 1084) was revised to incorporate the policy updates and improve ease of use.

**Effective Date:** CMG Correspondent Lenders are required to implement for conventional conforming DU loans with application dates on or after February 1, 2016.

**References:**

- Refer to [Fannie Selling Announcement SEL 2015 -09](#) for full details.
- Fannie Mae Selling Guide: <https://www.fanniemae.com/content/guide/selling/b3/3.2.2/01.html>

## MI Company (Genworth) Self Employed Borrower Training Available:

- <https://mortgageinsurance.genworth.com/Training/Credit.aspx>
- <https://mortgageinsurance.genworth.com/Training/SelfEmployedBorrower.aspx>

## UPDATES: DU FOR GOVERNMENT LOANS

**Summary** – Desktop Underwriter® (DU®) for government loans will be updated the weekend of January 23, 2016, to support the VA 2016 county loan limit changes, as well as FHA related message changes.

### VA 2016 County Loan Limit Changes

- VA loan casefiles submitted or resubmitted prior to the weekend of January 23, 2016, will be underwritten using the 2015 VA county loan limits. VA loan casefiles submitted or resubmitted on or after the weekend of January 23, 2016, will be underwritten using the 2016 VA county loan limits.
- **NOTE:** Because the 2016 VA county loan limits will not be implemented on the date they are in effect, lenders are responsible for ensuring that the correct VA county loan limit is applied for all VA loans underwritten through DU from January 1 through January 23, 2016.

### FHA Message Changes

- The text of several messages will be updated and one message will be deleted, to better align with the Online HUD Handbook 4000.1. These changes include clarifications on undisclosed debt and income and employment documentation.
- In addition, the FHA TOTAL Mortgage scorecard (TOTAL) will return a number of new messages on the DU Underwriting Findings report, as well as several modified messages.
- **Additional Note:** Per FHA guidelines, the version of TOTAL with which a loan casefile is underwritten is based on the agency case number assignment date. A loan casefile without an agency case number will be underwritten with the version of TOTAL in place at the time of the first submission. Between the time of FHA's expected TOTAL update in early January and DU's release the weekend of January 23, some loan casefiles without an agency case number may be underwritten with the latest version of TOTAL when resubmitted. However, a loan casefile with an agency case number will be underwritten with the correct version of TOTAL for the loan.

### References:

- [DU for Government Loans January 2016 Release Notes](#)
- VA county loan limits: [http://www.benefits.va.gov/homeloans/purchaseco\\_loan\\_limits.asp](http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp)

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

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