

BULLETIN # 2018-56

TO: Distribution

DATE: December 24, 2018

RE: CMG Financial Correspondent Lending
Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- IMPACT OF GOVERNMENT SHUTDOWN

IMPACT OF GOVERNMENT SHUTDOWN

Summary: CMG is announcing temporary changes to purchase requirements for loans closed during the federal government shutdown. As long as it is temporary in nature, it is expected that the shutdown will have minimal immediate impact on FHA & Ginnie Mae programs. VA has already been funded for the fiscal year. Unfortunately, USDA will not issue any new guarantees during the shutdown. FHA and Ginnie Mae are expected continue core business operations (e.g. FHA Connection would remain operational and Ginnie Mae would issue new commitment authority for the foreseeable future.)

Please see below for more details on the following specific topics:

- Tax Transcripts
- VA Lending
- HUD-FHA & Ginnie Mae
- USDA
- National Flood Insurance Program
- Verbal Verification of Employment-Government Employees

In all cases, non-agency transactions are subject to investor guidance

Effective Date: *The temporary policy changes outlined in this bulletin are effective immediately and are in effect until further notice.*

TAX TRANSCRIPTS

Applies to FHA, VA, USDA & Agency:

- IRS Tax and W-2 Transcripts will not be required for loan delivery to CMG. However, completed

4506-T forms, signed at closing, continue to be required for loan delivery. **Note:** Correspondent Lender must obtain tax transcripts on applicable loans when the federal government shutdown ends. Once tax transcripts are received, CMG will compare the income documents to the transcripts and loans with discrepancies may be subject to repurchase.

Non agency loans must meet investor specific requirements.

VA LENDING

Based on past shutdowns, the VA has determined that housing is an "essential service". If the shutdown lasts for an extended period, additional delays may be expected. As of today, the following apply:

- Housing is viewed as an essential service
- CMG is temporarily suspending the requirement for IRS Tax or W-2 Transcripts to close a mortgage loan. (See "Tax Transcripts" in this announcement)

Link to VA Contingency Plan: https://www.blogs.va.gov/VAAntage/wp-content/uploads/2017/12/VA-Contingency-Plan-2017-2018_Final-Submission.docx

HUD-FHA & GINNIE MAE

FHA will continue issuing case numbers and insuring loans. Per the Contingency Plan:

- Will insure single-family loans
- Will support the following origination operations
 - Case numbers: Cancellations, reinstatements and transfers
 - Case numbers are being assigned
 - Resolution of the hold tracking queue
- Will review Notice of Return violations on pre-endorsement loans
- Will address any CAIVRS errors to avoid borrowers being denied a loan
- FHA systems (e.g. Connection and LEAP) will be operational
 - Actions requiring interaction w/ FHA staff will either be delayed or suspended
- Call center (answers@HUD.gov) and National Servicing Center will be operating
- Condominium project approvals under HUD Review and Approval Process (HRAP) will NOT be processed. Eligible lenders will be permitted to continue to process under DELRAP.
- Servicing issues will be supported. Payment of claims, servicing of Secretary-held mortgages, ensuring continuity of FHA's REO disposition process and servicer mitigation activities will continue.
- CMG is temporarily suspending the requirement for IRS Tax or W-2 Transcripts to close a mortgage loan. (See "Tax Transcripts" in this announcement)

Link to HUD Contingency Plan:

<https://www.hud.gov/sites/documents/HUDCONTINGENCYPLANFINAL.PDF>

USDA

No new RD rural housing conditional commitments or loan guarantees will be issued.

- Loans closed during a shutdown are done at the lender's risk.
- Loans w/ conditional commitments cannot be guaranteed until the shutdown is ended.
- The Lender Interactive Network Connection (LINC) is expected to be operational.
 - This includes GUS and other front-end systems
- At this time, CMG will allow funding/purchase of USDA loans that already have the conditional commitment but not the guarantee.

Link USDA Rural Development Contingency Plan:

<https://www.usda.gov/sites/default/files/documents/usda-rd-shutdown-plan.pdf>

NATIONAL FLOOD INSURANCE

NFIP will not be issuing new or renewing any policies during the shutdown. When flood insurance is required, proof either at or prior to funding of a complete current "in-force" flood insurance policy must be obtained. Sufficient content to be able to determine adequacy of coverage and appropriate dates of coverage that is dated on or before December 21, 2018 is required. If the borrower does not produce acceptable proof of flood insurance coverage for the minimum amount required, the loan is not eligible to be purchased. **Exceptions are not permitted for any reason.**

Acceptable evidence of Flood Insurance when both the application for the coverage and proof of paid receipt are dated prior to December 22, 2018:

- a complete application for flood insurance signed by the insurance agent, and
- application content must be sufficient to be able to determine adequacy of coverage and appropriate dates of coverage accompanied by a paid receipt, and
- steps must be taken to follow up that the coverage is issued and activated once the NFIP insurance authority is renewed.

In instances where the premium is paid at closing, a *Closing Disclosure* that evidences premium payment is an acceptable form of paid receipt. Both the application for the coverage and proof of paid receipt must be dated prior to December 22, 2018.

Private Flood: Policies from private insurers are not impacted by the NFIP hiatus and are an acceptable form of flood insurance if allowed by the loan program/final investor

FHA Reminder: FHA does not accept private flood insurance. FHA has an FAQ that states:

A property is not eligible for FHA insurance if:

- a residential building and related improvements to the property are located within SFHA Zone A, a Special Flood Zone Area ,or Zone V, a Coastal Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community.

Links:

- <https://www.fema.gov/national-flood-insurance-program/national-flood-insurance-program-reauthorization-guidance>
- <https://www.fanniemae.com/content/announcement/II1008.pdf>

VERBAL VERIFICATION OF EMPLOYMENT-GOVERNMENT EMPLOYEES

- Borrowers employed by the federal government where a VVOE cannot be obtained prior to closing are not eligible. Borrowers must return to work prior to closing in order to use the income for qualification purposes.
- As a reminder, if the borrower is in the military, a military Leave and Earnings Statement (LES) dated within 30 days of closing is acceptable in lieu of a VVOE.

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



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