



TO: Distribution

DATE: January 27, 2021

RE: CMG Financial Correspondent Lending Updates 2021-04

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Disaster List Updates
- Fannie Mae and Freddie Mac Updates- COVID-19 FAQ
- Freddie Mac Provides Age of Tax Return Guidance
- Home Possible 2-4 Unit Max LTV 85%
- All In One #801 WAB Rental Income From ADU

DISASTER LIST UPDATES

Summary: FEMA has added the following Louisiana parishes as receiving individual assistance to a new disaster declaration related to Hurricane Zeta. CMG's Disaster Policy is in effect for these parishes.

Disaster Parish	Disaster #	Declaration Date	Incident Start Date	FEMA End Date	Termination Date
Jefferson	DR-4577-LA (Hurricane Zeta)	01/12/2021	10/26/2020	10/30/2020	2/27/2021
Lafourche	DR-4577-LA (Hurricane Zeta)	01/12/2021	10/26/2020	10/30/2020	2/27/2021
Orleans	DR-4577-LA (Hurricane Zeta)	01/12/2021	10/26/2020	10/30/2020	2/27/2021
Plaquemines	DR-4577-LA (Hurricane Zeta)	01/12/2021	10/26/2020	10/30/2020	2/27/2021
St Bernard	DR-4577-LA (Hurricane Zeta)	01/12/2021	10/26/2020	10/30/2020	2/27/2021
Terrebonne	DR-4577-LA (Hurricane Zeta)	01/12/2021	10/26/2020	10/30/2020	2/27/2021

FANNIE MAE & FREDDIE MAC UPDATES-COVID-19 FAQ

Summary: Fannie Mae and Freddie Mac continue to work together with FHFA to align on COVID-19 related clarifications. Both agencies have updated their FAQs for a number of items, including but not limited to, the noted Fannie Mae FAQ below.

Q19. Is there a minimum time period that must be reported on a profit and loss statement for loan applications taken in 2021?

NEW

For loan applications dated Feb. 1 through Mar. 31, the profit and loss statement (audited or unaudited) must include a minimum three-month look back period to ensure there is sufficient information to determine the extent to which a business has been impacted by COVID-19. This may require reporting of prior and current year details.

Examples

Application Date	The profit and loss statement must report...	When unaudited, depository account statements include...
January 2021	January through December 2020	October, November, December 2020
February 2021	November and December 2020 and January 2021	November and December 2020 and January 2021
June 2021	January through May 2021	March, April, May 2021

Q22. Can the lender use the YTD P&L to calculate qualifying income?

UPDATED

No. The lender must continue to use the required level of tax return documentation to calculate self-employment income. The lender must use the P&L (and other supplemental documentation) to determine the extent to which a business has been impacted by COVID-19. When the current level is less than the calculated amount, the lender must adjust the income downward to reflect the current level of stable income. This may be less than the year-to-date average represented on the YTD P&L based on the timeframe the business was impacted.

Q10. Can unemployment income be used to qualify a borrower?

NEW

In accordance with B3-3.1-09, Other Sources of Income, unemployment benefits cannot be used to qualify a borrower unless they are clearly associated with seasonal employment that is reported on the borrower's signed federal income tax returns. (Note: This reminder was previously posted in the Lender Letter but moved here as an FAQ.)

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Links:

[Fannie Mae COVID-19 FAQ](#)
[Freddie Mac COVID-19 FAQ](#)

FREDDIE MAC PROVIDES AGE OF TAX RETURN GUIDANCE

Summary: With Bulletin 2020-2, Freddie Mac has provided additional specificity for the following topics:

- Age of tax return date and documentation requirements
- Self-employed income guidance when tax returns from the most recent calendar year are not yet available

The Single-Family Seller/Service Guide will be updated with a future Bulletin to reflect the updates noted in the Bulletin (2021-2). Please see the bulletin for full details and examples.

Effective Date: *These clarifications and additional guidance may be applied immediately.*

Link: <https://guide.freddiemac.com/app/guide/bulletin/2021-2>

HOME POSSIBLE 2-4 UNIT MAX LTV

Summary: With Bulletin 2020-45 Freddie Mac announced a reduction in maximum LTV for 2-4 unit Home Possible Mortgages. The maximum LTV is changing from 95% to 85%. Note – 3-4 unit ARM transactions continue to be limited to a maximum of 75% LTV.

- Loan Product Advisor® feedback messages will not be updated until April to reflect these changes. Underwriting will need to manually check eligibility.
- CMG Home Possible matrices will be updated and reposted with this information next week.

Effective Date: Last day to lock February 1, 2021. Last day to purchase is February 26, 2021.

Link: <https://guide.freddie.mac.com/app/guide/bulletin/2020-45>

ALL IN ONE #801 RENTAL INCOME FROM ADU

Summary: The All In One #801-WAB products now permits ADU income to be used to qualify a borrower with the following requirements:

- Primary residences only
- 2 years history of managing and earning ADU rental income
- Must have 2 years schedule E documenting ADU rental income
- ADU's must be common to the area the property is located

Effective Date: *Immediately, guidelines are updated and reposted.*

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



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