CMG FINANCIAL
Correspondent Lending

BULLETIN #2016-06

TO: Distribution

DATE: February 18, 2016

RE: CMG FINANCIAL CORRESPONDENT LENDING UPDATES

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Compliance Department Update: Information Security Policy
- FHA Transactions: Documenting Payment of Taxes Owed – New Requirement!
- Reminder: New 4506T Form and Requirements

COMPLIANCE DEPARTMENT UPDATE: INFORMATION SECURITY POLICY

Summary: This policy has been updated to specify that CMG is a paperless mortgage company. Retaining paper files is not permitted; all documents must be scanned and kept electronically.

Effective: ASAP

Who to contact: Compliance Department

Document Link: Here

FHA TRANSACTIONS: DOCUMENTING PAYMENT OF TAXES OWED- NEW REQUIREMENTS

Summary: When a borrower shows a tax due on tax returns in the loan file, the lender must document that the borrower has paid the taxes due. This applies to any year's tax returns in the loan file. This is based on the FHA 4000.1 Handbook requiring that the borrower can have no unpaid federal debt. Federal taxes owed per tax returns must be documented as paid.

Account Transcripts or Record of Account (ordered via 4506-T) can be used in lieu of cancelled check or proof of electronic payment.

6 Transcript requested. Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. ▶

a Return Transcript, which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120-A, Form 1120-H, Form 1120-L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days . . . . ☐

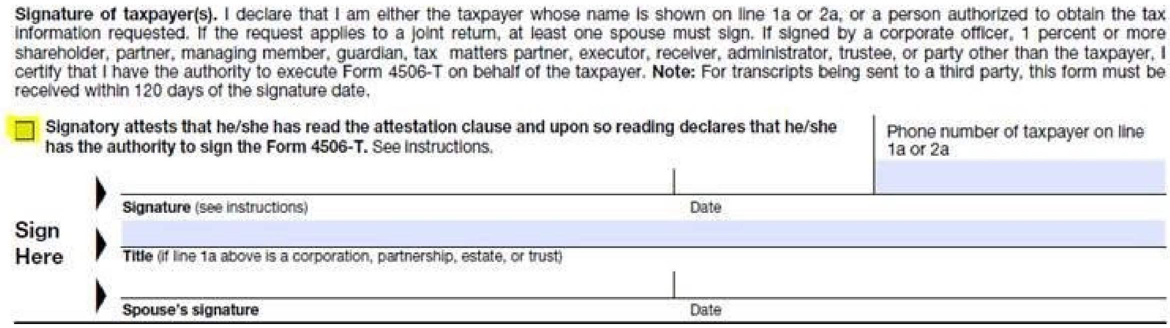
b Account Transcript, which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. Most requests will be processed within 10 business days . ☐

c Record of Account, which provides the most detailed information as it is a combination of the Return Transcript and the Account Transcript. Available for current year and 3 prior tax years. Most requests will be processed within 10 business days . . . . ☐

Effective Date: Immediately

REMINDER: NEW 4506-T FORM & REQUIREMENTS

Summary: The IRS has published a revision to Form 4506-T. The updated form reflects an attestation box indicating the signor has the authority to sign the 4506-T and that they have read the attestation clause. The attestation box must be checked or the request for tax transcripts will be rejected by the IRS.



Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, at least one spouse must sign. If signed by a corporate officer, 1 percent or more shareholder, partner, managing member, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-T on behalf of the taxpayer. **Note:** For transcripts being sent to a third party, this form must be received within 120 days of the signature date.

☐ **Signatory attests that he/she has read the attestation clause and upon so reading declares that he/she has the authority to sign the Form 4506-T.** See instructions.

Phone number of taxpayer on line 1a or 2a

Sign Here

Signature (see instructions) — Date

Title (if line 1a above is a corporation, partnership, estate, or trust)

Spouse's signature — Date

To view and download the form go to https://www.irs.gov/uac/About-Form-4506T.

Effective Date: Effective March 1, 2016, the IRS will only accept the most recent 4506-T form and the attestation box must be checked.

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

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