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TO: Distribution

DATE: March 3, 2021

RE: CMG Financial Correspondent Lending  
Updates 2021-14

EFFECTIVE: As noted below

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### CMG FINANCIAL CORRESPONDENT LENDING UPDATES

#### Topics Covered in this Announcement:

- VA Certificate of Eligibility enhancements to streamline Income Verification Income
- COVID-19 Extensions FHA & USDA

#### VA CERTIFICATE OF ELIGIBILITY ENHANCEMENTS TO STREAMLINE INCOME VERIFICATION INCOME

**Summary:** With [Circular 26-21-03](#) VA has announced Certificate of Eligibility enhancements to streamline Income Verification.

Beginning on March 19, 2021, lenders are no longer expected to submit VA Form 26-8937 to VA when the COE already lists the information the lender is seeking to verify. If the COE already lists the information the lender is seeking to verify, VA will not process the VA Form 26-8937 if it is submitted by the lender. VA expects that lenders will only submit VA Form 26-8937 to VA in cases where the lender needs additional information from VA. For instance—

- An active duty Service member has received a proposed or memorandum rating or a pre-discharge claim for VA disability compensation is pending;
- A COE condition expressly states that VA Form 26-8937 must be submitted to VA; or
- System limitations cause anomalies on the COE and lenders are unable to resolve such anomalies after calling VA at 877-827-3702.

(NOTE: VA recognizes that there could be cases where a Veteran's compensation award increases after the effective date of the COE. In such cases, lenders should rely on the Veteran's award letter to verify the increase. Submitting VA Form 26-8937 would be unnecessary.)

**How to Submit.** In the limited circumstances where VA Form 26-8937 will still be submitted to VA, VA encourages lenders to upload the VA Form 26-8937 to WebLGY. This can be completed by selecting "New Application" under "Electronic Application" in WebLGY. Effective March 19, 2021, VA will be unable to process VA Form 26-8937 via fax.

- Document Type. VA Form 26-8937 should be uploaded under correspondence in "E-Docs" as "Form 26-8937" document type.
- Interest Rate Reduction Refinancing Loans (IRRRLs) for Surviving Spouse of a Veteran Who is Deceased. Under 38 U.S.C. § 3710(e)(3), if a surviving spouse of a deceased Veteran was a co-borrower of a VA-guaranteed loan, the surviving spouse is eligible for an IRRRL to refinance the VA-guaranteed loan. Lenders should utilize the "New Application" under the surviving spouse's name, not the deceased Veteran's name. Note: Information about the loan

being refinanced will not appear on the COE.

c. VA Form 26-8937 Status Inquiries. Upon VA's receipt of VA Form 26-8937 from the lender, the COE will be updated accordingly, and the lender should be able to obtain the COE in WebLGY. In rare instances of system limitations, VA may upload a completed VA Form 26- 8937 to the eligibility record in WebLGY in lieu of updating the COE record. Lenders should allow five business days before calling 877-827-3702 for a status update.

**Effective Date:** Beginning on March 19, 2021, lenders are no longer expected to submit VA Form 26-8937 to VA when the COE already lists the information the lender is seeking to verify.

**Link:** [Circular 26-21-03](#)

## COVID-19 EXTENSIONS FHA & USDA

**Summary - FHA:** FHA has announced extensions to COVID-19 related updates via Mortgagee Letters 2021-06 and 2021-07.

- Effective immediately, the verification of business operations for self-employed borrowers and the Rental Income guidance in ML 2020-24 is extended for case numbers assigned on or before June 30, 2021.
- The continuation of re-verification of employment guidance in ML 2020-05 is effective immediately for cases closed on or before June 30, 2021.
- The extension of the Exterior-Only Appraisal SOW option in ML 2020-37 is effective immediately for appraisals with an effective date on or before June 30, 2021.

These policy updates are temporary and will not be incorporated into the HUD Handbook 4000.1.

**Links:** [Mortgagee Letter 2021-06](#), [Mortgagee Letter 2021-07](#)

**Summary – USDA:** As announced via an Important Notice dated February 25, 2021, USDA has issued an extension of Temporary Exceptions in Relation to COVID-19 Pandemic. The temporary exceptions originally issued on March 27, 2020, pertaining to appraisals, repair inspections, and income verifications for the Single Family Housing Guaranteed Loan Program (SFHGLP) due to the COVID-19 pandemic have been extended until June 30, 2021 and apply to the requirements in the program handbook HB-1-3555 for new loans, described below.

### Residential Appraisal Reports – Existing Dwelling

For purchase and non-streamlined refinance transactions, when an appraiser is unable to complete an interior inspection of an existing dwelling due to concerns associated with the COVID-19 pandemic, an "Exterior-Only Inspection Residential Appraisal Report", (FHLMC 2055/FNMA 2055) will be accepted. In such cases, appraisers are not required to certify that the property meets HUD HB 4000.1 standards. The appraisal must be completed in accordance with the Uniform Standards of Professional Practice (USPAP) and the Uniform Appraisal Dataset (UAD).

This exception is not applicable to new construction properties.

### Repair Inspections – Existing Dwelling

Loans for which a completion certification is not available due to issues related to the COVID-19 pandemic, a letter signed by the borrower confirming that the work was completed is permitted. Lenders must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the loan file.

### Verbal Verification of Employment

Lenders should use due diligence in obtaining the most recent income documentation to verify the borrower's repayment ability prior to closing. When the lender is unable to obtain a Verbal Verification of Employment (VVOE) within 10 business days of loan closing due to a temporary closure of the borrower's employment, alternatives should be explored. For example, email correspondence with the borrower's employer is an acceptable alternative to a VVOE.

In the case of a reduction of income, the borrower's reduced income must be sufficient to support the new loan payment and other non-housing obligations. Borrower's with no income or those receiving unemployment benefits at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.

**Effective date:** Temporary exceptions are extended until June 30, 2021.

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



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