

TO: Distribution

DATE: March 11, 2020

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- FREDDIE MAC/LPA UPDATES

FREDDIE MAC/LPA UPDATES

Summary: Freddie Mac has extended income changes previously announced and has also provided detailed information on LPA messaging changes coming March 29th, 2020.

For the March 29th LPA messaging updates please refer to the following Freddie Mac resources:

- [LPA Feedback Messages Updates](#)
- [LPA Feedback Messages Changing March 29th, 2020](#)

In addition, Freddie has delayed the previously announced income changes ([Bulletin 2019-20](#)) that were to go into place on 3/20. CMG announced the changes October 11th with an effective date of 3/20 for loans closed/purchased. The revised requirements will now be effective for loans closed/purchased on and after June 1, 2020.

Delayed changes include the following requirements for employed income analysis and calculation, with a focus on base non-fluctuating and fluctuating hourly employment earnings and additional fluctuating employment earnings (e.g., commission, bonus, overtime and tip income).

- Updates to employment history requirements. Currently, Freddie Mac requires the Borrower to have at least a two-year history of primary employment, permitting a shorter history in certain instances. They are updating the Guide to require that when the Borrower's income is derived from fluctuating hourly employment earnings, under no circumstances may the employment history be less than 12 months.
- Adding a requirement that for base hourly earnings to be considered non-fluctuating for the purpose of income calculation, the Borrower must have a documented history of working the same number of hours with the same employer for a minimum of six months.
- Clarification that "fluctuating hourly employment earnings" are considered to be wages that are based on an hourly rate of pay and where the number of hours fluctuate each pay period.
- Alignment of income calculation requirements for all fluctuating employment income types (hourly base, overtime, bonus, commission and tips). The calculation is based on whether the income trend is determined to be consistent, increasing or declining.
- Adding requirements for additional analysis when income fluctuation between the prior year(s) and yearto-date exceeds 10%. As part of this change, the requirement for additional analysis when earnings

show “a high degree of volatility or an irregular pattern” is being removed.

Freddie Mac Selling Guide impacts: Guide Sections [5301.1](#) and [5303.2](#) through [5303.4](#)

Effective Date: *March 29th for the LPA messaging updates. June 1st (closed/purchased) for the income changes.*

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



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