



TO: Distribution

DATE: March 23, 2020

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Fannie Mae & Freddie Mac Temporary Guidance Related to COVID-19
- Key Fannie Mae FAQ for Employment & Income Verification
- Freddie Mac Bulletin 2020-05
- Fannie Mae Lending Letter & FAQ
- Freddie Mac Temporary Appraisal Flexibility
- Fannie Mae Temporary Appraisal Flexibility

FANNIE MAE & FREDDIE MAC TEMPORARY GUIDANCE RELATED TO COVID-19

Today, both Fannie Mae and Freddie Mac have released temporary guidance related to COVID-19. CMG aligns with this guidance under the following parameters:

- Verification of employment is required prior to closing in all cases.
 - Other flexibilities relating to the VVOE are permitted on a case by case basis.
- o Closers must try to obtain a standard VVOE but can use the noted flexibility for email confirmations when needed. (An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used in lieu of a verbal VOE.)
- o Use of a paystub or bank statement deposit will be considered only on a case by case basis and eligibility will be determined by underwriting. See FAQ below regarding if a recent paystub or bank statement is obtained in lieu of the verbal verification of employment (VOE), and the documentation evidences reduced hours and/or pay due to the pandemic.
- As referenced in CMG's Bulletin 2020-15 and as noted by the agencies, additional due diligence may be required to determine stability and continuance of income. This may include actions such as obtaining updated YTD paystubs for the pay period that immediately precedes the note date and ensuring the employer is open for business.
 - Unless an appraisal waiver is offered by the AUS and meets agency requirements, a full appraisal should be obtained when possible. When not possible, and the loan is eligible for a temporary alternative, CMG accepts the agency alternatives of a desktop or exterior only appraisal. See below in this memo for eligibility charts but refer to full agency guidance for complete details.

For loans with LTV's >80% Mortgage Insurance requirements must be adhered to and MI company responses are pending.

These flexibilities apply to conventional conforming loans only and not to HFA/Bond, non-agency, or government

(FHA/VA/USDA) transactions.

Effective Date: For Conventional Conforming loans, these temporary flexibilities are effective immediately for all loans in process.

KEY FANNIE MAE FAQ FOR EMPLOYMENT & INCOME VERIFICATION

If a recent paystub or bank statement is obtained in lieu of the verbal verification of employment (VOE), and the documentation evidences reduced hours and/or pay due to the pandemic, what are the next steps?

Continue to follow the requirements and guidance in the Selling Guide Chapter B3-3 related to income stability and calculation. For example, for declining variable income, the requirements and guidance for declining income trends in the Selling Guide B3-3.1-01,

General Income Information are applicable. In those cases, the reduced amount of declining variable income can only be used for qualifying if it has since stabilized and there is no reason to believe the borrower will not continue to be employed at the current level. In no instance may income be averaged over the period of declination.

The borrower is self-employed and owns a business that is closed due to the pandemic. Can the income be used to qualify?

No, if the business is not operating, the income may not be used to qualify.

Can I use the requirements for income while on temporary leave?

Yes, refer to the requirements in the *Selling Guide* B3-3.1-09, Other Sources of Income.

FREDDIE MAC BULLETIN 2020-05

The coronavirus disease (COVID-19) is a rapidly evolving situation with significant economic implications and impacts to our Sellers and their Borrowers. In response to our Sellers' questions and concerns, this Bulletin provides:

- Temporary guidance related to our credit underwriting requirements
- Temporary guidance related to our property valuation requirements
- Expansion of our automated collateral evaluation eligibility

Link: https://guide.freddie.mac.com/app/guide/content/a_id/1003723

FANNIE MAE LENDER LETTER & FAQ:

Fannie Mae COVID-19 Frequently Asked Questions: <https://singlefamily.fanniemae.com/media/22326/display>

[LL-2020-03](#), Impact of COVID-19 on Originations. This Lender Letter provides reminders and temporary guidance on verbal verification of employment; continuity of income of income; notes, electronic records, and signatures; title insurance; and seller/servicer business continuity and submission of financial statements.)

[LL-2020-04](#), Impact of COVID-19 on Appraisals. This Lender Letter provides information about the following:

- Temporary appraisal requirement flexibilities: allowing exterior-only inspection appraisals or desktop appraisals
- Desktop appraisals: allowing for purchase transactions when an interior and exterior appraisal is not available
- Exterior-only inspection appraisals: allowing for purchase and refinances of Fannie Mae-owned loans
- Revisions to the scope of work, statements of assumptions and limited conditions, and appraiser's certifications: requiring modified language to be used with exterior-only and desktop appraisals
- Additional form instructions for appraisals: requiring identification of "exterior" or "desktop" on the interior and exterior reports
- Identification of a Fannie Mae loan: reminding lenders about our Loan Lookup tool to identify Fannie Mae-owned loans
- Appraisal waivers: encouraging lenders to accept waiver offers when eligible
- Delivery requirements: changes are not required at this time in Loan Delivery

- Completion reports (Form 1004D): allowing alternatives when a Form 1004D cannot be obtained
- HomeStyle® Renovation and HomeStyle Energy requirements: requiring traditional appraisals for these transactions

FREDDIE MAC TEMPORARY APPRAISAL FLEXIBILITY

These flexibilities are not permitted for Construction Conversion, Renovation or new construction properties:

Permissible appraisal requirements				
Mortgage purpose	LTV ratio	Occupancy type	Ownership of Mortgage being refinanced	Permissible appraisals
Purchase transaction*	Up to 97%	Primary Residence	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	≤85%	Second homes and Investment Properties	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	>85%	Second homes	N/A	Interior and exterior inspection appraisal
No cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned by Freddie Mac	Interior and exterior inspection appraisal or exterior-only inspection
			Mortgage being refinanced not owned by Freddie Mac	Interior and exterior inspection appraisal
Cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned or not owned by Freddie Mac	Interior and exterior inspection appraisal

FANNIE MAE TEMPORARY APPRAISAL FLEXIBILITY

Loan purpose	LTV ratio	Occupancy	Ownership of loan being refinanced	Permissible appraisals (in order of preference)
Purchase*	Per <i>Eligibility Matrix</i>	Principal residence	N/A	Traditional appraisal Desktop appraisal Exterior-only appraisal
	≤ 85o/o	Second home Investment		Traditional appraisal Desktop appraisal Exterior-only appraisal
	> 85o/o	Second home		Traditional appraisal
Limited cash-out refinance	Per <i>Eligibility Matrix</i>	All	Fannie Mae-owned	Traditional appraisal Exterior-only appraisal
			Not Fannie Mae-owned	Traditional appraisal
Cash-out refinance			Fannie Mae or not Fannie Mae-owned	Traditional appraisal

*Excludes new construction and construction-to-permanent loans.

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



© 2020 CMG Financial, All Rights Reserved. CMG Financial is a registered trade name of CMG Mortgage, Inc., NMLS #1820 in most, but not all states. CMG Mortgage, Inc. is an equal opportunity lender, licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act No. 4150025, California Finance Lenders Law No. 6053674. For information about our company, please visit us at www.cmghi.com. To verify our complete list of state licenses, please visit www.nmlsconsumeraccess.org. For more information on State licenses, please visit <http://www.cmghi.com/corporate/licensing>.

[Unsubscribe here.](#) if you don't wish to receive these messages in the future.
null, null null