

TO: Distribution

DATE: March 27, 2020

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- TAX TRANSCRIPT DELAYS
- VA ISSUES LENDER GUIDANCE FOR BORROWERS AFFECTED BY COVID-19 CIRCULAR 26-20-10
- VA ISSUES VALUATION PRACTICES DURING COVID-19 CIRCULAR 26-20-11
- USDA ISSUES TEMPORARY EXCEPTIONS TO INTERIOR INSPECTION APPRAISALS AND VERBAL VERIFICATION OF EMPLOYMENT IN RELATIONS TO COVID-19

TAX TRANSCRIPT DELAYS

Summary: For the next few weeks, tax transcript orders will be delayed. For this temporary period, if guidelines do not specifically require tax transcripts, CMG will permit borrower provided tax transcripts. See below for instructions on how the borrower can obtain transcripts directly through the IRS website. A fully executed 4506-T is still required for all transactions.

This applies to FHA, VA, USDA, Agency, and All In One.

While the backlog clears, CMG will permit borrower provided IRS Tax and W-2 Transcripts in lieu of the requirement for third party IRS Tax or W-2 Transcripts to close a mortgage loan while the backlog is cleared. However, completed 4506-T forms, signed at closing, continue to be required for loan delivery. Note: Correspondent Lender must obtain third party tax transcripts and provide them once available. Once tax transcripts are received, CMG will compare the income documents to the transcripts and loans with discrepancies may be subject to repurchase.

Action to take: Transcripts should continue to be ordered for all files per the income validation policy. Flexibilities are as noted above.

From tax transcript vendors: Effective March 26, 2020, the IRS campus in Kansas City is closed through April 8th, re-opening on Thursday April 9th. This closure was confirmed using the IRS employee Emergency Hotline. The closure of the Fresno, CA facility on March 23rd combined with Kansas City closure will result in processing-returns delays of at least 2-weeks. Equifax will continue to receive process and hold 4506T and SSA orders ongoing with the objective to release the orders in sequence as able, coordinating with the IVES team on site. The IRS office at Kansas City is where nearly all Tax Transcript/SSA work is traditionally processed. Previously, the IRS has stated they were processing returns on a first-in-first-out (FIFO) basis. We will presume this sequence will remain, but will be verifying as able. Expect no transcript returns for at least two weeks. Transcript order status is available in the TAX TRAK order status visualization tool available on the ordering site. Equifax is in daily communication with the IRS and we will provide additional information as it becomes available.

Instructions for borrower to obtain transcripts: <https://www.irs.gov/individuals/get-transcript>

VA ISSUES LENDER GUIDANCE FOR BORROWERS AFFECTED BY COVID-19- CIRCULAR 26-20-

10

Summary: VA has issued Circular 26-20-10 addressing lender guidance for borrowers affected by COVID-19. See below for important information and CMG associated guidance.

Income Verification Guidelines. Lenders should continue to use good judgment and flexibility when verifying stable and reliable income. Lenders should make every effort to satisfy VA's longstanding requirements concerning Verification of Employment (VOE) as outlined in the VA Pamphlet 26-7, Chapter 4 Credit Underwriting.

- If their propriety method is impacted due to temporary business closures, the lender should use the guidelines listed below.
 1. The lender may utilize employment and income verification third-party services. Additional fees associated with these services cannot be charged to the Veteran, as stated in VA Pamphlet 26-7, Chapter 8, Section 2 Fees and Charges the Veteran-Borrower Can Pay.
 2. If the lender is not able to utilize a third-party service to verify employment and income, a VOE can be met with evidence of direct deposit from a bank statement and paystubs covering a at least one full month of employment within 30 days of the closing date. The underwriter must reconcile payment amounts between the paystubs and direct deposit listed on the bank statement.
 3. **If the required VOE documentation cannot be obtained by evidence of bank statement and paystubs, and the borrowers have cash reserves totaling at least 2 months mortgage payments (PITI) post-closing, the loan must be submitted for a level 4 exception review to determine eligibility.**
- In the event lenders utilize option (2) or (3) as verification, they must document in box 47 of the remarks section on VA Form 26-6393, Loan Analysis, the option they selected and the supporting documentation.

Underwriting Loans. For income analysis purposes, as outlined in VA Pamphlet 26-7, Chapter 4 Credit Underwriting, VA guidelines generally require income to be stable and reliable for 2 years.

- If the applicant was impacted by COVID-19 (i.e. furlough, curtailment of income, etc.), that period should not be considered a break in employment or income provided they have returned, or are anticipated to return, to work in the same capacity and income levels. In addition to standard verification documentation, applicants should provide furlough letters where applicable.
- VA continues to encourage lenders to take proactive measures in documenting and uploading evidence of their analysis and justifications for all borrowers, especially for "borderline" cases. This may proactively address questions that VA may otherwise ask and prevent a loan level audit of that loan.

Effective Date: The policies outlined in this Circular are effective for all loans closed on, or after, the date of this Circular and until further notice or the rescission of this Circular.

Link to Circular: [Circular 26-20-10](#)

VA ISSUES VALUATION PRACTICES DURING COVID-19- CIRCULAR 26-20-11

Summary: VA will change the long-standing practice of requiring access to the interior of the home for certain types of loans and characteristics of those loans. Appraisers will still follow the same procedures of the VA appraisal process and are still required to meet USPAP and state requirements for delivering an appraisal that meets those qualifications, but are allowed the broader use of exterior inspection.

- Valuations may come in a form of an Exterior-Only appraisal with enhanced assignment conditions or in limited instances, a Desktop appraisal.
- On page 1 of the Uniform Residential Appraisal Report (URAR), Subject section, "Map Reference" appraisers are to state "Exterior-Only" or "Desktop."
- These procedures are temporary in nature and VA will return to normal operations after the national emergency.
- MPRs: The report will be completed "AS IS" unless there are MPR requirements the appraiser observed in the review of the property. Without an interior review of the property, the appraiser can make an EA concerning MPRs with the information available.
- When a full appraisal is not possible and when the appraiser believes that the assignment is too complex to be

completed by a Desktop or Exterior-Only appraisal, the appraiser is to contact the RLC and the lender to place the assignment on hold.

Full Interior Inspection Still Required:

The appraiser will continue to gain access to view the interior property in the instances outlined below.

- **Purchase Transaction (vacant property).** When the appraiser's assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place.
- **Purchase or Refinance Transaction (property occupied).** When the appraiser's assigned geographic jurisdiction does not have restrictions imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place. In addition, all parties must agree to the interior inspection and meet the following:
 - either party has not been instructed by health authorities to stay home or practice social distancing; or
 - does not have flu-like symptoms (such as fever, cough, or shortness of breath); or
 - has not been quarantined under direction of public health authorities; and
 - no parties are within the CDC guidance of high risk found at: <https://www.cdc.gov/coronavirus/2019-ncov/specific-groups/high-risk-complications.html>.

Exterior Only Appraisal: If either party does not wish to move forward with the interior inspection or do not meet the criteria listed above, the appraiser may move forward with an Exterior-Only appraisal with enhanced assignment conditions. Lenders may not direct the appraiser to conduct an interior inspection.

- This report option with enhanced assignment conditions will be completed on the FNMA 2055/1075 URAR form. For manufactured homes and multi-unit (2- to-4 unit) properties, appraisers will use the 1004C or 1025 form.
- Appraisers are to boldly and inconspicuously state "Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19."
- **Exterior-Only Appraisal with enhanced assignment conditions will be limited to the maximum 2020 Freddie Mac Conforming Loan Limit for a one-unit limit for the county or county-equivalent area.**
- **Purchase or Refinance transactions.** When an area may be restricting personal contact or when either party are in or have others that reside with them that are categorized as high risk March 27, 2020 Circular 26-20-11 3 according to the CDC, the appraiser must make every effort to complete the enhanced assignment conditions listed below.
 - (1) The appraiser will review the full exterior of the property and provide photos of all sides of the property with detailed notes of the exterior and any visible MPRs. In instances of obstructed or restricted view and access is unable to be granted or allowed, Multiple Listing Service (MLS) photos of these areas may be utilized. If MLS photos are utilized, it must be explained in the appraisal report.
 - (2) A measurement of the footprint of the home should be provided if accessible. This is not to determine the gross living area (GLA) but for the appraiser to reconcile with public records.
 - (3) The appraiser will conduct a detailed interview over the phone with the occupant, Veteran, or real estate professional regarding the property. It is the appraiser's responsibility to obtain sufficient information to provide a creditable report. Interview questions should be noted and kept in the appraisers work file. Key items that may impact market value should be noted in the appraisal report with details about what was provided and by whom.
 - (4) The appraiser may utilize any and all photos available from MLS, provided by the occupant, Veteran, or real estate professional.

Desktop Appraisal Valuations. This report option will be completed on the FNMA 1004, 1073, 1004C, 2025 and the appraiser will be required to attach a copy of the provided Scope of Work (SOW) Exhibit A, certifications, and assumptions in all reports. Appraisers are to boldly and inconspicuously state "Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19".

- **Desktop valuations will be limited to the maximum 2020 Freddie Mac Conforming Loan Limit for a one-unit limit for the county or county-equivalent area. The lender will address this at the time of the assignment.**
- Desktop appraisals will be conducted when the appraiser's assigned geographic jurisdiction has restrictions

imposed by authorities prohibiting individuals leaving their domicile, such as mandatory quarantine or shelter-in-place.

- Lenders must state in both in “public” notes in WebLGY and by e-mail to the appraiser if they will accept a Desktop appraisal.
- If the lender will not accept a Desktop appraisal, the appraiser will place the assignment on hold for 30 days and then subsequently cancel, if the status has not changed. The appraiser will annotate “public” notes in WebLGY updates on a weekly basis.
- **Purchase transactions.** The appraiser defines the scope of the work and will annotate in the appraisal report concerning the source of information provided.
- **Cash-Out Refinance Transactions.** The appraiser will prioritize assignments based on purchase transactions first and determine if sufficient information is publicly available and verifiable. ***Appraisers are not required to proceed on the assignment if information is not available to provide a credible report. In the event the appraiser is not able to complete the assignment, the lender may choose to cancel the request or have the RLC suspend the assignment until the national emergency is lifted and a more detailed report can be produced.***

Reconsideration of Value. In times of uncertainty, the housing market strengths may be less predictable to report. Appraisers will have comparable sales that took place prior to the President declaring a national emergency and active and pending sales can be less predictable. During this time, it is important to ensure that Veterans continue to be able to purchase a home. VA, the lender, and the appraiser will work together during this time to assist in the best possible outcome for the Veteran.

- **Purchase Transactions.** Reconsideration of Values (ROV) for purchase transactions will be restricted to no greater than 5 percent from the appraiser’s opinion of value. The same criteria is required as outlined in VA Pamphlet 26-7, Chapter 10 Appraisal Process (NEW), Section 22. In addition, a field review by VA Regional Loan Center (RLC) staff will not be a completed in conjunction with the ROV request.
- **Cash-Out Refinance Transactions.** VA will suspend ROV requests for cash-out refinance loans until further notice.

Repair Inspections. Due to the lack of verification of completion by the appraiser or inspector that repair items have been completed, lenders have one of the two following options to supply to VA.

- Lenders have the authority and are encouraged to certify repairs, especially repairs performed by licensed personnel, instead of an appraiser certification as outlined in the VA Pamphlet 26-7, Chapter 10 Appraisal Process (NEW), Section 23, Topic b. Repair certifications which may involve lead-based paint must still be completed by a fee appraiser.
- CMG requires loans to be eligible for guaranty at the time of loan closing for Wholesale & Retail and prior to purchase for Correspondent. As a result, work must be completed prior to closing and funds may not be escrowed for the repairs.
 - This includes any additional NOV conditions. Conditions must be met prior to closing/purchase.

Termite Inspections. VA Pamphlet 26-7, Chapter 12 Minimum Property Requirements (NEW), Section 33, Topic b, requires a wood inspection report if the property is located in an area on the Termite Infestation Probability Map where the probability of termite infestation is “very heavy” or “moderate to heavy”. If there is no known or visible evidence of termite infestation present, the seller and realtor must provide a certification to that fact. If there is known or visible evidence of termite infestation, **will continue to require a clear termite report prior to closing.**

Communication. To keep Veterans and appraisers safe while continuing the mission of the VA Home Loan program, communication between the Veteran, lender, appraiser and other stakeholders is key during this time. Below is the guidance being provided.

Veteran:

- If the appraiser is scheduled to complete an interior review of the property and you or another occupant of the home is experiencing flu like symptoms, such as fever, cough or shortness of breath, or have tested positive for COVID-19, you must notify the lender immediately.
- If you are initiating the ROV process, please notify and provide your lender any evidence/justification in support of the request.

Lender:

- If the appraiser is scheduled to complete an interior review of the property and the Veteran notifies you of a change in his/her or another occupant of the home's health, please notify the appraiser immediately.
- Ensure the appraiser has the necessary interior or exterior access to the property.
- Provide any MLS photos or other supporting evidence so the appraiser can provide a creditable report.
- **Communicate with the appraiser, Veteran and VA throughout this process both by e-mail, phone and "public" notes in WebLGY**

Appraiser:

VA understands that appraisers may experience operational delays as a result of COVID-19; however, every effort should be made to complete the appraisal within state defined timeframes outlined at: https://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp .

- Please contact the RLC of jurisdiction or the point of contact for the scheduled appointment if you have tested positive for COVID-19 or have a change in your health status that would prevent you from completing an assignment.
- Communicate with lender, clients and VA throughout this process both by e-mail, phone and "public" notes in WebLGY.
- In circumstances where timelines may be extended, the appraiser must clearly document WebLGY in the "public" notes and communicate directly with the lender.

Fees. Fees for services will remain as posted at https://www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.aspx. Fees for ExteriorOnly appraisal with enhanced assignment conditions or a Desktop appraisal will remain the same as an Interior appraisal. VA may require appraisers to complete a 1004D appraisal update within one year of completing an Exterior-Only or Desktop appraisal under the same fee payment.

Effective Date: The policies outlined in this Circular are effective for all loans closed on, or after, the date of this Circular and until further notice or the rescission of this Circular.

Links: [Circular 26-20-11](#), [Exhibit A](#)

USDA ISSUES TEMPORARY EXCEPTIONS TO INTERIOR INSPECTION APPRAISALS AND VERBAL VERIFICATION OF EMPLOYMENT IN RELATION TO COVID-19

Summary: USDA issued an announcement informing lenders of temporary exceptions pertaining to appraisals, repair inspections, and income verification for the Single Family Housing Guaranteed Loan Program (SFHGLP) due to the COVID-19 pandemic.

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 or construction to permanent loans. As a reminder, appraisals are not required for streamlined and streamlined-assist refinance transactions.

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 and all repairs must be completed prior to loan closing (Retail/Wholesale) or loan purchase (Correspondent).

Verbal Verification of Employment

Lenders must document and verify the borrowers annual and repayment income in accordance with Agency regulations. Lenders should use due diligence in obtaining the most recent income documentation to reverify the borrowers

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. If the lender is unable to obtain a VVOE or acceptable alternative, and the borrower has a minimum of 2 months cash reserves the loan must be submitted for a level 4 exception review.

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 at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.

Effective date: Effective immediately, the above exceptions to Agency guidance found at HB-1-3555 are in effect for a period of 60-days. This guidance expires 5/26/2020.

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



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