

TO: Distribution

DATE: April 6, 2020

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- TWN VVOE CLARIFICATION & OTHER COVID-19 RELATED UPDATES & FAQ

TWN VVOE CLARIFICATION & OTHER COVID-19 RELATED UPDATES & FAQ

Summary: Recent clarification was provided regarding the Verbal Verification of Employment within 5 (five) business days of the date the borrower signs the note. In addition, clarity is now being provided regarding the impact of this requirement to third party verbal verification of employment. Please see below for clarifications.

- Third party verbal verification of employment (i.e., The Work Number (TWN)):
 - Third party verification must be pulled within 5 business days of the signing of the note.
 - If the “as of” date is within five business days of the note signing date, this is acceptable.
 - If the “as of” date is not within 5 business days of the note signing date, provide one of the following:
 - A standard vvoe* (includes the verification that the borrower is still fully employed)
 - a paystub or bank statement deposit reflecting the most recent pay period; paystub or bank statement deposit must be cleared by the underwriter (to review for possible reduction of hour and/or pay).

*standard vvoe includes program specific COVID-19 flexibilities, such as the email option for Fannie Mae/Freddie Mac conventional conforming loans.

Q12. Does Fannie Mae require deferred debt payments (for example, student loans, auto loans, etc.) to be considered in a borrower's debt-to-income (DTI) ratio?

Yes. Even if a borrower's debt payments are temporarily suspended due to COVID-19 response, the lender must consider the payment in the borrower's DTI ratio in qualifying for a mortgage loan. Refer to the requirements in the B3-6-02 Debt-to-Income Ratios and B3-6-05, Monthly Debt Obligations.

Q13. What should the lender do when informed of a change in the borrower's pay structure?

If the lender is notified that the borrower is transitioning to a lower pay structure, for example due to pending retirement, the lender must use the lower amount to qualify the borrower. See B3-3.1-01, General Income Information; Continuity of Income.

Q14. Can borrowers still use trust accounts for down payment, closing costs, and reserves?

Yes, lenders can continue to follow the requirements in the B3-4.3-02, Trust Accounts. In addition, lenders must apply the age of document and other requirements and guidance in Lender Letter LL-2020-03, Impact of COVID-19 on Originations for any market-based assets in the trust account required for the transaction.

Q15. Can a borrower waive the right to rescind on a refinance transaction?

Fannie Mae does not set requirements around rescission periods. If a lender chooses to allow a borrower to waive the rescission period, they must follow and comply with applicable regulatory requirements.

Q16. Does Fannie Mae purchase loans that are in forbearance?

No. During the forbearance, the borrower is not making payments and the loan is not eligible for sale to Fannie Mae.

Q17. Can lenders continue to use capital gains and interest and dividend income for qualifying a borrower?

Yes, however, lenders should apply additional due diligence to capital gains and interest and dividend income since it is calculated using a historical view which may not be sustainable given current market volatility. While two years of tax returns are still required to demonstrate a stable history of capital gains and interest and dividends income, lenders must consider the current value of the underlying asset when evaluating income for qualifying purposes. Don't miss these additional miscellaneous FAQs recently published by Fannie Mae

Link to Fannie Mae FAQs: <https://singlefamily.fanniemae.com/media/22326/display>

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