



TO: Distribution

DATE: April 13, 2020

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- DISASTER UPDATES
- DU RELEASE NOTES
- VA UPDATES GUIDELINES FOR APPRAISAL FLEXIBILITY

DISASTER UPDATES

Summary: Umatilla County Oregon is on the FEMA list for individual assistance – the end date was February 9 so re-inspections for FHA loans may be ordered:

<https://www.fema.gov/disaster/4519>

Incident Period: February 05, 2020 - February 09, 2020
Major Disaster Declaration declared on April 03, 2020

Other COVID-19 FEMA Disaster Declarations with Individual Assistance: Both Fannie Mae and Freddie Mac have issued FAQs clarifying that existing policies related to disasters do not apply to loans impacted by COVID-19. Instead, for Fannie Mae, lenders can follow the guidance in Lender Letters LL2020-03, Impact of COVID-19 on Originations and LL-2020-04, Impact of COVID-19 on Appraisals. All guidance specific to COVID-19 will be communicated through Lender Letters and FAQ documents.*standard vvoe includes program specific COVID-19 flexibilities, such as the email option for Fannie Mae/Freddie Mac conventional conforming loans.

Links: [Freddie Mac FAQ](#) [Fannie Mae FAQ](#)

DU RELEASE NOTES

Summary – From Fannie Mae: During the weekend of April 11, 2020, Fannie Mae will implement the updates below to Desktop Underwriter® (DU®) Version 10.3. It is expected that these changes will result in a modest reduction in loan casefiles with high-risk factors receiving an Approve/Eligible recommendation. These changes will only apply to DU Version 10.3 loan casefiles created on or after April 12, 2020.

Identification of Fannie Mae Owned Loans

Fannie Mae Lender Letter LL-2020-04 specified temporary flexibilities to our appraisal inspection and report requirements that lenders may apply to limited cash-out refinance transactions when the loan being refinanced is owned by Fannie Mae. To assist lenders in applying these flexibilities, DU will issue a new message stating that the borrower's existing loan has been identified by DU as a Fannie Mae loan. This message will be issued on limited cash-out refinance loan casefiles when DU finds an active Fannie Mae first mortgage loan for the subject property address, and also confirms that the Social Security number (SSN) of at least one of the borrowers on the loan casefile matches one of

the SSNs on the existing loan. This new message will be issued on DU Version 10.3 loan casefiles submitted or resubmitted on or after the weekend of April 11, 2020.

New Message Related to Impact of COVID-19

DU will issue a new message that is issued on all loan casefile reminding lenders to refer to all Fannie Mae Lender Letters related to the "Impact of COVID-19" for additional instructions on temporary policies that may apply to the loan casefile. This new message will be issued on DU Version 10.3 loan casefiles submitted or resubmitted on or after the weekend of April 11, 2020.

Effective Date: As noted above.

VA UPDATES GUIDELINES FOR APPRAISAL FLEXIBILITY

On Friday, April 10, VA issued revised guidance for Valuation Practices during COVID-19 via Circular 26-20-13. Due to the rapidly changing environment caused by COVID-19 to the mortgage lending industry as well as feedback from multiple sources, Circular 26-20-11, Valuation Practices during COVID-19, is rescinded. This new circular provides updated guidance and instructions for valuation and appraising for all VA home loan purposes. VA's action includes broader use of exterior inspections and allowing desktop appraisals in limited instances.

THE HIGHLIGHTS OF THE CHANGES IN THE NEW CIRCULAR ARE:

- Effective date of new circular
 - Applications taken on or after last Friday (April 10), the date of the circular, and until further notice or next April 1st, 2021 (Rescission date of circular).
 - **Please note, at this time, additional clarification is pending regarding applications in process prior to April 10th.**
- Interior inspections
 - Interior inspections are only required for purchase transactions of a vacant property assuming the appraisal poses no harm to themselves or others.
 - VA removed the interior inspection requirement described in the March 27th circular (Section 5.a.2) for Purchase and Refinance transactions.
 - In the earlier circular, appraisers were to perform interior inspections in certain circumstances (i.e. all parties agree to the interior inspection and no party has COVID-19 health related issues.)
- Maximum Loan Limit
 - Exterior-Only Appraisal
 - Maximum loan limit increased to 1 1/2 times of Freddie Mac Conforming Loan Limit. (Maximum loan amount was the Freddie Mac conforming loan limit in the earlier circular.)
 - Desktop valuations
 - Will only be conducted when the appraiser's assigned geographic jurisdiction has restrictions imposed by authorities prohibiting appraisers from leaving their homes.
 - Maximum loan limit remains the same as the Freddie Mac conforming loan limit.
 - Lenders must state in "public" notes if it will accept desktop appraisal in WebLGY and in email to appraiser. Note: CMG will permit the flexibility for desktop valuation when warranted.
- Reconsideration of value
 - Purchase transactions
 - Increased to "no greater than 7% from appraiser's value or \$10,000, which is greater". An ROV may be requested when the value requested is greater than stated but the ROV amount must fall within the range of adjusted values in the sales grid of the appraisal or overwhelming evidence of appraisal error that impacts value.
 - Cash-out refinances
 - No change to earlier policy - suspended until further notice
- Repair inspections
 - CMG continues to require loans to be eligible for the VA guarantee at time of closing. This applies to purchases and refinance transactions.
- Termite inspections
 - Purchase transaction – no change. If there is no known or visible evidence of termite infestation present, the seller and realtor must provide a certification to that fact and the Veteran must

acknowledge that no inspection was completed. VA recommends the Veteran to complete an inspection once the national emergency has ended. If there is known or visible evidence of termite infestation, CMG continues to require a clear termite report prior to closing.

- Cash-out refinance transactions
 - Veteran can provide certificate of fact that there are no known or visible evidence of termite infestation present.
 - If there is known or visible evidence, CMG continues to require a clear termite report prior to closing.
- Additional NOV Conditions
 - “Any clear and obvious minimum property requirements (MPR) related issues that would render the home uninhabitable will not be able to be issued a guaranty till all repairs are completed.”
 - **All conditions must be completed before the loan will be guaranteed by VA; and therefore, must be complete prior to closing.**
- Fees
 - VA may continue to require appraisers to complete additional inspections within a year of completing an Exterior-Only or Desktop appraisal under the same fee payment.
 - VA also “may require this for complete sketches, interior photos, etc.”
 - Any MPR re-inspections on the exterior will be charged at the posted fees.

Link: [Circular 26-20-13 Exhibit A](#)

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



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