



TO: Distribution

DATE: May 6, 2020

**RE: CMG Financial Correspondent Lending
Updates 2020-27**

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- CONTINUED REMINDER: IMPACT OF MORTGAGE IN FORBEARANCE OR DEFERMENT
- APPRAISAL FLEXIBILITY KEY REMINDERS
- VA & SECONDARY FINANCING

CONTINUED REMINDER: IMPACT OF MORTGAGE IN FORBEARANCE OR DEFERMENT

Summary: If a borrower entered into deferment or forbearance on a mortgage due to COVID-19, whether or not for an economic hardship, the borrower is not eligible until out of forbearance and program guidelines for re-established credit and payment can be documented. Most programs require the borrower to be current at time of application and have a post forbearance 12 month payment history requirement.

Borrowers that are experiencing financial hardship should contact their current servicer for options.

Link: [CMG's Consumer Facing Resource Page for COVID-19](#)

APPRAISAL FLEXIBILITY KEY REMINDERS

Summary: As a reminder, not all transactions are eligible for appraisal flexibility. CMG cannot REQUIRE an interior inspection,

Action to take – Underwriters: Be sure the transaction permits appraisal flexibility if an alternative is provided by the appraiser.

- Except for VA transactions, cash-out refinances require full traditional appraisals.
- For conventional conforming, unless the rate & term refinance is agency to agency, a full traditional appraisal is required.
- VA transactions over certain dollar amounts require a full appraisal.
- USDA does not permit desktop appraisal.
- In all cases, there may be instances where there is insufficient information about the property for an appraiser to complete an appraisal assignment with a desktop appraisal or an appraisal with an exterior-only inspection. In these instances, the mortgage will not be eligible until the appraiser has sufficient information to complete the desktop appraisal or an appraisal with an exterior-only inspection, or an appraisal with an interior and exterior inspection is obtained.
- For transactions that are eligible and the appraiser opts to use the flexibility, the map reference and the Scope of Work/Limiting Conditions, must be correct in the appraisal.

Below is a snapshot of basic eligibility but it is not a full guide. These are temporary flexibilities and will expire based on application dates, loan closed dates or other effective date designation applied by the governing body.

Loan Type*		GSEs ** (Fannie/Freddie)	FHA	VA	USDA
Purchase	Principal residence	<ul style="list-style-type: none"> • Ext only permitted • Desktop permitted 	<ul style="list-style-type: none"> • Exterior permitted. • Desktop permitted 	<ul style="list-style-type: none"> • Exterior only when purchase price/loan amount does not exceed 1.5x county limit • Desktop permitted if purchase price/loan amount < county limit ROV lifted/restricted for purchase transactions.	<ul style="list-style-type: none"> • Exterior only is permitted. • Desktop appraisals NOT permitted
	Second Home	Full traditional appraisal required if >85% LTV	N/A	N/A	N/A
	New construction	Desktop w/ certifications	Traditional appraisal required	Interior required if no shelter in place.	Traditional appraisal required
Refinance	Rate and Term or Limited Cash-out	Exterior only permitted when owned by the same GSE (agency-agency). Otherwise, full int/ext required.	<ul style="list-style-type: none"> • Exterior permitted. 	All non-IRRRL refinances: <ul style="list-style-type: none"> • Exterior permitted. • Desktop permitted ROV suspended until further notice.	N/A
	Cash-out	No flexibilities for cash-out. Full appraisal required.	No flexibilities for cash-out. Full appraisal required.		

* Renovation loans require full appraisals

** For manufactured homes eligible for an exterior only, the appraiser must completed on the 1004C and in the Map Reference the appraiser will put "Exterior".

VA & SECONDARY FINANCING

Summary: As previously announced, VA has been updating the VA Lender's Handbook via a number of change notices and publishing "NEW" chapters. In VA's new chapter 9, VA has revised secondary borrowing requirements to specify that secondary borrowing is acceptable as long as:

- the Veteran is not placed in a substantially worse position than if the entire amount borrowed had been guaranteed by VA,
- the loan (in conjunction with the first mortgage) may not exceed the NOV, and
- the additional requirements detailed in the chapter are met.

The requirement that the second loan, in conjunction with the first mortgage, may not exceed the NOV, applies to down payment assistance programs even if secured by a "deferred" or "silent" or "forgivable" second lien. This includes housing finance agency programs.

Effective Date: *Immediately. VA issued change notice 33 impacting Chapter 9 on July 30th with an effective date of 90 days after the change notice. It was not called out as a change in the notice, but CMG has confirmed with the VA that the revised section does apply to housing finance agency as well as other down payment assistance programs secured against the subject property.*

Link: VA Lender's Handbook: https://www.benefits.va.gov/WARMS/pam26_7.asp

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