



TO: Distribution

DATE: May 20, 2020

**RE: CMG Financial Correspondent Lending
Updates 2020-31**

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- The Critical Details- GSE Refinance and Home Purchase Eligibility for Borrowers in Forbearance
- VA Updates to Valuation Practices During COVID-19
- Critical Reminders- Appraisal Flexibilities
- FHA COVID-19 Extensions

THE CRITICAL DETAILS- GSE REFINANCE AND HOME PURCHASE ELIGIBILITY FOR BORROWERS IN FORBEARANCE

Summary: Fannie Mae and Freddie Mac (the Enterprises) have issued temporary guidance regarding the eligibility of borrowers who are in forbearance, or have recently ended their forbearance, looking to refinance or buy a new home.

Effective Date: Immediate. Lenders may immediately apply these policies to loans in process and must apply them to loans with application dates on or after Jun. 2, 2020. These policies will be effective until further notice.

Details of temporary eligibility requirements for purchase and refinance transactions

Lenders must continue to review the borrower's credit report to determine the status of all mortgage loans. In addition to reviewing the credit report, the lender must also apply due diligence for each mortgage loan on which the borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine whether the payments are current as of the note date of the new transaction. For the purposes of these requirements, "current" means the borrower has made all mortgage payments due in the month prior to the note date of the new loan transaction by no later than the last business day of that month. Examples of acceptable additional due diligence methods to document the loan file include:

- a loan payment history from the servicer or third-party verification service,
- a payoff statement (for mortgages being refinanced),
- the latest mortgage account statement from the borrower, and
- a verification of mortgage.

A borrower who is not current and has missed payments on any mortgage loan is eligible for a new mortgage loan if those missed payments were resolved in accordance with the requirements in the table below.

Resolution Method	Eligibility
Reinstatement (pay all the forborne payments at once)	If the borrower resolved missed payments through a reinstatement, they are eligible for a new mortgage loan. The lender must document the source of funds in accordance with eligible sources of funds in the Selling Guide, if the reinstatement was completed after the application date of the new transaction. Proceeds from a refinance may not be used to reinstate any mortgage loan.
Loss Mitigation Solution	<p>If outstanding payments will be or have been resolved through a loss mitigation solution, the borrower is eligible for a new mortgage loan if they have made at least three timely payments as of the note date of the new transaction as follows:</p> <ul style="list-style-type: none"> For a repayment plan, the borrower must have made either three payments under the repayment plan or completed the repayment plan, whichever occurs first. Note that there is no requirement that the repayment plan be completed. For a payment deferral, the borrower must have made three consecutive payments following the effective date of the payment deferral agreement. For a modification, the borrower must have completed the three-month trial payment period. For any other loss mitigation solution not listed above, the borrower must have successfully completed the program, or made three consecutive full payments in accordance with the program. <p>Verification that the borrower has made the required three timely payments may include:</p> <ul style="list-style-type: none"> a loan payment history from the servicer or third-party verification service, the latest mortgage account statement from the borrower, and a verification of mortgage. <p>If these requirements are met on an existing mortgage loan being refinanced, the new loan amount can include the full amount required to satisfy the existing mortgage.</p>

Fannie Mae additional notes: We are not considering payments missed during the time of a COVID-19-related forbearance that have been resolved to be historical delinquencies for purposes of our excessive mortgage delinquency policy as outlined in B3-5.3-03, Previous Mortgage Payment History. This flexibility does not apply to high LTV refinance loans, which must continue to meet the payment history requirements in B5-7-02, High LTV Refinance Underwriting, Documentation, and Collateral Requirements for the New Loan.

Freddie Mac additional notes:

Enhanced Relief Refinance® Mortgages: These temporary requirements do not apply to Enhanced Relief Refinance® Mortgages. All of the requirements in Guide Chapter 4404, including the payment history requirements applicable to the Mortgage being refinanced and the use of refinance proceeds, continue to apply.

Loan Product Advisor® and Guide updates: Loan Product Advisor® feedback messages and the Guide will not be updated to reflect these temporary requirements.

Links:

- [Fannie Mae Announcement](#)
- [Freddie Mac Bulletin 2020-17](#)
- [FHFA Announcement](#)

VA UPDATES TO VALUATION PRACTICES DURING COVID-19

Summary: VA issued a change notice for Circular 26-20-13. The purpose of this Circular is to provide further clarification on the effective date of the temporary guidance and additional information for valuation during a National Emergency.

- VA issued the change notice for the valuation practices now confirming appraisal flexibilities can apply to applications prior to April 10th

New: The policies outlined in the Circular are effective for all loans closed on, or after March 13, 2020, and until further notice or the rescission of this Circular. Previously, circular stated the effective date of new circular was Applications taken on or after April 10th .

- Clarifications the limits to loan amounts are the "total" loan amounts for the exterior only and desktop appraisal loan amount caps.
- Water System Acceptability.
 - Well water testing for refinance transactions where the home is already encumbered by a VA loan will be waived.
 - For purchase and refinance transactions where the home is not already encumbered by a VA-guaranteed loan a level 3 exception is required if the testing is suspended due to COVID-19. Additional requirements must be met in order to consider and grant an exception.

Links:

- https://www.benefits.va.gov/HOMELOANS/documents/circulars/26_20_13_change1.pdf
- https://www.benefits.va.gov/HOMELOANS/documents/circulars/26_20_13.pdf

CRITICAL REMINDERS- APPRAISAL FLEXIBILITIES

Summary: As a reminder, not all transactions are eligible for appraisal flexibility. The lender cannot REQUIRE an interior inspection, but also cannot close on a transaction unless an eligible appraisal or alternative is obtained.

- Refinance transactions:
 - A desktop is never permitted for a refinance (neither conventional nor FHA nor USDA)
 - For any refinance transaction, Appraisal flexibility for an exterior appraisal is extremely limited for refinance transactions. Not permitted on cash-out and only permitted on a rate/term if the loan is Fannie-owned to Fannie or Freddie-owned to Freddie.
- UCDP / SSRs should continue to have "successful" findings, even when appraisal flexibility is used. "Unsuccessful" results are not acceptable.
- When using a flexible option, the following apply in addition to transaction level eligibility:
 - The correct form must be used.

- A desktop is completed on the standard full appraisal form
- For conventional conforming, exterior only forms are required. (Notes: Detached condos can use the 2055 if the same requirements are met as required for the detached condo to be eligible for a 1004 full. Manufactured homes are the exception – there is no applicable exterior form so the full 1004C is used and map reference will reference "Exterior".)
- In addition to the correct form, appraisal reports submitted using the flexibilities provided must include the documents with the modified language for scope of work, statement of assumptions and limiting conditions, and certifications.
 - In the appraisal report, enter the word "desktop" or "exterior" in the Map Reference field, as applicable
 - The entire text for the modified language, including the word "DESKTOP" or "EXTERIOR", as applicable, must be copied and pasted into the report (not an image.)
- There may be instances where there is insufficient information about the property for an appraiser to complete an appraisal assignment with a desktop appraisal (purchase only) or an appraisal with an exterior-only inspection. In these instances the assignment cannot proceed until the appraiser has sufficient information to complete the desktop appraisal (purchase only) or an appraisal with an exterior-only inspection, or an appraisal with an interior and exterior inspection is obtained.
- No assumptions allowed on property condition. As Fannie Mae has begun to examine appraisals completed using the temporary appraisal flexibilities in Lender Letter LL-2020-04, one issue they've observed is that some appraisals rely on assumptions about the subject property condition. Whether completing an exterior-only or a desktop appraisal, the appraiser must have a data source for all the relevant characteristics including interior condition. Obtaining that information, whether it be from homeowners or other sources, is not only encouraged,
 - As stated in Lender Letter LL-2020-04, the appraiser's certification #10 was removed recognizing that the appraiser may have to rely on information from an interested party to the transaction (borrower, real estate agent, property contact, etc.) and additional verification may not be possible. The removal of this certification acknowledges this could affect the assignment's results. If adequate information is not available to complete the appraisal, the assignment cannot be completed.
 - The standard GSE appraisal forms include certification 10 that obligates the appraiser to verify "from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property." Fannie Mae intentionally removed certification 10 from the revised certifications, required for the temporary appraisal flexibilities, in recognition that there may be scenarios where an interested party is the only available source for some subject property data. When using the temporary flexibilities, Fannie Mae encourages appraisers to communicate with homeowners or agents to fill any gaps in the descriptive information needed to perform the appraisal. The appraiser cannot assume that the condition is "average" or "similar to the exterior of the home," for example.

As a reminder, the temporary appraisal flexibilities for conventional conforming have been extended through June 30.

Action: 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. Desktop appraisals are not permitted. If flexibility is allowed, the correct form, map reference, and modified verbiage is required. Appraisers cannot make assumptions about the interior condition.
- VA transactions over certain dollar amounts require a full appraisal.
- USDA does not permit desktop appraisal for any transaction.
- 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. 	N/A
	Cash-out	No flexibilities for cash-out. Full appraisal required.	No flexibilities for cash-out. Full appraisal required.	ROV suspended until further notice.	

[†] 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".

FHA COVID-19 EXTENSIONS

Summary: FHA Extends Temporary COVID-19 Single Family Re-Verification of Employment and Appraisal Protocols to June 30, 2020.

- The Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2020-14](#), Extension of the Effective Date of Mortgagee Letter 2020-05, Re-verification of Employment and Exterior-Only and Desktop-Only Appraisal Scope of Work Options for FHA Single Family Programs Impacted By COVID-19.
- The Mortgagee Letter announces an extension of the effective date of the guidance contained in [ML 2020-05](#).

which provides flexible alternatives for re-verifying a borrower's employment and conducting appraisal reviews while physically-distancing during the Presidentially-Declared COVID-19 National Emergency.

- As outlined in [ML 2020-14](#), FHA's extension of appraisal guidance is effective immediately for appraisal inspections completed on or before June 30, 2020. The extension of re-verification of employment guidance is also effective immediately for cases closed on or before June 30, 2020.

Links:

<https://www.hud.gov/sites/dfiles/OCHCO/documents/2020-14hsgml.pdf>

•

***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.cmgfi.com. To verify our complete list of state licenses, please visit www.nmlsconsumeraccess.org. For more information on State licenses, please visit <http://www.cmgfi.com/corporate/licensing>

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