
TO: Distribution

DATE: July 08, 2020

**RE: CMG Financial Correspondent Lending
Updates 2020-43**

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- New Update: FHA Transactions & Debt in Forbearance

NEW UPDATE: FHA TRANSACTIONS & DEBIT IN FORBEARANCE

Summary: Effective immediately, CMG guidance revised as noted below and applies to borrowers looking to refinance or purchase a new home.

For FHA transactions, if a borrower entered into deferment or forbearance due to COVID-19, eligibility will be impacted by whether or not the borrower continued to make all scheduled payments (mortgage and non-mortgage debt) and whether or not the borrower experienced financial hardship. That is, when a lender reviews the mortgage history of a borrower who was in forbearance, the forbearance period may be treated as current as long as the borrower continued to make all scheduled payments as agreed, and a waiting period does not apply.

- Eligibility for borrowers who entered forbearance (mortgage or non-mortgage debt) but did not have any late or missed payments may be considered on a case by case basis once the borrower is out of forbearance.
- If a borrower entered forbearance and did not make payments as scheduled the borrower is considered delinquent and is not eligible. Most programs require the borrower to be current at time of application and have a post forbearance 12 month payment history requirement.

Borrowers & COVID-19 Forbearance: Mortgage & Non-Mortgage Debt

Payments made as scheduled = considered on a case by case basis, not considered delinquent, borrower must be out of forbearance (with the exception of student loans as noted below)

Payments not made as scheduled = not eligible, borrower is considered delinquent

Additional Notes:

- As long as all payments continued to be made on time and the borrower is out of forbearance, manual downgrading the transaction is not required.
- Borrowers that entered forbearance but bring their balance current prior to closing after not making one or more payments still have the delinquent payment history that must meet handbook requirements and are not eligible.
- Student loans that are automatically placed in an administrative forbearance can continue to be in forbearance and borrower will eligible as long as the the borrower continued to make payments as agreed. (Reference <https://studentaid.gov/announcements-events/coronavirus>). Any deferred payment must be included in the borrower's DTI ratio.

- The above guidance also applies to Streamline Refinances – the borrower must be out of forbearance prior to the refinance and must have made all payments as agreed/on time. For non credit qualifying refinances, mortgage payment history is considered. For credit qualifying streamline refinances, mortgage and non-mortgage debt must be considered.

Effective date: *Immediately, applies to all loans in process and all new applications. Until additional clarification or guidance is released by FHA the above guidance applies.*

***Please contact your Correspondent National Sales Manager
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