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**TO: Distribution**

**DATE: July 15, 2020**

**RE: CMG Financial Correspondent Lending  
Updates 2020-45**

**EFFECTIVE: As noted below**

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### **CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

#### **Topics Covered in this Announcement:**

- USDA FAQ Borrowers In Forbearance
- July 15th Reminder- Tax Returns and Tax Transcripts
- FHA Underwriters- FHA Recorded Webinar on Mortgage Credit

#### **USDA FAQS REGARDING DEBT IN FORBEARANCE**

**Summary:** The USDA Regulations and the USDA Guaranteed Loan Program Handbook (HB-1-3555) are different than FHA Regulations and the FHA Handbook (4000.1). The USDA FAQs directly reference borrowers in forbearance for both mortgage and non-mortgage debt as seen below.

**8Q.** The borrower is in forbearance but has been making their payments on time. Do they qualify for a refinance or purchase loan?

**8A. Yes.** A borrower who is current on their loan payments qualifies for a purchase or refinance loan, assuming other standard requirements are met.

**3Q.** The borrower had their auto loan, student loan, etc. in forbearance due to COVID19 and the payments are currently deferred. Can we exclude these payments from debt-to-income ratios?

**3A. HB-1-3555, 11.2 (B)**

The regular monthly payment should be considered in the debt-to-income calculation even if the loans is in deferment or forbearance. Deferments are treated as temporary in nature and require that the regular monthly payment is considered in the debt-to-ratio calculation.

**Link to USDA FAQs:** <https://www.rd.usda.gov/sites/default/files/RD-GRH-OriginationServicingFAQs.pdf>

#### **JULY 15TH REMINDER- TAX RETURNS AND TAX TRANSCRIPTS**

**Summary:** For 2020 the IRS moved the national income tax filing day ahead to July 15, three months after the normal deadline for Americans to send in their returns. All taxpayers and businesses had this additional time to file and make payments without interest or penalties. This extension was treated as a valid filing of an extension. As of July 15th,

standard guidance regarding tax extensions must be adhered to. Underwriting will be requesting the most recent year's tax return filed by the borrower as required by the guidelines. In addition, if tax returns are not filed after July 15th lenders must obtain a copy of the IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS.

**Impact to Income Validation Policy – Tax Transcripts:** CMG's tax transcript policy requires transcript validation for tax returns used to qualify the borrower and addresses action required. The requirement for tax returns are addressed in the underwriting guidelines. With some borrowers just filing at the deadline, transcripts may not be available immediately (as happens with the standard April 15th deadline). For agency transactions, exceptions to the tax transcript policy for valid and documented reasons can be considered at the underwriter level when the investor/program does not specifically require tax transcripts. Non agency and All In One transactions will be reviewed on a case by case basis and are subject to underwriting manager and investor acceptance.

**Links:** <https://docs.cmqfi.com/corporate/Income-Validation-CPS-1009-ALL.pdf>

**Effective Date:** *Tax filing deadline is July 15th*

### USDA FAQs REGARDING DEBT IN FORBEARANCE

Summary: FHA underwriters are encouraged to take this webinar provided by FHA: [Single Family Housing Policy Handbook Lender Training – Mortgage Credit](#) (Recorded 6/30/20): This online webinar features representatives from the Federal Housing Administration (FHA) who will provide an update to mortgage credit underwriting standards, practices, and policies. The topics for discussion include: COVID-19 documentation flexibilities; evaluating credit, income, and assets; manual underwriting criteria; and endorsement protocols. Webinar Duration: 152 minutes. [Course Materials](#). To view the archived webinar, please select [Register for this Webinar on the Landing Page](#).

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