
TO: Distribution

DATE: July 22, 2020

**RE: CMG Financial Correspondent Lending
Updates 2020-46**

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Clarification: Conventional Conforming Non-Mortgage Debt in Forbearance including Student Loans
- GSEs extend COVID-19 Temporary Guidance
- July 15th Continued Reminder – Tax Return Deadline

CLARIFICATION: CONVENTIONAL CONFORMING NON-MORTGAGE DEBT IN FORBEARANCE INCLUDING STUDENT LOANS

Summary: Guidance for non-mortgage debt in forbearance for conventional conforming loans is updated to provide additional clarity and specifically address student loans that were placed in administrative forbearance by the borrower's lender:

- If a borrower entered into deferment or forbearance on non-mortgage debt due to COVID-19, but not due to an economic hardship, consideration may be given, and the payment must be included in DTI. As a general rule, the borrower will be eligible if no payments were missed and documentation shows that the borrower is not currently in forbearance.
 - For student loans in administrative forbearance, if the borrower's payments are suspended the payment must be considered in the borrower's DTI. It is acceptable for a student loan in administrative forbearance to remain in the forbearance and the skipped payments do not need to be made up prior to closing.
 - For student loans in standard post education deferment, standard guidelines apply.
- If a borrower entered into deferment or forbearance due to a COVID-19 related economic hardship, the borrower must financially recover, exit forbearance, and re-establish a payment history before consideration can be given.

Effective Date: *Immediately*

GSE'S EXTEND COVID-19 TEMPORARY GUIDANCE

Summary: Fannie Mae and Freddie Mac have extended application dates for the temporary COVID-19 related policies to August 31, 2020.

Effective Date: *Applications until August 31, 2020*

JULY 15TH REMINDER- TAX RETURNS AND TAX TRANSCRIPTS

Summary: (As noted in bulletin 2020-45) 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*

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



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