



TO: Distribution

DATE: July 29, 2020

RE: CMG Financial Correspondent Lending Updates 2020-47

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- Update: FHA & Debt In Forbearance
- Update: Conventional Conforming & Non-Mortgage Debt in Forbearance

UPDATE: FHA & DEBT IN FORBEARANCE

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:

Non-Mortgage Debt in Forbearance (FHA & Fannie/Freddie Conv Conf)	
If borrower has...	Then...
non-mortgage debt other than student loan in forbearance & no missed payments...	include debt in analysis and proceed.
non-mortgage debt other than student loan in forbearance due to hardship and skipped payments...	the borrower must financially recover from the hardship and debt must be included in the underwriting analysis. The underwriter will consider the reason for the forbearance in the consideration of the borrower's willingness and capacity to repay debt obligations and in the overall analysis of the stability of the borrower's income and employment as a source of debt repayment.
student loan in administrative forbearance & either skipped or continued paying...	include debt in analysis and proceed.
student loan in standard post education forbearance (no payments required)...	follow standard FHA handbook requirements.

Mortgage Debt in Forbearance – Subject or other REO (FHA)	
If borrower has mortgage debt that was/is in forbearance and resolution method is via...	Then eligibility is as follows...
Reinstatement (pay all the forborne payments at once). A mortgage loan is considered reinstated if the borrower has paid all missed payments and any associated fees or other expenses in a lump sum payment in order to return the mortgage loan to a current status under the terms of the original note.	For TOTAL Scorecard Approve/Eligible loans: If the borrower resolved missed payments through a reinstatement, the borrower is eligible for a new mortgage loan subject to the following: <ul style="list-style-type: none"> • The source of funds for the reinstatement must be documented; gift funds not permitted for source of funds for reinstatement. • Proceeds from a refinance may not be used to reinstate any mortgage loan. • A credit supplement verifying that the borrower is no longer in forbearance on the mortgage loan is required. • The underwriter will consider the reason for the forbearance in the consideration of the borrower's willingness and capacity to repay debt obligations and in the overall analysis of the stability of the borrower's income and employment as a source of debt repayment. • FHA Streamline refinance transactions are not eligible if the borrower missed payments, even if reinstated. See below regarding manual underwrites. For Manual Underwrites (manual downgrades, Refer findings, FHA Streamlines): for manually underwritten loans, most FHA programs require the borrower to be current at time of application and have a post forbearance 12-month payment history requirement.
Loss Mitigation solution (repayment plan, payment deferral, modification, etc)	Not eligible.

Effective Date: *Immediately*

UPDATE: CONVENTIONAL CONFORMING (FANNIE/FREDDIE) NON-MORTGAGE DEBT IN FORBEARANCE

Summary: Guidance regarding conventional conforming loans with non-mortgage debt is updated to remove the absolute requirement that the account is out of forbearance. Underwriting will continue to carefully review the situation and require additional documentation has needed when the borrower has missed payments for non-mortgage debt in forbearance. In all cases the debt must be included in the underwriting analysis and the file must support that the borrower has financially recovered from any hardship and has the willingness and capacity to repay debt obligations.

Non-Mortgage Debt in Forbearance (Fannie/Freddie Conv Conf)	
If borrower has...	Then...
non-mortgage debt other than student loan in forbearance & no missed payments...	include debt in analysis and proceed.
non-mortgage debt other than student loan in forbearance due to hardship and skipped payments...	the borrower must financially recover from the hardship and debt must be included in the underwriting analysis. The underwriter will consider the reason for the forbearance in the consideration of the borrower's willingness and capacity to repay debt obligations and in the overall analysis of the stability of the borrower's income and employment as a source of debt repayment.
student loan in administrative forbearance & either skipped or continued paying...	include debt in analysis and proceed.
student loan in standard post education forbearance (no payments required)...	follow standard GSE requirements.

Effective Date: *Immediately*

***Please contact your Correspondent National Sales Manager
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