



**TO: Distribution**

**DATE: September 16, 2020**

**RE: CMG Financial Correspondent Lending  
Updates 2020-63**

**EFFECTIVE: As noted below**

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## **CMG FINANCIAL CORRESPONDENT LENDING UPDATES**

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

- FHA Underwriting Guidelines for Borrower with previous Mortgage Payment Forbearance
- Premier 6200 & Expanded 6600 Series Updates
- LIBOR ARM Product Retirement

### **FHA UNDERWRITING GUIDELINES FOR BORROWER WITH PREVIOUS MORTGAGE PAYMENT FORBEARANCE**

**Summary:** FHA has released [Mortgagee Letter 2020-30](#) outlining FHA underwriting guidelines for borrowers with previous mortgage payment forbearance. With the exception of Streamline refinances, this FHA update does not impact CMG's stance for borrowers who have exited forbearance after continuing to make all payments as scheduled. Streamline Refinances are impacted as noted below. In addition, borrowers who fully reinstated but had missed payments during the forbearance period are subject to post forbearance payment requirements as noted below. This update does impact the current FHA pipeline and any FHA requirements that are more restrictive must be applied to existing case files. Full FHA requirements and Handbook updates are outlined in the Mortgagee Letter. Please see below for a summary.

Generally, a borrower who was granted Mortgage Payment Forbearance is eligible for a new FHA insured mortgage provided:

1. The borrower continued to make regularly scheduled payments and the Forbearance Plan is terminated, or
2. For Cash-Out refinances, the borrower has completed the Forbearance Plan and made at least 12 consecutive monthly payments post forbearance; or
3. For Purchase and No Cash-Out refinances, the borrower has completed the Forbearance Plan and made at least three consecutive monthly payments post forbearance; or
4. For Streamlines:
  - Non credit qualifying streamlines are permitted if borrower is out of forbearance at time of case number assignment and has made at least three consecutive monthly payments post forbearance.
  - Credit qualifying is required if either of the following apply:
    - the borrower is not out of forbearance at the time of case number assignment (even if payments made as agreed) **OR**
    - has made less than three consecutive monthly payments post forbearance (even if all made on time during the forbearance period)

In addition, credit qualifying streamlines are only eligible provided the Borrower:

- made all mortgage payments within the month due for the six months prior to forbearance; and
- had no more than one 30-Day late payment for the previous six months.

For all Streamline refinance transactions, the borrower has made at least six payments on the FHA-insured mortgage being refinanced (where the FHA insured Mortgage has been modified after forbearance, the Borrower must have made at least six payments under the Modification). (Seasoning requirements already call for 6 payments; however, this is clarifying if the borrower has entered a modification))

**Additional Key Notes:**

- In all cases, the Forbearance Plan must be terminated and a copy of the Modification or Forbearance Plan must be provided.
  - However, a copy of the Forbearance Plan is not required if the forbearance was due to the impact of the COVID-19 National Emergency.
- Under the new requirements, payments made are referencing consecutive payments since completion of a mortgage forbearance plan.
  - For TOTAL Scorecard loans, if the required consecutive payments since the completion of the forbearance plan are met, the transaction does NOT need to be manually downgraded.
- Housing Obligation/Mortgage Payment History – For both TOTAL and manual underwrites:
  - A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the Forbearance Plan is terminated at or prior to closing. (Note: Although not considered delinquent or late, payment history requirements apply as outlined.)
  - A Mortgage that has been granted forbearance must utilize the payment history in accordance with the forbearance Plan for the time period of forbearance in determining late housing payments. Where any mortgage in forbearance will remain open after the closing of the new FHA insured mortgage, the Forbearance Plan must be terminated at or prior to closing.

**Effective Date:** *This update does impact the current FHA pipeline and any FHA requirements that are more restrictive must be applied to existing case files.*

**Link to Mortgagee Letter:** <https://www.hud.gov/sites/dfiles/OCHCO/documents/2020-30hsgml.pdf>

**PREMIER 6200 & EXPANDED 6600 SERIES UPDATES**

**Summary:** The Premier 6200 and Expanded 6600 Series programs are subject to the changes outlined below..

**Documentation**

- The investor has determined that the COVID-19 pandemic and accompanying federally declared disaster to be significant enough to require a borrower affidavit as outlined below:
  - A borrower affidavit specific to the COVID-19 pandemic for loans with application dates on or after June 1st, 2020 is required until otherwise announced.
  - The affidavit should be executed at closing and include, at a minimum, the following:
    - All information included in URLA and any other information or documentation provided by the borrower(s) is current, true and correct.
    - That the borrower is unaware of any pending impairments to income, employment or assets due to the effects of the COVID-19 pandemic.
    - Any disaster specific requirements outlined by the investor
  - Signature requirement:
    - I/we, the borrower(s) declare that the forgoing is true and correct.
  - That the borrower(s) understands the following:
    - The Federal CARES Act permits borrowers to request forbearance on a federally backed mortgage loan.
    - The current loan being extended may not be a federally backed mortgage loan. (The affidavit should provide a brief description of a federally backed mortgage loan).
    - If the current loan is not a federally backed mortgage loan, forbearance under the CARES Act is not possible.

- Forbearance does not eliminate the borrower(s) responsibility to repay the amount of the forbearance. This amount will need to be repaid at a later date.
- Revised days for all credit documents, including title commitment from must be no older than sixty (60) days to ninety (90) days

#### **Assets**

- Language added to asset reserve requirements for Self-Employed borrowers requiring an additional three (3) months reserves.

**Effective Date:** *Immediately*

#### **LIBOR ARM PRODUCT RETIREMENT**

**Summary:** In order to meet agency cutoff and delivery times, CMG conventional conforming LIBOR ARM products will be retired with key dates as noted below:

- Last day to purchase for Correspondent: 10/30/2020

SOFR ARMs will be released in the near future. Please watch for future announcements regarding SOFR ARM availability.

**Effective Date:** *As noted above.*

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



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