



**TO: Distribution**

**DATE: September 23, 2020**

**RE: CMG Financial Correspondent Lending  
Updates 2020-66**

**EFFECTIVE: As noted below**

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

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

- Reminder- Disaster Updates- MS, AL, FL, WA
- USDA COVID-19 FAQs Updated
- USDA Annual Lapse in Funding and "Subject To" Conditional Commitments
- All-In-One Clarification- Free & Clear Properties

#### **REMINDER-DISASTER UPDATES- MS, AL, FL, WA**

**Summary:** Reminder, the purchase suspension is lifted for the following counties:

**Mississippi:** George, Greene

**Alabama:** Baldwin, Butler, Clarke, Conecuh, Crenshaw, Escambia, Mobile, Monroe, Washington, Wilcox

**Florida:** Escambia, Okaloosa, Santa Rosa

**Washington (fires):** Spokane

At this time, FEMA has not issued disaster declarations for individual assistance for the above counties. If a declaration is issued for these or other counties, adherence to the disaster policy will be required.

**Effective Date:** *Immediately*

#### **USDA COVID-19 FAQs UPDATED**

**Summary:** Additional FAQs related to the origination of USDA Single Family Housing Guaranteed loans have been added to the previously posted FAQs. The revised document has been posted to the [USDA LINC Training and Resource Library](#). See the full FAQs on the USDA site or via the link below:

Link: [USDA COVID-19 FAQs \(Revised 9/10/2020\)](#)

Key FAQ (additional FAQ in USDA posted document)

Q2. Is there a waiting period after forbearance in order for a borrower to be eligible for a new loan?

**A2. Yes. There is a seasoning period.**

For purchase transactions (Manually Underwritten, Refer and Refer with Caution), applicants emerging from forbearance must have resumed repayment of their mortgage loan for a period of at least 3 months prior to applying for a new loan.

For refinance transactions, the loan must have closed at least 12 months prior to the request to refinance, borrower must have resumed making payments for a period of at least 3 months and have a total 180-day period of satisfactory payments, excluding the time the loan was in forbearance.

1Q. The borrower was furloughed due to COVID19 but has recently returned to work with the same employer. Can we close the loan before he/she receives their first paystub after returning to work?

**1A. HB-1-3555, 9.3(E)**

Paystubs/earning statements must include adequate information to calculate income and include year-to-date earnings. The lender must utilize paystub(s)/earning statement(s) that are dated no earlier than 30 days prior to their initial loan application date. Neither the streamline nor the full documentation verification option allow for approval of an application without earnings statements.

2Q. The borrower was furloughed due to COVID19 but has recently returned to work with the same employer. Do we have to calculate that time off in our income average for the last 12 months?

**2A. HB-1-3555, 9.8**

The lender will determine if income is stable and dependable. The agency does not require that averaging is utilized as the calculation for determining repayment income. Any of the acceptable methods of income calculation can be utilized (i.e. salary /12, hourly rate x hours, etc.), and this is determined by the lender.

4Q. The borrower is self-employed and received a deferred SBA Payment Protection Program (PPP) loan. Since the loan will probably be forgiven, can the debt be excluded from DTI?

**4A. HB-1-3555, 11.2 (B)**

Currently the policy remains that a loan which has not been satisfied and does not have a documented release of liability would still require consideration for repayment in calculating debt ratio for qualification. If the monthly payment amount is not known, the guidance under balloon/deferred loans applies.

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.

Origination Q2. An applicant's income has been reduced due to COVID-19 and their adjusted income now falls below the income limitation for eligibility. Can we utilize the decreased income for calculating annual income?

**A2. HB-1-3555, 9.3(B)**

Annual and adjusted annual income are calculated for the ensuing 12-month period and the COVID-19 situation is only temporary in nature, so the calculation cannot reasonably presume continuance at those income levels. Historical data will continue to be utilized for calculating and projecting annual and adjusted annual income to determine eligibility.

**Reference: HB-1-3555, Chapter 9, Page 9- 2**

**B. Calculation of Annual Income**

Annual income is calculated for the ensuing 12 months, based on income verifications, documentation, and household composition. Lenders must examine all evidence to ensure the calculation is supported.

**Origination Q3. What if the applicant's place of employment is closed due to COVID-19?**

**A3. HB-1-3555, 9.8 and Attachment 9-A**

Repayment income must be stable and dependable. Applicants with no income or whose sole source of income is unemployment at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.

**Reference: HB-1-3555, Attachment 9-A, Pages 2 & 23**

**Base Wages (Hourly or Salary): Required History;** One-year; **Repayment;** Income must be received at the time of loan application.

**Unemployment Income: Required History;** One-year; **Repayment;** Applicants with a sole source of unemployment income is ineligible for a guaranteed loan.

## **USDA ANNUAL LAPSE IN FUNDING AND "SUBJECT TO" CONDITIONAL COMMITMENTS**

**Summary:** At the beginning of each fiscal year, funding for the guaranteed loan program is not available for a short period of time – approximately two weeks. USDA anticipates this brief lapse in funding to continue for FY 2021. **During the temporary lapse in funding, Rural Development-Rural Housing Service (RHS) will issue Conditional Commitments (Form RD 3555-18/18E) “subject to the availability of commitment authority” for purchase and refinance transactions.**

- For standard USDA products CMG will fund Rural Development loans for eligible applicants that are issued “subject to the availability of commitment authority”.

### **Issuance of Conditional Commitments:**

At the beginning of each fiscal year, funding for the guaranteed loan program is not available for a short period of time – approximately two weeks. USDA anticipates this brief lapse in funding to continue for FY 2021. **During the temporary lapse in funding, Rural Development-Rural Housing Service (RHS) will issue Conditional Commitments (Form RD 3555-18/18E) “subject to the availability of commitment authority” for purchase and refinance transactions.**

The issued Conditional Commitment will include the following:

*"Funds are not presently available for this Conditional Commitment. The Rural Development-Rural Housing Service (RHS) obligation under this Conditional Commitment is contingent upon the availability of an appropriation from which payment for contract purposes can be made. No legal liability on the part of RHS for any payment on this Conditional Commitment may arise until funds are made available to RHS for this Conditional Commitment and until the Lender receives notice of such availability, to be confirmed in writing by RHS. More specifically, this Conditional Commitment is subject to RHS receiving sufficient funds (in the Program Funds*

Control System for the Single Family Housing Guaranteed Loan Program for the Type of Assistance and State of application submission) to fund this and all prior eligible outstanding applications in their entirety in the time and date order received. When such funds become available, RHS will notify the lender, and the guarantee process will continue subject to all applicable Agency regulations and conditions set forth in this Conditional Commitment. RHS will not reserve loan funds for applications in process during this timeframe. Lenders may close the loan as scheduled. The lender will assume all risk of loss for the loan until RHS obligates funds and the Loan Note Guarantee is subsequently issued. When the lender requests the Loan Note Guarantee, the lender must certify to the Agency, using the process provided in this commitment, that there have been no adverse changes to the borrower's financial condition since the date the Conditional Commitment was issued by the Agency. The lender will submit the appropriate guarantee fee at the time they request the Loan Note Guarantee. The loan will be subject to an annual fee of 0.35 percent over the average scheduled unpaid principal balance of the loan. The Agency will not be able to issue the Loan Note Guarantee until these conditions are met and funding is obligated."

**Additional Notes:**

- FY 2021 will begin October 1, 2020 and ends at the close of business September 30, 2021.
- An upfront guarantee fee of 1.00 percent and an annual fee of .35 percent will apply to both purchase and refinance transactions for FY 2021. (no change)

**ALL IN ONE CLARIFICATION- FREE & CLEAR PROPERTIES**

**Summary:** As a reminder, free and clear properties are only eligible with a verified reason for cash disbursed at closing in order to fund near-term financial commitments. Free and clear properties are not eligible unless the borrower needs cash disbursed at closing to fund near-term financial commitments, other than loan closing fees. The reason for cash-out needs to be described in a letter of explanation submitted to underwriting for review and again verified verbally with the borrower during the QA Call, PTD.

Applications that do not meet these requirements will be declined.

**Effective Date:** *This clarification is effective immediately.*

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



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