



TO: Distribution

DATE: November 18,2020

RE: CMG Financial Correspondent Lending Updates 2020-79

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- GSE Revisions to Self-Employment Requirements & Extension of COVID-19 Related Flexibilities

GSE REVISIONS TO SELF-EMPLOYMENT REQUIREMENTS & EXTENSION OF COVID-19 RELATED FLEXIBILITIES

Summary: The GSEs announced revisions to the previously published temporary requirements and guidance for Borrowers with qualifying income derived from self-employment. Three month's bank statements must be obtained and the bank statement review requirements are updated to emphasize the comparison of deposits to business revenue reported on the YTD P&L.

TOPIC	Previous requirement	Revised requirement
Number of months' business account statements required when an unaudited year-to-date (YTD) profit and loss statement is obtained	Two months	Three months
Reviewing YTD profit & loss statements and business account statements	The underwriter must determine if the <i>business revenue, expenses and net income documented</i> in the unaudited YTD profit and loss statement are reasonably consistent with the revenue and expense cash flow documented on the business account statements*	The lender must review the three most recent depository account statements to <i>support the level of business revenue</i> reported in the current year-to-date profit and loss statement*

* Otherwise, the lender must obtain additional statements or other documentation to support the on-going nature of business revenue reported in the current year to-date profit and loss statement.

Note (no change): The P&L must still be signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date.

Revised Guidance: Due to the pandemic's continuing impact on businesses throughout the country, lenders are now required to obtain the following additional documentation to support the decision that the self-employment income meets the below requirements:

- an audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; or

- an unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and three business depository account(s) statements no older than the latest three months represented on the year-to-date profit and loss statement.
 - For example, the business depository account statements can be no older than Aug, Sep, Oct. for a year-to-date profit and loss statement dated through Oct. 31.
 - The lender must review the three most recent depository account statements to support the level of business revenue reported in the current year-to-date profit and loss statement. Otherwise, the lender must obtain additional statements or other documentation to support the on-going nature of business revenue reported in the current year to-date profit and loss statement.

There is no change that the year-to-date profit and loss statement must be no older than 60 days old as of the note date consistent with current Age of Documentation requirements previously communicated and referenced in the COVID-19 Resource Documents.

In addition, today's bulletins also extend the effective date of the temporary selling flexibilities for verbal verification of employment related to COVID-19 for mortgages with application received dates through December 31, 2020.

Effective Date: *Three statements are required for all apps on and after 12/14/2020. However, these revised temporary requirements may be applied in full to existing mortgages in process.*

Links:

[Freddie Mac Bulletin 2020-44](#)

[Fannie Mae Lender Letter 2020-03](#)

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



© 2020 CMG Financial, All Rights Reserved. CMG Financial is a registered trade name of CMG Mortgage, Inc., NMLS #1820 in most, but not all states. CMG Mortgage, Inc. is an equal opportunity lender, licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act No. 4150025, California Finance Lenders Law No. 6053674. For information about our company, please visit us at www.cmgi.com. To verify our complete list of state licenses, please visit www.nmlsconsumeraccess.org. For more information on State licenses, please visit <http://www.cmgi.com/corporate/licensing>.

[Unsubscribe here.](#) if you don't wish to receive these messages in the future.
null, null null