
TO: Distribution

DATE: December 09,2020

**RE: CMG Financial Correspondent Lending
Updates 2020-82**

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- 2021 Loan Limits
- Fannie Mae-COVID 19 FAQs Updated S/E

2021 LOAN LIMITS

Earlier this week, additional details regarding the impact of the 2021 loan limit changes were outlined in [CMG Bulletin 2020-81](#).

- FHA loans are NOT eligible for the higher county limits prior to January 1 as these new loan limits are effective for case numbers assigned on or after January 1, 2021, through December 31, 2021.
- At this time, VA has not yet issued a Circular confirming the effective date of the impact to VA loans.

Please review [CMG Bulletin 2020-81](#) for a summary and additional details including:

- Impact to DU and LPA (conventional conforming)
- Details of the impact of the loan limit changes to FHA, VA and USDA financing
- Understanding the impact to government loans for standard pricing vs high balance pricing (this is different than the effective dates of any loan limit changes)

FANNIE MAE COVID-19 FAQs UPDATED S/E

Fannie Mae has revised the FAQs for COVID-19 selling policies to answer additional questions related to self-employed borrower income. View the selling FAQs here, highlights of updates below:

- Q14. In light of the federal income tax filing deadline extension to Jul. 15, 2020, if a self-employed borrower has not filed 2019 income tax returns, is an audited Profit and Loss Statement for 2019 required in order to support qualifying income? **UPDATED**
 - No. As reflected in LL-2020-03, self-employed borrowers must provide either a 2020 audited year to date Profit and Loss Statement OR a 2020 unaudited year to date Profit and Loss Statement along with three months business depository account statements. Lenders must utilize these additional

documents along with the standard documentation required in the Selling Guide (B3-3.2-01, Underwriting Factors and Documentation for a Self-Employed Borrower) when calculating the income used to qualify the borrower. As a reminder, loans with applications on or after Aug. 1, 2020 are required to comply with the allowable age of federal income tax returns contained in Selling GuideB1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns.

- Q15. Is it acceptable to follow DU messaging that permits only the most recent year individual and business tax returns? **UPDATED**
 - Yes. In addition to the year-to-date profit and loss statement and three months business depository account statements, as applicable, the lender can continue to follow the DU message for the required level of self-employment income documentation. The lender may find it necessary to obtain additional year(s) of individual and/or business tax returns to support the underwriting decision.
- Q22. What options are available if the business depository account statements for the most recent three months do not support the details in the year-to-date profit and loss statement due to the cyclical nature of the business income? **UPDATED**
 - In this case the lender must confirm the cyclical nature of the business income and assess the impact of the pandemic on business operations. The loan file must include other supplemental documentation, such as business contracts or additional depository account statements, to support the continuing nature of the amount of self-employment income used to qualify the borrower.
- Q27. How do the temporary self-employment income policies in LL-2020-03 impact the enforcement relief of representations and warranties when self-employment income is calculated using an approved vendor tool as outlined in Selling GuideA2-2-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU? **UPDATED**
 - The temporary self-employment income policy requirements in LL-2020-03 apply to all borrowers using self-employment income to qualify. Lenders must obtain the additional documentation, such as an audited profit and loss statement, or an unaudited profit and loss statement and three months' business depository account statements and assess the impact to the business and adjust income accordingly.
 - If the lender determines that the business has not been adversely impacted and the amount of income calculated following standard 1084 methodology is accurate and meets the requirements outlined in Selling GuideA2-2-04, Limited Waiver and Enforcement Relief of Representations and Warranties for Mortgages Submitted to DU then rep and warrant relief will continue to be provided on the accuracy of the calculation of the amount of self-employment income by the tool.
 - If the lender determines that the business has been adversely impacted and the amount of income calculated following standard 1084 methodology must be adjusted, rep and warrant relief does not apply since the lender must make manual adjustments to the output of the tool. There are no changes for loans that receive self-employment income validation through the DU validation service.

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



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