Wholesale Temporary Guidance due to COVID-19

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Temporary Flexibilities

Defined expiration dates are being provided for the temporary flexibilities permitted in this document. Please note the dates below, as they vary depending on the GSE/Agency.

- **FNMA:** application dates taken on/before September 30, 2020 *per LL-2020-03 and LL-2020-04*
- **FHLMC:** application dates taken on/before September 30, 2020 *per Bulletin 2020-35*
- **FHA:** closings on/before October 31, 2020 (VVOEs), as well as appraisal effective dates on/before October 31 (appraisals) *per FHA Info #20-62*
- **USDA/RD:** applications received on/before November 30, 2020 *per an SFH Guaranteed Origination memo on August 28*
- **VA:** no defined expiration date; temp guidance is valid until rescinded

Requirements and Restrictions

- All ARM programs are currently suspended until further notice. This applies to Conventional, FHA, RD, and VA loans.
- All Jumbo and Renew programs are currently suspended until further notice. Loans in the pipeline are unable to be honored.
- Effective April 29, 2020, new submissions of TCF HELOCs are temporarily suspended.
- Effective May 4, 2020, the following restrictions apply to cash out refinances:
  - Conventional:
    - Second homes and non-owner occupied properties ineligible
    - Owner-occupied, single family residences only
    - Manufactured homes are ineligible
- Effective August 17, all new submissions of investment properties are ineligible. Loans in the existing pipeline will be honored.

Collateral

Conventional and Government Appraisal Flexibilities

MiMutual will follow the valuation options allowed by the GSEs. However, an order for a standard interior/exterior inspection should always be placed first, because the appraisal flexibilities only apply to certain loan parameters. If a full appraisal cannot be performed, the AMC will reach out to the party that placed the order, to ensure a lesser inspection is acceptable.

FHA

In accordance with Mortgagee Letter 2020-05, on eligible transactions, FHA permits flexibilities to their appraisal inspection requirements.

- Refinance transactions: FHA permits an Exterior-Only inspection as the sole flexibility
  - Flexibilities permitted on rate/term refinances and simple refinances **only**
  - Full inspection required on cash out refis and 203(k) refinances
- Purchase transactions: allowable flexibilities include either an Exterior-Only report or a Desktop-Only report. An Exterior-Only inspection should always be selected as the preferred method. The Desktop-Only option should be selected in situations where neither a full interior/exterior appraisal report nor an Exterior-Only report can be safely completed.
  - Flexibilities not permitted on new construction, construction to permanent, building on own land, or 203(k) purchases. A full interior/exterior inspection is required on these loan types.

When a reduced inspection is completed, it still must be reported on the standard appraisal forms by property type (e.g. Single Family Residence – Form 1004). However, amended certifications and scope of work disclosures are required.

VA

The expectation of the VA is that the appraiser will first attempt to perform an interior inspection of the subject property (if conditions permit), and then default to the alternate appraisal options that are described below, if necessary and allowed.

The Exterior-Only and Desktop appraisal options are eligible for all purchase and refinance transactions, and for existing and new construction properties. There are loan amount limitations to the use of the alternative appraisal reports.

Exterior-Only Inspection

- Maximum Loan Amount is limited to loan amounts equal to 1 ½ times the FHFA Conforming Loan Limit for a one-unit dwelling, e.g. $765,600 ($510,400 x 1.5)
- Required Report Forms include either the FNMA 2055/1075 or the FNMA 1004C/1025

Desktop Appraisal Valuation

- Maximum Loan Amount is limited to the loan amount equal to the FHFA Conforming Loan Limit for a one-unit dwelling, e.g. $510,400
- Required Report Forms include either the FNMA 1004/1073 or the FNMA 1004C/1025

The appraiser is in control of the scope of the work, and the type of report used will be based on safety.

MiMutual will align with VA's appraisal flexibilities as announced in Circular 26-20-13, with the exception of any items that would delay guaranty. For example:

- We would accept an exterior only appraisal or a desk review as outlined
- We would not allow for any repair escrows unless very minor, due to guarantee issues.
- We would require any NOV conditions completed prior to closing.
- We would not allow known termite damage/infestation to be remediated after closing

GSE/Agency Temporary Guidance Regarding Appraisals

FNMA
FHLMC
FHA
Rural Development
VA

Conventional Condos

Waiver of Project Review

MiMutual will align with project review waiver flexibilities being extended to loans with LTV ratios greater than 80% and up to 90%, providing the following are true:

- The same GSE (either FNMA or FHLMC, as applicable) currently owns the loan;
- It is a limited cash out refinance transaction; and
- The condominium unit is owner-occupied.

Project Documents Used in Project Reviews

MiMutual will align with the GSEs' allowance of the use of a budget from the 2019 fiscal year, if the current year's budget has not yet been ratified due to issues related to COVID-19, when required on established projects. To utilize this flexibility, MiMutual must confirm the project currently meets the HOA dues delinquency requirements in the applicable GSE's guidelines.

However, while Fannie and Freddie may allow the use of alternate sources of information to complete project reviews, MiMutual will still require a fully completed condo cert in all cases that previously required one.

Credit

Restrictions on Government Loans

- Effective June 8, all government loans (FHA, RD, VA) will require a minimum 660 credit score.
- Maximum 50.00% DTI

Conventional

As announced, MiMutual will be following the guidance outlined in the Fannie Mae LL-2020-03 as well as Freddie Mac Bulletin 2020-17 effective with applications taken on or after June 2, 2020.

In addition to reviewing the borrower's credit report, additional due diligence is required for each mortgage loan on which the borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to verify whether or not each mortgage is current, has been reinstated after the application received dates, or is in a repayment plan, loan modification trial period plan, payment deferral, or is subject to another loss mitigation program, as well as whether the additional requirements in the table are met, if applicable.

Methods to satisfy the requirement include:

- A credit supplement
    - All credit supplements must contain details who they spoke to when obtaining the updated information. We must be able to confirm that the credit reporting agency called and obtained the information from the servicer. Supplements that do not contain these details are not acceptable.
- A loan payment history from the servicer or third-party verification service,
- A payoff statement (for mortgages being refinanced),
- The latest mortgage account statement from the borrower, and
- A verification of mortgage.

Forbearance

Conventional

A forbearance reported on the credit report does not automatically disqualify a borrower from being eligible. As such:

- Any non-mortgage accounts that are reported as being in forbearance or affected by declared disaster, do not require additional documentation/explanation as long as the full monthly payment is used in qualifying.
- All existing mortgage accounts will be subject to the documentation/requirements outlined in the Fannie Mae LL-2020-03 as well as Freddie Mac Bulletin 2020-17
- If a borrower requests a forbearance, or expresses an intent to request a forbearance right after closing on the current mortgage transaction, the loan is not eligible.

Government

If a borrower requests a forbearance, or expresses an intent to request a forbearance right after closing on the current mortgage transaction, the loan is not eligible.

VA

For VA loans closed on or after June 30, 2020, MiMutual will align with VA guidance announced in Circular 26-20-25:

- **VA-Guaranteed Purchase and Cash Out Refinance Loans**
  - Veterans who are affected by COVID-19 should still be afforded the opportunity to utilize their earned VA home loan benefits. For this reason, VA is temporarily relaxing certain credit underwriting policies for VA-guaranteed purchase and cash-out refinance loans. While we must continue to follow VA's underwriting standards generally, we should not use a CARES Act forbearance as a reason to deny a Veteran a VA-guaranteed loan. In such cases, borrowers, through the lender, must provide reasons for the loan deficiency and information to establish that the cause of the delinquency has been corrected.
  - VA will not consider a Veteran as an unsatisfactory credit risk, based solely upon the fact that the Veteran received some type of credit forbearance or experienced some type of deferred payment during the COVID-19 national emergency. We must instead to continue to review and evaluate all applicable credit qualifying information, e.g., residual income, debt-to-income ratios, credit, and assets. Although deferred payments may not be considered for credit risk purposes, we should consider the monthly obligation if the debt remains active after closing the new loan.
  - All cash out refinances must still meet loan seasoning, fee recoupment, discount points, and Net Tangible Benefit requirements.
- **IRRRLs**
  - Normally, VA requires MiMutual to obtain prior approval from VA if the loan being refinanced is delinquent, i.e., the scheduled monthly payment of principal and interest is more than 30 days past due. In such cases, borrowers, through the lender, must provide reasons for the loan deficiency, information to establish that the cause of the delinquency has been corrected, and information establishing that the borrower qualifies for the loan under VA's underwriting and credit standards found at 38 C.F.R. § 36.4340 (c) through (j). Under this Circular, VA is temporarily waiving certain prior approval requirements applicable to delinquent loans, regardless of delinquency status, if:
    - VA has already approved the lender to close loans on an automatic basis,
    - The borrower has invoked a CARES Act forbearance relating to the loan being refinanced,
    - The borrower has provided information to establish that the borrower is no longer experiencing a financial hardship caused by COVID-19, and
    - The borrower qualifies for the IRRRL under the credit standards set forth by 38 C.F.R. § 36.4340 (c) through (j)

- If the loan being refinanced is not more than 30 days past due, VA's approval is not required in advance of the loan, nor is underwriting required. Thus, VA's prior approval and lender underwriting are not required in cases where the loan being refinanced is overdue by 30 days or less, regardless of whether the Veteran requested a CARES Act forbearance and the delinquency status at the time of such request.
- The maximum loan amount of an IRRRL in the context of a CARES Act forbearance may include the following:
  - Any past due installment payments, including those a borrower deferred under a CARES Act forbearance, plus
  - Allowable late charges, consistent with the Note, the CARES Act, and all other applicable laws, plus
  - The cost of any energy efficiency improvements, plus
  - Allowable closing costs and discount points, and
  - The VA funding fee.
- All IRRRLs must still meet loan seasoning, fee recoupment, discount points, and Net Tangible Benefit requirements. Periods of forbearance cannot count toward seasoning; however, forbearance under the CARES Act does not, alone, cause the loan to fail to meet the seasoning standard. If a loan being refinanced met seasoning requirements before a Veteran invoked a CARES Act forbearance, the seasoning requirement remains satisfied. A loan being refinanced is seasoned if both of the following conditions are met as of the date the borrower closes the refinance loan:
  - The borrower has made at least six consecutive monthly payments on the loan being refinanced. For example, in a case where a borrower made five consecutive payments before invoking a CARES Act forbearance, such borrower would need to make six additional consecutive payments, post forbearance, in order to meet the seasoning requirement
  - The date of closing for the refinance loan is 210 or more days after the first payment due date of the loan being refinanced.
- An appraisal is not necessary except in cases where MiMutual is required to demonstrate that the IRRRL satisfies the statue's Net Tangible Benefit standard.

FHA

For FHA loans, effective September 10, 2020, a borrower who was granted mortgage payment forbearance is generally eligible for a new FHA insured mortgage, provided the borrower continued to make regularly scheduled payments and the forbearance plan is terminated at or prior to closing. However, if this is not the case, the following requirements apply by transaction type:

Cash-Out Refinances

The borrower must have completed the forbearance plan, and made at least 12 consecutive monthly payments post-forbearance.

Purchase and No Cash-Out Refinances

The borrower must have completed the forbearance plan, and made at least three consecutive monthly payments post-forbearance.

Credit Qualifying Streamline Refinances

The borrower is still eligible if they either a) are still in mortgage payment forbearance, or b) have completed the forbearance plan, even if they have made less than three consecutive monthly payments post-forbearance. In either case, the borrower must have:

- 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 must have made at least six payments on the FHA-insured mortgage being refinanced. However, where the FHA-insured mortgage has been modified after forbearance, the borrower must have made at least six payments under the modification*

Rural Development

Per RD's update to their COVID-19 FAQs on September 10, a borrower who is in forbearance but is current on their loan payments qualifies for a purchase or refinance loan, assuming other standard requirements are met. For borrowers post-forbearance, the following seasoning periods apply:

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.

Non-Streamlined and Streamlined 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.

Streamlined-Assist Transactions

The borrower must have resumed making payments for a period of at least 3 months and not have any defaults in the previous 12-month period, excluding the time the loan was in forbearance.

SBA Loans

The Paycheck Protection Program (PPP) is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Small Business Administration (SBA) will forgive the loans if all employee retention criteria are met, and the funds are used for eligible expenses.

If there is indication in the file that the borrower has received an SBA loan, such as a credit inquiry, documentation will be requested to determine the type of loan. If it is a PPP loan, then no further action is needed, and no payment needs to be included in the DTI. However, PPP proceeds may not be considered business assets for qualifying, and cannot be used to fund the downpayment, closing costs, or satisfy reserve requirements.

If it is not a PPP loan, the documented terms of the SBA loan will be requested, and compared to the P&L for the business, which should reflect as a liability that is included in the cash flow analysis.

Income

For any income or employment situation that is not addressed in this guidance, in order to protect MiMutual's interest, a conservative approach should be taken (income calculation, employment continuance, etc).

VVOEs

Regardless of recent GSE/Agency flexibilities, VVOEs are now required within **10 calendar days** of closing for both non-self-employed borrowers and self-employed borrowers, including on Streamline and IRRRL transactions, regardless of credit score, **except on Conventional loans for self-employed borrowers, which must now take place within 20 days**. All VVOEs must verify the borrower is currently active, and include evidence the business is open and operational, for both standard employment and self-employment.

For FHA loans, when verifying self-employment for cases with Note dates on/after August 12 through November 30, in addition to the requirements in the 4000.1, MiMutual must verify the existence of the borrower's business within 10 calendar days prior to the date of the Note to confirm the borrower's business is open and operating by obtaining one of the following:

- evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day we verify self-employment);
- evidence of current business receipts within 10 days of the note date (payment for services performed);
- lender certification that the business is open and operating (we confirmed through a phone call or other means); or
- business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

TheWorkNumber

A VOE obtained through theworknumber.com is valid for 30 days. However, if the "Information Current As Of" date is greater than 15 days from closing, an email from the employer's work email address is required.

Flexibilities Allowed for all Loan Types

MiMutual will accept the following alternative to satisfy VVOE requirements:

- An email from the employer's work email address, identifying the name and title of the verifier, the borrower's name and current employment status, and that the business is open and operational

Self-Employed Borrowers

To align with the recent FNMA Lender Letter 2020-03 and Freddie Mac Guide Bulletin 2020-19, effective with loan application on/after June 11, 2020, the following documentation will be required on all self-employed borrowers. MiMutual will also apply this new guidance to all government loans in an effort to provide consistent guidance related to self-employed income. The agency announcements should be referenced for detailed income analysis 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 two business depository account(s) statements no older than the latest two months represented on the year-to-date profit and loss statement.
  - For example, the business depository account statements can be no older than April and May for a year-to-date profit and loss statement dated through May 31, 2020.
- MiMutual must review the two most recent depository account statements to support and/or not conflict with the information presented in the current year-to-date profit and loss statement. Otherwise, MiMutual must obtain additional statements or other documentation to support the information from the current year-to-date profit and loss statement

Tax Returns for Self-Employed Borrowers

Effective May 13, 2020, for self-employed borrowers that have not yet filed their 2019 tax returns, all of the following documentation is required:

- 2017 and 2018 tax returns
- 2019 Profit & Loss (P&L) Statement
- 2020 YTD P&L
- Last 3 months business bank statements showing cash flow to support qualifying income
- Verbal VOE within 5 days

__NOTE__: For self-employed borrowers that __have__ already filed their 2019 returns, standard guidance applies. However, as a reminder, a YTD P&L is required to determine stability of earnings for the current year.

Tax Transcripts

Due to the Coronavirus, the Department of the Treasury and the Internal Revenue Service announced special Federal income tax return filing and payment relief. The deadline to file Federal Taxes has been moved to July 15, 2020, with no extension needed. Properly documented extensions to file are permitted from July 16 through October 15, 2020. MiMutual will allow tax filings within the timeframe flexibility allowed.

W2 Transcript Waiver Policy (Conventional, FHA, and VA Loans)

MiMutual will not require IRS tax transcripts when:

- all qualifying income is comprised exclusively of W2 wage earner income and/or fixed income reported on a 1099 (social security, VA benefits), unless required by the AUS;
- grossing up non-taxable benefits; and/or
- tax returns are provided, but not needed for the qualifying income used (such as the borrower having a Schedule C business where the income is not being used in qualification).

If the borrower is self-employed or works for family, owns rental properties, or otherwise does not meet the waiver criteria described above, MiMutual's standard transcript policy applies. If tax returns are provided or required for any reason other than specifically mentioned above, transcripts are required. However, we will temporarily accept transcripts obtained by the borrower.

Borrowers can download their tax transcripts or request them to be mailed to their home. Borrowers that have filed a fraud alert with the IRS will only be able to obtain the transcripts by mail. Direct borrowers to contact the IRS at 800-908-9946 or borrowers can make the request online at https://www.irs.gov/individuals/get-transcript and follow the online request instructions.

Rental Income

For cases with Note dates on/after August 12 through November 30, where a borrower is qualifying utilizing rental income, for each property generating rental income, MiMutual must either:

- Reduce the effective income associated with the calculation of rental income by 25%, or
- Verify 6 months PITI reserves, or
- Verify the borrower has received the previous 2 months rental payments as evidenced by borrower's bank statements showing the deposit. (This option is applicable only for borrowers with a history of rental income from the property).

Assets

Stocks, Bonds, Mutual Funds

- When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

General Provisions

Age of Documents

Income and asset documentation (excluding Verbal VOEs) must be dated within **60 days** of the Note for all loan types. If an asset document is reported on a quarterly basis, the most recently-issued quarterly statement is required.

COVID-19 Attestation

We have developed a custom disclosure that will be added to our closing packages effective April 1. It will require the borrower to certify that there have not been any changes to their income or employment situation.

MI Housing Counseling

All housing counseling agencies in the State of Michigan are now offering housing counseling services remotely, via web-based classes and phone. Use this link to select an agency offering services to members of your county, then click on the agency name to find additional information.

Powers of Attorney

Standard Fannie/Freddie guidance should be followed, along with the items identified in our Conventional Guideline Supplement. MiMutual is not aligning with the flexibilities offered by the GSEs. **However, in addition to the standard PoA requirements, effective immediately, the following requirement also applies:**

For purchase transactions, a discussion must take place with the borrower. This discussion must:

- Take place after the closing documents have been delivered to the borrower.
- Take place between the borrower and an employee of the originating lender or the settlement agent.
- Confirm that the borrower understands the transaction and the closing documents.

This discussion is not required if the online, interactive session described in Fannie Mae Selling Guide B8-5-05 is followed instead. See the Fannie Mae Power of Attorney (POA) Requirements job aid.

MiMutual has developed a Borrower Certification for use on purchase transactions that use a Power of Attorney. The borrower must review this CD, and then sign this form to acknowledge that an employee of either the broker or settlement agent explained it to them, and they understand the terms of the loan.

Title Commitments

Pay close attention to the exceptions listed on all title commitments received. **There are to be no exceptions to the current COVID-19 crisis**. These are unacceptable, and must be removed from the commitment **prior to closing**.

Streamlines/IRRRLs

Qualification

All FHA and USDA Streamlines and VA IRRRLs will require:

- Evidence no mortgage lates in last 12 months including evidence mortgage is current and not in forbearance (i.e. payoff statement)
- Employment information must be included on application and a VVOE must be performed within 10 days of closing.

203(k)

Standard guidance in the 4000.1 prohibits extensions and/or disbursements on escrow accounts that are not current. However, effective immediately through November 30 for borrowers with open 203(k) rehabilitation escrow accounts who are also in forbearance due to COVID-19, a temporary flexibility is being provided allowing MiMutual to continue administering the rehabilitation escrow account, including the approval of extension requests and the release of funds.

In these cases, MiMutual is required to obtain:

- An explanation for the delay from the borrower, contractor, or consultant when reviewing extension requests; and
- A new estimated completion date

Symmetry HELOC

- Effective for submissions on/after September 1, 2020, the minimum score requirement has been lowered to 700 for 89.99% CLTV in all states where submissions are accepted
- Effective for submissions on/after August 17, the following updates have been made:
    - Minimum credit score lowered to 700 in all states that submissions are accepted from
    - 740 score required in CA for CLTV > 85%
    - Increased CLTV to 89.99% in all active states, for purchase and refinance transactions
    - Refinances allowed in all active states
- Effective for submissions on/after August 1, the following updates have been made:
    - Minimum credit score lowered to 720
        - Primary wage earner's middle score from Symmetry's tri-merge
    - Increased CLTV to 85% in CA
        - Piggyback purchases only
        - CLTV to 89.99% still available in non-CA states
    - Piggyback refinances now available
        - Applicable in all states except CA and MA
- Effective for all submissions beginning June 19, a minimum 750 mid score is now required on all transactions. This must be met by the primary wage earner's middle score, using Symmetry's tri-merge credit report.
- Effective for all submissions on/after June 19:
    - Max 89.99% CLTV on concurrent piggyback purchases transactions for subject properties in all states other than California
    - Max 80.00% CLTV on concurrent piggyback purchase transactions for subject properties in the State of California
- Effective for all submissions on/after May 2:
    - Suspension of the following features:
        - Second homes
        - Non-owner occupant coborrowers
    - Minimum initial draw increased to $50,000

TCF HELOC

** New submissions on/after April 29, 2020 have been temporarily suspended **

Credit Score

Effective for all submissions beginning April 15, a minimum 700 mid score is now required.

MI Companies

MGIC

Effective for applications received on/after May 11, 2020, and until further notice, the following are no longer eligible for mortgage insurance:

- Investment properties
- Cash out refinance transactions

Additionally, the desktop and exterior-only appraisal flexibilities announced by the GSEs on March 23 and March 30, 2020 are not eligible for loan amounts that exceed $1,000,000.

Radian

Effective for applications received on/after April 14, 2020, and until further notice, the following guideline changes apply:

- Cash out refinances and investment properties are ineligible
- Exterior-only and desktop appraisal flexibilities as announced by the GSEs on March 23 are not eligible for loan amounts that exceed $765,600 (full appraisals required)