Wholesale Temporary Guidance due to COVID-19

Temporary Flexibilities

Defined expiration dates are being provided for specific temporary flexibilities permitted. Please note the dates below, as they vary by Agency and/or topic.

- **VA:** temporary measures for the review of borrower qualification affected by COVID-19; specifically, income verification guidelines and income analysis, through April 1, 2022 per *Change 2 to Circular 26-20-10*

Expired Flexibilities

- **FNMA:** application dates taken on/before April 30, 2021 (VVOEs and Power of Attorney flexibilities). Appraisal flexibilities have been extended for applications taken through May 31, 2021. **This will be the last extension.** *per LL-2021-03 and LL-2021-04*
- **FHLMC:** application dates taken on/before April 30, 2021 (VVOE and PoA flexibilities). Appraisal flexibilities extended for applications taken through May 31, 2021. **This will be the last extension.** *per Bulletins 2021-10* and *2021-15*
- **FHA:** VVOEs for wage earners (for closings on/before June 30, 2021), as well as appraisal flexibilities (for appraisal effective dates before June 30) per *Mortgagee Letters 2021-06* and *2021-07.* Cases assigned on/before September 30, 2021 (Verification of Business for self-employed borrowers, and rental income being used to qualify), and open 203(k) escrow accounts through September 30, 2021, per *Mortgagee Letter 2021-16.*
- **USDA/RD:** applications received on/before June 30, 2021 *per an SFH Guaranteed Origination memo on February 25*
- **VA:** Temporary flexibilities in Circulars 26-20-10 (and Change 1), 26-20-13 (and Change 1), and 26-20-19 are no longer valid. These Circulars were rescinded on April 1, 2021.

FHA Appraisals *Guidance is Expired for New Appraisals

(guidance left in document for appraisals that meet the date requirements)

In accordance with Mortgagee Letter 2020-05 (which was later extended with ML 2021-06), on eligible transactions, FHA permits flexibilities to their appraisal inspection requirements on loans with appraisal effective dates on/before June 30, 2021.

- 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 an Exterior-Only report. An Exterior-Only inspection should always be selected as the preferred method.
  - 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.

Credit

Conventional

As announced, MiMutual will be following the guidance outlined in the Fannie Mae LL-2021-03 as well as Freddie Mac Bulletin 2020-17.

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-2021-03 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.

On FNMA loans for borrowers with federal student loans in a COVID-related automatic forbearance: given that many student loans were placed into an automatic forbearance status and the other party may have missed payments due to the forbearance, exclusion of the monthly student loan payment is allowed if:

- the missed payments are resolved by the responsible party (not the borrower) prior to closing of the new mortgage loan;
- the responsible party had been making payments on the student loan for at least nine months prior to the automatic forbearance;
- Borrower documentation is provided evidencing the student loan is in a COVID-related automatic forbearance, and any missed payments have been paid; and
- all other Selling Guide requirements have been met (for example, evidence of 12 total payments, either monthly or in aggregate, on the omitted debt).

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

MiMutual will align with VA guidance announced in Circular 26-20-25 until its rescission on July 1, 2021:

- **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

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.

> ***NOTE****: Borrowers who sell their homes prior to making the three required mortgage payments post-forbearance are not eligible for USDA financing. Borrowers need to establish a history (3 months) of making payments before purchasing a new home; going straight from forbearance to purchasing a new home is not acceptable.*

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).

2020 Federal Tax Returns

The IRS extended the mandatory filing date of individual federal tax returns for tax year 2020 from April 15 to May 17, 2021. Additionally, federal income tax payments are also postponed, without penalties and interest, regardless of the amount owed. MiMutual will accept this extension to file in qualifying.

VVOEs

Follow the applicable GSE/Agency flexibilities for VVOE timing for both non-self-employed borrowers and self-employed borrowers, including on Streamline and IRRRL transactions, regardless of credit score. 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 Conventional loans, when a borrower is using self-employment income to qualify, MiMutual must verify the existence of the borrower's business within 120 calendar days prior to the Note date. Due to latency in system updates or recertifications using annual licenses, certifications, or government systems of record, MiMutual must take additional steps to confirm that the borrower's business is open and operating. This must be confirmed within 20 business days of the Note date.

Below are examples of methods that may be used to confirm the borrower's business is currently operating:

- Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day MiMutual verifies self-employment);
- Evidence of current business receipts within 20 days of the Note date (payment for services performed);
- MiMutual certification that the business is open and operating (we must confirm 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)

For FHA loans, when verifying self-employment, 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 (valid for case numbers assigned on or before June 30, 2021):

- 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).

Rental Income

On FHA loans, where a borrower is qualifying utilizing rental income, for each property generating rental income with a case number on/before June 30, 2021, 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

COVID-19 Attestation

We have developed a custom disclosure that will be added to our closing packages. 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.

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**.

203(k)

Standard guidance in the 4000.1 prohibits extensions and/or disbursements on escrow accounts that are not current. For borrowers with open 203(k) rehabilitation escrow accounts through September 30, 2021, 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

MI Companies

MGIC

Cash out refinances are ineligible.

Radian

Cash out refinances are ineligible.