

Underwriting: IMPORTANT UPDATE 04 02182021

Issue Date: 02-18-2021

Memo No. 21-01-01

SUBJECT Lending Updates- November & December 2020

This announcement covers recent updates made by Fannie Mae, Freddie Mac, FHA, VA, and USDA. The summary below covers the updated topics and their respective effective dates, and the agency communication number for reference.

<p>Fannie Mae</p> <p>SEL 2020-06 SEL 2020-07 LL-2020-03 LL- 2020-04</p>	<p>SEL 2020-06 Project Standards Updates <i>Effective with applications dated on/after December 7, 2020</i></p> <p>Clarified requirements; Specifically, provided additional guidance concerning</p> <ul style="list-style-type: none"> ❖ Condotel ineligibility ❖ The proper treatment of projects subject to pre-litigation activities ❖ Projects subject to recreational leases and mandatory memberships <p>CPM will not be updated at this time, so Lenders must manually apply. Also, since these changes apply to both current and future project approvals current CPM approved projects must also comply with the new requirements for applications dated on/after December 7, 2020.</p> <p>SEL 2020-07 Retirement, Government Annuity, and pension income and employment-related assets as income <i>Effective immediately</i></p> <ul style="list-style-type: none"> ❖ Added financial and bank account statements to the list of eligible documents to show current receipt of income ❖ Clarified that income from a pension or annuity account when the income will begin on or before the first payment date of the new loan, the income should be documented with a benefit statement from the organization providing the income. The statement must specify the income type, amount and frequency of the payment, and include confirmation of the initial start date. ❖ Clarified that a three-year continuance of income is only required for retirement income paid in the form of a distribution from a 401(k), IRA or Keogh retirement account and added that eligible retirement account balances are able to be combined for the purpose of determining the continuance ❖ removed the requirement to reduce the value of retirement assets consisting of stocks, bonds, and mutual funds by 30% when measuring the three-year continuance for retirement income, and for calculating net documented assets when employment-related assets are used as income <p>Sale of Personal Assets <i>Effective immediately</i></p> <ul style="list-style-type: none"> ❖ Updated the documentation requirements for the sale of personal assets to reflect that Proof of the borrower’s ownership of the asset only applies to those assets that have a title (i.e., Automobile title) ❖ An independent valuation of the asset is only required when the proceeds from the sale exceed 50% of the total monthly income used in qualifying. ❖ Removed the prior policy that allowed for alternative documentation if the proceeds from the sale represented a minor percentage of the borrower’s overall financial contribution. ❖ Reminded that proceeds from the sale of personal assets are an acceptable source of funds for down payment, closing costs and reserves, provided the individual purchasing the asset(s) is not a party to the transaction. <p>Pro-rated real estate tax credits <i>Clarification</i></p> <ul style="list-style-type: none"> ❖ Pro-rated real estate tax credits provided by the seller at closing in places where real estate taxes are paid in arrears cannot be considered when determining if the borrower has enough funds for the transaction. The lender must continue to verify that the borrower has sufficient assets from the list of eligible sources contained in the Selling guide. ❖ A Pro-rated tax credit is not considered an interested party contribution <p>LL-2020-03 & 2020-14- Extends temporary COVID-19 related flexibilities for VVOE, Appraisals and power of Attorney to Jan. 31, 2021</p>
<p>Freddie Mac</p> <p>Bulletin: 2020-43 2020-45 2020-47</p>	<p>2020-43 Loan Product Advisor Resubmission Tolerance <i>Effective for Mortgages with Settlement Dates on and after February 4, 2021</i></p> <p>Additional flexibility for refinance transactions with loan amount changes</p> <ul style="list-style-type: none"> ❖ Applies to loans with LTV 80% or less ❖ Not allowed on loans with an Appraisal Waiver (ACE) ❖ Resubmission not required on refinance transactions when

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	<ul style="list-style-type: none"> ○ Loan amount decreases no more than 5% ○ Loan amount increases no more than \$500 or up to 1% of the loan amount, whichever is less <p>Condominium Projects- Condominium Hotels and Similar Types of Transient Housing <i>Effective for Mortgages with Settlement Dates on or after February 2, 2021</i></p> <p>Updated requirements relating to the ineligibility of Condominium Hotels and similar types of transient housing as follows;</p> <ul style="list-style-type: none"> ❖ A Condominium Project is considered to be a type of transient housing if the Condominium Project, the homeowners association (HOA) and/or the HOA’s property management company or agent facilitates, receives revenue from, or pays expenses or taxes for hotel type services or the renting to Condominium Units on a transient basis. ❖ Documentation used to support the analysis that a project is NOT a Condominium Hotel or similar type of transient housing must be retained and present in the loan file. <p>Delivery requirements for 2-4 Unit Condominium Projects and Detached Condominium Units <i>Effective immediately</i></p> <ul style="list-style-type: none"> ❖ Specified that a Condominium Unit Mortgage located in a 2-4 Unit Condominium Project or a Detached Condominium Unit located in any type of Condo project must be delivered as “exempt from review” ❖ Updated the “exempt from review” requirements to include confirmation that the Condominium Project is not a Condominium Hotel, houseboat project, timeshare project, or a project with segmented ownership, and does not include Manufactured Homes. This applies to units in a 2-4 Unit project, detached condo units and Freddie Mac owned refinances of Condo Units. ❖ Revised the definition of a 2-4 Unit Condominium Project cannot have more than four units. Those units can be a mix of residential units and not more than one commercial unit. ❖ Updated the definition of “Master Association” <p>2020-45 Home Possible Mortgages <i>Effective for Mortgages with Settlement Dates on and after April 1, 2021</i></p> <ul style="list-style-type: none"> ❖ Loan-to-value (LTV) ratio for 2-4-unit properties to 85%- See chart in Section 4501.10(a)(i) <p>Properties with Solar Panels <i>Effective immediately</i></p> <ul style="list-style-type: none"> ❖ Updated the guide to clarify requirements when solar panels are leased, financed or owned by adding a table that provides guidance on: <ul style="list-style-type: none"> ○ Instances when it is not required to obtain a subordination agreement (when a UCC-1 Financing statement or lease agreement is present) ○ Appraisal requirements ○ Impacts to the debt payment-to-income ratio ○ Impacts to the TLTV ❖ Also, specified that title policy or attorney’s opinion of title exceptions for liens and leases, including UCC-1 Financing Statements for solar panels are acceptable, provided the exception is for a lien or lease that lists only the solar panels as the collateral. <p>2020-47- Extends temporary COVID-19 related flexibilities for VVOE, Appraisals and Power of Attorney with application dates through Jan. 31, 2021.</p>
<p>FHA</p> <p>Mortgagee Letter(s)</p> <p>2020-39</p> <p>2020-40</p> <p>2020-41</p> <p>2020-43</p> <p>2020-44</p> <p>2020-45</p> <p>2020-46</p> <p>2020-47</p> <p>2020-49</p> <p>Info #20-85</p>	<p>2020-39 Extension of Temporary Guidance for Endorsement of Mortgages under Forbearance for Borrowers Affected by COVID-19 National Emergency</p> <ul style="list-style-type: none"> ❖ Extended the temporary guidance published in ML 2020-16, dated June 4, 2020, concerning endorsement processes for mortgages where a borrower has been granted a forbearance related to COVID-19 prior to the loan being endorsed and extended pending endorsements through December 31, 2020. <p>2020-40 Extension of the End Date for COVID-19 Multisubject; Updated Temporary Guidance for Verification of Self-Employment; Rental Income; 203(k) Rehabilitation Escrow Accounts</p> <ul style="list-style-type: none"> ❖ Extended the effective period for ML 2020-24, published on July 27, 2020, and extends the verification of business operations for self-employed borrowers and the rental income guidance in ML 2020-24 for cased numbers assigned on or before December 31, 2020. Removal of the Early Start Letter & Pre-Approval requirements <p>2020-41 2021 Nationwide Forward Mortgage Limits</p> <ul style="list-style-type: none"> ❖ Forward mortgage limits for calendar year 2021 are effective for case numbers assigned on or after January 1, 2021.

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	<p>2020-43 Extension of Foreclosure and Eviction Moratorium in Connection with COVID-19 National Emergency</p> <ul style="list-style-type: none"> ❖ Foreclosure and Eviction moratorium originally issued in ML 2020-04, extended in MLs 2020-13, 2020-19, 2020-27 for borrowers with FHA-insured mortgages covered under the CARES Act for an additional period through February 28, 2021. <p>2020-44 Second Update to the COVID-19 Forbearance Start Date and the COVID-19 HECM Extension Period</p> <ul style="list-style-type: none"> ❖ Further updated the Effective Date of ML 2020-06 with regards to approval of the initial COVID-19 Forbearance for FHA borrowers and HECM deadlines. <p>2020-45 Extension of Temporary Guidance for Endorsement of Mortgages under Forbearance for Borrowers Affected by COVID-19 Natural Emergency</p> <ul style="list-style-type: none"> ❖ Extended the temporary guidance published in ML 2020-16 and extended in ML 2020-39 concerning endorsement process mortgages where a borrower has been granted a forbearance related to COVID-19 prior to the loan being endorsed and <u>extending pending endorsements through March 31, 2021.</u> <p>2020-46 Extension of Temporary Guidance for COVID-19 Multisubject; Updated Temporary Guidance for Verification of Self-Employment; Rental Income; 203(k) Rehabilitation Escrow Account</p> <ul style="list-style-type: none"> ❖ Extended the temporary guidance published in ML 2020-24 and <u>extended in ML 2020-40 for case numbers assigned on or before February 28, 2021.</u> <p>2020-47 Extension of Re-Verification of Employment and Exterior Only Appraisal Scope of work option for FHA programs impacted by COVID-19</p> <ul style="list-style-type: none"> ❖ Extends the re-verification of employment guidance in ML 2020-05 and extended the Exterior-Only Appraisal inspection option in ML 2020-37- <u>Re-Verification of employment guidance has been extended for cases that close on or before February 28, 2021, and extended use of Exterior-Only Appraisals with an effective date on or before February 28, 2021.</u> <p>2020-49 Revised HUD-92900-A, HUD Addendum to Uniform Residential Loan Application</p> <ul style="list-style-type: none"> ❖ Announces the publication of a revised form HUD-92900-A, and the renewal of other FHA Insured Mortgage Application forms. ❖ May use revised and renewed forms immediately, however, <u>must use the revised and renewed forms for case numbers assigned on or after March 22, 2021.</u> ❖ FHA and VA have discontinued sharing the 92900-A <ul style="list-style-type: none"> ○ Pages one and two now contains a warning about false certification, as well as consent from the borrower to verify their Social Security Number with the SSA and also provides important disclosures regarding: ○ The Public Reporting Burden for purposes of the Paperwork Reduction Act ○ The Privacy Act of 1974 ○ Delinquencies Defaults, Foreclosures and abuses; and ○ The Fair Housing act of 1968 <p>INFO #20-85</p> <ul style="list-style-type: none"> ❖ Updates to FHA Single family Housing Policy Handbook 4000.1 Incorporate Previously Issued Policy and Other Revisions
VA Circulars 26-20-40	VA Circular 26-20-40- Extended Foreclosure and Eviction Relief
USDA-RD Program Extension of Temporary Exceptions	<p>Extension of Foreclosure and Eviction Moratorium for Single Family Housing Direct Loans-</p> <ul style="list-style-type: none"> ❖ The US Department of Agriculture (USDA) extends the foreclosure and eviction moratorium for Single Family Housing Direct Loan Borrowers through <u>February 28, 2021</u> <p>Single Family Housing Guaranteed Loan Program Extension of Temporary Exceptions in Relation to COVID-19 Pandemic-</p> <ul style="list-style-type: none"> ❖ The Temporary exceptions originally issued on March 27, 2020, pertaining to <u>appraisals, repair inspections, and income verifications</u> for the Single-Family Housing Guaranteed Loan Program (SFHGLP) due to the COVID-19 pandemic <u>have been extended until February 28, 2021.</u>