

WHOLESALE BULLETIN

IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

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20W-112

Attention: AEs, Business Development Managers & Mortgage Brokers September 16, 2020

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: FHA Forbearance Guidance – COVID-19

To maintain the stability of the Mutual Mortgage Insurance Fund (MMIF), while concurrently aiding the housing market generally, FHA is expanding its underwriting guidelines to address Housing Obligations/Mortgage Payment History requirements for borrower who were granted Forbearance and are seeking new FHA insured financing.

In addition to current guidance, the following guidance must also be adhered to, effective immediately.

TOTAL SCORECARD

Housing Obligations/Mortgage Payment History

A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance, provided the Forbearance Plan is terminated at or prior to closing.

Late Mortgage Payments for Purchase or No Cash Out Refinance

Mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line of credit payments, during the 12 months prior to case number assignment reflects:

- That the borrower has made less than 3 consecutive payments since completion of a mortgage forbearance plan.

A mortgage that has been granted forbearance must utilize the payment history in accordance with the Forbearance Plan for the time period of forbearance in determining late housing payments. Where any mortgage in forbearance will remain open after the closing of the new FHA insurance mortgage, the Forbearance Plan must be terminated at or prior to closing.

Any Borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan is not considered to be delinquent for purposes of credit underwriting.

Cash Out Refinance Transactions

The Mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line of credit payments, reflects:

- The borrower has made less than 12 consecutive monthly payments since completion of a mortgage forbearance plan.

Where a Borrower who was granted a mortgage payment forbearance and continues to make payments as agreed under the terms of the original note, the Mortgage is not required to be downgraded to a Refer provided the Forbearance Plan is terminated at or prior to closing.

Required Documentation

Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the following must be obtained:

- A copy of the Modification or Forbearance Plan; **and**
- Evidence of the payment amount and date of payments during the agreement term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

Manual Underwrites

Housing Obligations/Mortgage Payment History

A borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance, provided the forbearance is terminated at or prior to closing.

Late Mortgage Payments for Purchase

A mortgage that was subject to Mortgage Payment Forbearance must utilize the Mortgage Payment History in accordance with the Forbearance Plan for the time period of the Forbearance in determining late housing payments.

Any borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan is not considered to be delinquent for purposes of credit underwriting.

Required Documentation

Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the following must be obtained:

- A copy of the Modification or Forbearance Plan; **and**
- Evidence of the payment amount and date of payments during the agreement term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

Cash Out Refinance Transaction

A borrower who was granted Mortgage Payment Forbearance must have:

- Completed the Forbearance Plan on the subject property; **and**
- Made at least (12) twelve consecutive mortgage payments within the month due on the

mortgage since completing the Forbearance Plan.

Rate and Term Refinance Transaction

A Borrower who was granted Mortgage Payment Forbearance must have:

- Completed the Forbearance Plan on the subject property; **and**
- Made at least three consecutive mortgage payments within the month due on the mortgage since completing the Forbearance Plan.

Simple Refinance

A Borrower who was granted Mortgage Payment Forbearance must have:

- Completed the Forbearance Plan on the subject property; **and**
- Made at least three consecutive mortgage payments within the month due on the mortgage since completing the Forbearance Plan.

Streamline Refinance

A borrower who was granted Mortgage Payment Forbearance on the subject property is eligible for a Non Credit Qualifying Streamline Refinance and considered to have acceptable Mortgage Payment History provided that, at the time of case number assignment, the Borrower has:

- Completed the Forbearance Plan on the subject property; **and**
- Made at least three consecutive monthly mortgage payments within the month due on the mortgage since completing the Forbearance Plan.

Credit Qualifying Streamline Refinance

A Borrower who is still in mortgage payment forbearance at the time of case number assignment or has made less than three consecutive monthly mortgage payments within the month due since completing the Forbearance Plan, is eligible for a Credit Qualifying Streamline Refinance provided the Borrower:

- 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.

Required Documentation

Where a mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the following must be obtained:

- A copy of the Modification or Forbearance Plan; **and**
- Evidence of the payment amount and date of payments during the agreement term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.

General Information Applicable to All Streamline Refinances

Maximum Mortgage Calculation for Streamline Refinances

For owner occupied Principal Residences and HUD-Approved Secondary Residences, the maximum Base Loan amount for Streamline Refinances is:

- The lesser of:
 - The outstanding principal balance of the existing Mortgage as of the month prior to mortgage Disbursement; **plus:**

- Interest due on the existing Mortgage;
- Late charges;
- Escrow shortages; **and**
- MIP due on existing Mortgage; **or**
- The original principal balance of the existing Mortgage (including financed UFMIP);
Less any refund of UFMIP.

Mortgage Seasoning Requirements

On the date of the FHA case number assignment:

- The Borrower must have made at least six payments on the FHA-insured Mortgage that is being refinanced (where the FHA insured Mortgage has been modified, the Borrower must have made at least six payments under the Modification Agreement).

Please refer to both [Mortgagee Letter #ML2020-30](#) and [HUD's handbook 4000.1](#) for complete guidance.

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