

WHOLESALE BULLETIN

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20W-132

Attention: AEs, Business Development Managers & Mortgage Brokers November 30, 2020

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

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

****REVISED** EFFECTIVE NOVEMBER 9, 2020 **REVISED****

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

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:

- Three or more late payments of greater than 30 days;
- One or more late payments of 60 days plus one or more 30 day late payments;
- One payment greater than 90 days late, or
- That the borrower has made less than 3 consecutive payments since completion of a mortgage forbearance plan.

For both Purchase and No Cash Out Refinance transactions, a Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period

of modification in determining late housing payments. In addition, where a Mortgage has been modified, the Borrower must have made at least six payments under the modification agreement to be eligible for a No Cash Out Refinance.

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:

- A current delinquency
- Any delinquency within 12 months of the case number assignment date, or
- The borrower has made less than 12 consecutive monthly payments since completion of a mortgage forbearance plan.

A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments.

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

Housing Obligation/Mortgage Payment refers to the monthly payment due for rental or Properties owned.

A mortgage payment is considered delinquent if not paid within the month due.

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 and No Cash Out Refinance

Borrower's Housing Obligation payment history must be determined through:

- Credit report
- Verification of rent received directly from the landlord (for landlords with no Identity of Interest with the Borrower).
- Verification of mortgage received directly from the Servicer; or
- A review of cancelled checks that cover the most recent 12-month period.

Verification must be obtained for the borrower's previous 12 months' housing history. For Borrowers who indicate they are living rent free, verification must be obtained from the property owner where they are residing that the Borrower has been living rent free and the amount of time the Borrower has been living rent free.

For **both Purchase and No Cash Out Refinance** transactions, a Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time prior to modification in determining late housing payments. In addition, where a Mortgage has been modified, the Borrower must have made at least six payments under the Modification Agreement to be eligible for a No Cash Out Refinance.

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

Payment History Requirements

Document the Borrower has made all payments for all their Mortgages within the month due for the previous 12 months or since the Borrower obtained the Mortgages, whichever is less.

Additionally, the payments for all Mortgages secured by the subject Property must have been paid within the month due for the month prior to mortgage disbursement.

Properties with Mortgages must have a minimum of six months of mortgage payments. Properties owned free and clear may be refinanced as cash out transactions.

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.

Required Documentation

If the Mortgage on the subject property is not reported in the Borrower's credit report or is not in the name of the Borrower, verification must be obtained with a verification of mortgage, bank statements or other documentation to evidence that all payments have been made by the Borrower in the month due for the previous 12 months.

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:

- Copy of the Modification or Forbearance Plan; and
- Evidence of the payment amount and date of payments during the forbearance term

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

Rate and Term Refinance Transaction

Payment History Requirements

For all mortgages on all properties with less than six months of Mortgage Payment history, the Borrower must have made all payments within the month due.

For all mortgages on all properties with greater than six months history, the borrower must have made all mortgage payments within the month due for the six months prior to case number assignment and have no more than one 30-day late payment for the previous six months for all mortgages.

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.

The borrower must have made the payments for all mortgages secured by the subject property for the month prior to mortgage disbursement.

Required Documentation

If the Mortgage on the subject property is not reported in the Borrower's credit report or is not in the name of the Borrower, verification must be obtained with a verification of mortgage, bank statements or other documentation to evidence that all payments have been made by the Borrower in the month due for the previous 12 months.

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:

- Copy of the Modification or Forbearance Plan; and
- Evidence of the payment amount and date of payments during the forbearance term

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

Simple Refinance

Payment History Requirements

For all mortgages on all properties with less than six months of mortgage payment history, the Borrower must have made all payments within the month due.

For all mortgages on all properties with greater than six months history, the Borrower must have made all mortgage payments within the month due for the six months prior to case number assignment and have no more than one 30 day late payment for the previous six months for all mortgages.

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.

The Borrower must have made the payments for all mortgages secured by the subject property for the month prior to mortgage disbursement.

Required Documentation

If the Mortgage on the subject property is not reported in the Borrower's credit report or is not in the name of the Borrower, verification must be obtained with a verification of mortgage, bank statements or other documentation to evidence that all payments have been made by the Borrower in the month due for the previous 12 months.

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:

- Copy of the Modification or Forbearance Plan; and
- Evidence of the payment amount and date of payments during the forbearance term

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

Streamline Refinance

Payment History Requirements

Non-Credit Qualifying

Borrower must have made all mortgage payments for all mortgages on the subject property within the month due for the six months prior to case number assignment and have no more than one 30-day late payment for the previous six months for all mortgages on the subject property. Borrower must have made the payments for all mortgages secured by the subject property within the month due for the month prior to mortgage disbursement

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

For all mortgages on all properties with less than six months of mortgage payment history, the borrower must have made all payments within the month due.

For all mortgages on all properties with greater than six months of mortgage payment history, the borrower must have made all mortgage payments within the month due for the six months prior to case number assignment and have no more than one 30-day late payment for the previous six months.

The borrower must have made the payments for all mortgages secured by the subject property within the month due for the month prior to mortgage disbursement.

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

If the mortgage on the subject property is not reported in the borrower's credit report, a verification of mortgage must be obtained to evidence payment history for the previous 12 months.

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.

Financing Suspended Mortgage Payments due to Forbearance

Current 4000.1 Handbook guidance includes requirements for financing outstanding principal balance, interest due on the existing mortgage, escrow shortage, and late charge amounts for all refinance transactions except Streamline refinances. Suspended mortgage payments resulting from a payment forbearance will be included as part of the outstanding principal balance and the interest due amount reported on the payoff statement and are eligible to be included in the new refinance mortgage provided the maximum mortgage amount for the applicable refinance types is not exceeded.

Additionally, the ability to finance late charges and escrow shortages for streamline refinances is added.

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

Current 4000.1 Handbook guidance includes requirements for lien seasoning for streamline refinances including requirements for a minimum amount of payments to be made prior to a streamline refinance. Where a loan is under a Forbearance Plan and payments have not been made, such missed payments are not counted towards such minimum.

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).
- At least six full months must have passed since the first payment due date of the mortgage that is being refinanced
- At least 210 days must have elapsed since the closing date of the mortgage that is being refinanced; AND
- If the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption.

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

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