



DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-24

May 26, 2020

COVID-19 Update

On May 20, 2020, the FHFA, FNMA and Freddie Mac came out with guidance for mortgage lenders regarding borrowers who are in forbearance or who have recently come out of forbearance (for any mortgage reporting in their name, including co-signed loans and non-occupant borrowers). FCM is following their guidance.

- Borrowers are eligible to refinance or purchase a new home if they are current on their mortgage (in forbearance but continued to make their mortgage payments or reinstated their mortgage).
- Borrowers are eligible to refinance or purchase a new home three months after their forbearance ends and they have made three consecutive payments under the payment plan or payment deferral option or loan modification.

For the purposes of these requirements, “current” means the borrower has made all mortgage payments due in the month prior to the note date of the new loan transaction by no later than the last business day of that month. Examples of acceptable additional due diligence methods to document the loan file include:

- 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.

A borrower who is not current and has missed payments on any mortgage loan is eligible for a new mortgage loan if those missed payments were resolved in accordance with the requirements in the table below.



Resolution Method	Eligibility
Reinstatement	If the borrower resolved missed payments through a reinstatement, they are eligible for a new mortgage loan. The lender must document the source of funds in accordance with eligible sources of funds in the <i>Selling Guide</i> , if the reinstatement was completed after the application date of the new transaction. Proceeds from a refinance may not be used to reinstate any mortgage loan.
Loss Mitigation Solution	<p>If outstanding payments will be or have been resolved through a loss mitigation solution, the borrower is eligible for a new mortgage loan if they have made at least three timely payments as of the note date of the new transaction as follows:</p> <ul style="list-style-type: none"> ▪ For a repayment plan, the borrower must have made either three payments under the repayment plan or completed the repayment plan, whichever occurs first. Note that there is no requirement that the repayment plan be completed. ▪ For a payment deferral, the borrower must have made three consecutive payments following the effective date of the payment deferral agreement. ▪ For a modification, the borrower must have completed the three-month trial payment period. ▪ For any other loss mitigation solution not listed above, the borrower must have successfully completed the program, or made three consecutive full payments in accordance with the program. <p>Verification that the borrower has made the required three timely payments may include:</p> <ul style="list-style-type: none"> ▪ a loan payment history from the servicer or third-party verification service, ▪ the latest mortgage account statement from the borrower, and ▪ a verification of mortgage. <p>If these requirements are met on an existing mortgage loan being refinanced, the new loan amount can include the full amount required to satisfy the existing mortgage.</p>

We are not considering payments missed during the time of a COVID-19-related forbearance that have been resolved to be historical delinquencies for purposes of the excessive mortgage delinquency policy. This flexibility does not apply to high LTV refinance loans.

At this time, no guidance has been provided for FHA, USDA or VA regarding borrowers that have entered forbearance. We will provide an update as soon as we receive guidance.