



MFM Bulletin: 003-2020

Date: April 2, 2020

Subject: Fannie and Freddie COVID-19 Flexibilities

Fannie Mae and Freddie Mac issued bulletins on March 31, 2020 announcing additional selling flexibilities as well as new temporary requirements to underwriting and closing activities as the COVID-19 situation continues to evolve. **The following measures are in effect on all loans with an application date of April 1, 2020 and after.**

AGE OF INCOME AND ASSETS DOCUMENTATION

All income and asset documentation must be dated no more than **60 days prior to the note date**, except as follows:

- If an asset account is reported on a quarterly basis, the seller must obtain the most recently issued quarterly statement.
- For electronic income verifications obtained from third-party verification service providers; the information from the electronic data base reflected on the third-party verification must now be dated no more than 60 days prior to the note date.
- Standard Guide requirements for age of documentation continue to apply to the following income types:
 - Military income documented on Leave and Earnings Statements
 - Retirement income
 - Survivor and dependent benefit income
 - Long-term disability income
 - Social Security Supplemental Security Income (SSI)
 - Foster care income
 - Trust income (fixed)
 - Royalty payments

SELF-EMPLOYED BORROWERS:

Due to the impact the COVID-19 pandemic and various social distancing measures are having on businesses across the country, we must now take additional steps to confirm that a self-employed borrower's business is currently open, and operating within 10 business days prior to the note date.

The following is effective immediately and will be applied to loans with self-employed borrowers that are cleared to close April 1, 2020 and after:

- MFM will require verification that the borrower's business is open and operating within 10 business days of closing.
- MFM Underwriters will perform the self-employment verification of employment. The Loan Officer will need to contact the borrower at the time the loan is scheduled and obtain the documentation to verify the business is open and operating. Our Closing department will



contact the Underwriter to complete the review once the closing date is set and the proper documentation is received.

Below are some examples of documentation that may be provided to confirm a self-employed borrower's business is currently operating:

- Evidence of current work (e.g., executed contracts or signed invoices that indicate the business is operating on the day the seller verifies self-employment).
- Evidence of current business receipts within 10 business days of the note date (e.g., payment for services performed).
- If MFM is able to certify the business is open and operating through a phone call to the business using a phone number independently obtained through an internet source.
- Business website demonstrating activity supporting current business operations (e.g., timely appointments for estimates or service can be scheduled).

STOCKS, STOCK OPTIONS AND MUTUAL FUNDS

The following is effective with loan applications dated April 1, 2020 and after. Due to the continuing market volatility of certain asset types, we are implementing the following temporary requirements applicable to accounts with stocks, stock options and mutual funds:

- Evidence of liquidation, including borrower receipt of funds, is required when using any funds from these accounts for down payment and/or closing costs.
- No more than 70% of the balance in accounts may be used to meet any reserve requirements.

POWER OF ATTORNEY

The following flexibilities are effective immediately for all loans in process and remain in place for loans with application dates on or before May 17, 2020. For both Fannie Mae and Freddie Mac loans a Power of Attorney (POA) may be used to close a purchase money or a limited cash/no cash-out refinance Mortgage. Power of Attorney/Attorney in Fact is not allowed on:

- Cash-out refinances
- Texas 50(a)6 cash-out refinance mortgages

Additional requirements for POA:

- All powers of attorney must include the address of the mortgaged property.
- POA must be notarized for purchase transaction.
- A power of attorney may only be used in a **purchase transaction with a note date on or after Apr. 7, 2020**, if, after the closing disclosure or other closing statement, as applicable, has been delivered to the borrower before closing, **an employee of the lender or settlement agent explains the terms of the loan to the borrower(s) to confirm that each borrower understands them. This discussion must take place in person, over the phone, or using a video conference system, and must be memorialized by an acknowledgment by the borrower(s) of his or her understanding of the terms of the loan. The acknowledgment may be in writing or in a recording of the telephonic or video discussion.**
- Neither the seller of the property in a purchase transaction nor an employee of the originating lender is eligible to become a Power of Attorney or Attorney in Fact.



PROPERTY VALUATIONS - APPRAISAL FLEXIBILITIES FOR NEW CONSTRUCTION PROPERTIES (PURCHASE TRANSACTIONS)

The following temporary flexibilities are effective immediately for all Mortgages in process and remain in place for mortgage loans with application received dates on or before May 17, 2020.

- For new construction properties, where an interior/exterior appraisal cannot be completed, Fannie Mae and Freddie Mac will accept a desktop appraisal.

Documentation Requirements:

If construction of the property has not yet begun or is partially completed, and as a result the appraisal report will be completed "subject to completion per plans and specifications," the following must be provided to the appraiser:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property:
 - If construction has not yet begun, a photograph of the site and street scene (i.e., street view in both directions) are required.
 - If construction is partially complete, the seller must provide, or ensure that the builder has provided the appraiser with all of the following photographs:
 - Front view of the subject property
 - Rear view of the subject property
 - Street scene (i.e., photograph of the street view in both directions)
 - The following interior photos are required when construction is at a stage in which they are available:
 - Kitchen of the subject property
 - All bathrooms of the subject property
 - Main living area of the subject property
 - Basement, including all finished rooms
 - Fully executed sales contract, including any addenda

If the property is fully completed, and as a result the appraisal report will be completed "as is," the seller must provide the appraiser with, or ensure the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or Plot Plan
- Current photos of the subject property, including:
 - Front view of the subject property
 - Rear view of the subject property
 - Street scene (i.e., a photograph of the street view in both directions)
 - Kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
 - Fully executed sales contract including any addenda



BUILDER CERTIFICATION

The seller must obtain a builder signed Builder/Contractor Certification attesting that the information provided is true and correct. This certification must be included in the Mortgage file.

COMPLETION REPORTS FOR NEW CONSTRUCTION PROPERTIES

For new construction properties where the appraisal report was completed “subject to completion per plans and specifications”, if the seller is unable to obtain a completion report on Form 442, Appraisal Update and/or Completion Report, as a result of COVID-19 related issues, Freddie Mac will accept the warranty of completion form, Completion of Construction Certification.

TAX TRANSCRIPTS

The requirement for tax transcripts for self-employed borrowers will be temporarily suspended, as long as the business tax returns are prepared by a CPA or tax preparation firm. All business and personal returns must be signed by the borrower(s).