Covid-19 Guidance

Due to current market conditions, temporary changes to our employment re-verification process are necessary to manage risk. The changes below apply to all loans underwritten.

Income

Wage Earners

- A Verbal Verification will remain a requirement before docs and at time of funding.
- In those instances where a traditional VVOE is unable to be completed, an email from the employer as an alternative will suffice, with the following restriction.
    - Be from the borrower's direct Supervisor/Manager or the employer's HR department and;
    - Contain all the standard information required on a verbal verification of employment, including the name, title, and phone number of the person verifying.
- As an additional step, the following questions must be asked while completing the Verbal Verification of Employment form:
    - Is the company still open and in operation?
    - Is the borrower still employed?
    - Is the borrower on a leave of absence or furloughed?
    - Has the borrower's income been affected?
- We will also require the borrowers most recent paystub or a Written VOE dated within 30 calendar days of note date.
    - Underwriter's will add this as a PTD condition.
    - The most recent paystub or WVOE may be moved to PTF in Dry States
- If the hours worked have been reduced, the reduced hours will be utilized for qualifying purposes.
- If a borrower is on temporary leave, we are unable to proceed until the borrower has returned and received at least one full paystub. The paystub will be analyzed to check for any reduced wages.
- Unemployment Income due to recent events is not an acceptable income source
- These additional steps do not apply to non-credit qualifying FHA Streamline or VA IRRRL transactions

Self Employed – Full Doc Conventional

- An audited year to date profit and loss statement, reporting business revenue, expenses and net income up to and including the most recent month preceding the loan application; or
- An unaudited year to date profit and loss statement signed by the borrower reporting business revenue, expenses and net income up to and including the most recent month preceding the loan application date, and two business (can be comingled personal) depository account(s) statements no older than the latest two months represented on the year to date profit and loss statement.
    - For example, the business depository statement can be no older than May and June for a year to date profit and loss statement through June 30, 2020.
    - All Loans:
        - Require 3 months business bank statements when an unaudited P&L is being used.

        - Evidence business is open and operating within 20 business days prior to the note date.
    - The underwriter will review the two most recent depository account(s) statements to support and/or not to conflict with the information presented in the current year to date profit and loss statement. Otherwise, the underwriter must obtain additional statements or other documentation to support the information from the current year to date profit and loss statement.
        - The signed year-to-date profit and loss statement must be no older than 45 days as of the note date.
- Underwriters must review the profit and loss statement, and business depository accounts, if required, and other relevant factors to determine the extent to which business has been impacted by COVID-19. The underwriter can use the FNMA guidance when performing the assessment of business operations and stability and must complete the business income assessment based on the minimum additional documentation above. In some instances, the underwriter may find it necessary to obtain supplemental documentation.

Self Employed – Full Doc VA

- A signed unaudited year to date profit and loss statement signed by the borrower reporting business revenue, expenses and net income up to and including the most recent month preceding the note date.
- Underwriters must review the profit and loss statement and other relevant factors to determine the extent to which business has been impacted by COVID-19. The underwriter can use the FHA/VA/USDA guidance when performing the assessment of business operations and stability and must complete the business income assessment based on the minimum additional documentation above. In some instances, the underwriter may find it necessary to obtain supplemental documentation.

Self Employed – Full Doc FHA/USDA

- Follow Standard FHA/USDA Guidelines

Self Employed- All Products

- ***One of the following is required for all Self Employed transactions***
    - ***IRS Transcripts directly from the IRS for the years required based on Underwriting guidelines ordered by LoanStream.***
    - ***IRS Transcripts directly from the IRS for the years required based on Underwriting guidelines ordered directly by the borrower(s).***
    - ***Signed tax returns. Proof of E-File and proof of refund received or evidence amount owed for each applicable tax year clearing borrower(s) account.***
        - ***This is an exception only that must be approved by Underwriting Management***

Rental Income Support

- If rental income is being used for qualifying purposes
    - Refinance
        - Copy of current fully executed lease
    - Purchase
        - If th property is not currently rented, utilize the rent from the Appraisal 1007. If

the property is currently rented, will need current, fully executed lease and verification of most current 2 months rent received:

- Can be letter from the seller, as seller is the one receiving rent
- Rent must be addressed in the purchase contract, is borrower being assigned the lease agreements or are they evicting the tenants. If eviction, utilize the Appraisal 1007.

Rental Income Support-FHA

- Follow Standard FHA guidelines

Forbearance-Conventional Loans

Borrowers who are currently or have been in forbearance, are acceptable in certain cases:

- The borrower(s) must provide a copy of the forbearance agreement and documentation of which method was used to bring the loan current.
- Borrower(s) must be current on all mortgages for all properties owned through the month of closing.
- Borrower(s) must document that they have been removed from forbearance on any mortgage loan, including our subject and any other property.
- If the borrower(s) brought the loan current through re-instatement (payment in full of the deferred amount).
- If the re-instatement was completed after the application date on our subject, the source of funds must be documented.
- Borrower(s) who were unable to bring their forbearance current through re-instatement and used on of the following methods (this applies to all properties owned), may be eligible if they

have made a minimum of 3 timely payments from the date of the repayment plan/agreement. Payments may not be made in advance of the due dates.
    - Repayment Plan
    - Modification Agreement (except those that qualify per our Modification guides)
    - Payment Deferral
- Copy of of the repayment plan, payment deferral agreement or modification is required.
- **Proceeds from the SBA Paycheck Protection Program(PPP) or any other similar COVID-19 related loan(s) or grants are not considered business or personal assets and are ineligible for Down Payment, Closing Costs or Reserves**
- **Paycheck Protection Program loans do not need to be included in qualifying, unless the loan is in the repayment period.**

Forbearance-FHA & USDA Loans (all financed properties)

- **Borrower(s) who have been granted a Mortgage Payment Forbearance is eligible for a new FHA insured mortgage provided:**
    - **The borrower continues to make regularly scheduled payments and the Forbearance Plan is terminated, or**
    - **For Cash Out refinances, the borrower has completed the Forbearance Plan and made at least 12 consecutive monthly payments post forbearance; or**
    - **For Purchase and No Cash Out Refinances, the borrower has completed the Forbearance Plan and made at least three consecutive monthly payments post forbearance; or**
    - **For Credit Qualifying Streamline refinance, the borrower has completed the Forbearance Plan and made less than three consecutive monthly payments post forbearance; and**
    - **For all Streamline refinance transactions, the borrower has made at least six payments on the FHA-Insured mortgage being refinanced(where the FHA insured Mortgage has been modified after forbearance, the Borrower must have made at least six payments under the Modification).**
    - **Any Borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan(paid as agreed), is not considered to be delinquent for purposes of credit underwriting and is not required to be downgraded to a refer provided the Forbearance Plan is terminated prior to docs.**

- **For all Streamline Refinance transactions, a copy of the Modification or Forbearance Agreement is required**
    - **A minimum of three consecutive monthly payments under the Forbearance Agreement within the month due must have occurred to be eligible for financing for all Non Credit Qualifying Streamlines**
    - **A minimum of six consecutive monthly payments under the Modification Agreement within the month due must have occurred to be eligible for financing for all Non Credit Qualifying Streamlines**
    - **A minimum of six consecutive months payments within the month due must have occurred to be eligible for financing for all Credit Qualifying Streamlines**

    - **Suspended mortgage payments resulting from a payment forbearance will be included as part of the outstanding principal balance and the interest due amount report on the payoff statement and are eligible ot be included in the new refinance mortgage provided the maximum mortgage amount for the applicable refinance type is not exceeded**
    - **Pay History remains the same**
        - **0x30 in the six months preceeding the case assignment date**
        - **1x30 in months 7-12 preceeding the case assignment date**
    - **Missed payments do not count toward the minimum six payments that are required for producing seasoning**

- **For Purchase and Rate & Term Refinances, loans must be downgraded to a refer and manually underwritten if any of the below occurs during the 12 months prior to the case assignment date:**
- **3x30 or greater**
- **1x60 or greater plus 1x30 or greaterz**
- **1x90**
- **Borrower has made less than 3 consecutive payments since completion of a mortgage forbearance plan**
- **A copy of any applicable Modification or Forbearance Agreement is required**
- **A minimum of 6 payments under the Modification Agreement must occur for all Rate and Term refinances**
- **A copy of the pay history from either the forbearance or modification is required**

- **For Cash Out Refinances, loans must be downgraded to a refer and manually underwritten if any of the below occurs during the 12 months prior to the case assignment date:**
- **1x30 or greater**
- **Less than 12 consecutive monthly payments since completion of a mortgage forbearance**
- **A copy of any applicable Modification or Forbearance Agreement is required**
- **A copy of the pay history from either the forbearance or modification is required**

Forebearance- VA Purchase and all refinances

- **A Cares Act forbearance should not be used as a reason to deny a borrower a loan. In such cases, borrowers must provide reasons for the loan deficiency and evidence to establish that the cause of the delinquency has been corrected.**
- **A borrower is not considered an unsatisfactory credit risk based solely on if the borrower has received some type of credit forbearance or deferred payment during COVID-19**
- **A copy of the Forbearance or Modification Agreement is required**
- **A copy of the pay history from either the forbearance or modification is required**
- **The Veteran must document they are no longer in forbearance**

Forbearance- VA IRRRLs

- **The Veteran must document they are no longer in forbearance AND are no longer experiencing financial hardship caused by COVID-19(without documenting income)**
- **The borrower qualifies for the IRRRL standard program requirements**
- **Standard VA guidelines should be used to determine the maximum loan amount for IRRRLS. IRRRLS may include:**

  - **Past due payments, including payments deferred under a Cares Act forbearance**
  - **Allowable late charges consistent with the Note, Cares Act, and applicable laws**
- **Periods of forbearance cannot be considered to meet loan seasoning requirements, but forbearance does not cause the loan to to not meet seasoning requirements. If a loan being refinanced met seasoning requirements before a borrower entered a CARES Act forbearance, the seasoning requirements is satisfied.**
- **A loan being refinanced is is seasoned if the following are met when the loan closes:**
  - **The borrower has made at least six consecutive monthly payments on the loan being refinanced.**
  - **Example: In the case where a borrower made five consecutive payments before invoking a CARES Act forbearance, such borrower would need to make six additional consecutive payments, post forbearance, in order to meet the seasoning requirement.**

Age of Documentation- Conventional Products

- As a reminder, we already require the most recent paystub, Written VOE (within 15 calendar days of note date) or YTD P&L (within 45 calendar of note date). We also already require an independently verified VVOE before docs and at time of funding, including verification that any self-employed business is open and operating. Any change in status or income, the loan must be sent back to underwriting.
- Expiration dates for credit, title, appraisals and other documents remain unchanged.

Age of Documentation-FHA/VA/USDA Products

- Remain unchanged
- As a reminder, we already require the most recent paystub, Written VOE (within 15 calendar days of note date) or YTD P&L (within 45 of note date). We also already require an independently verified VVOE before docs and at time of funding, including verification that any self-employed business is open and operating. Any change in status or income, the loan must be sent back to underwriting.

COVID-19 Borrower Certification:

- We have implemented a certification form where borrowers must attest to ability to repay prior to funding. This is required to be executed by all borrowers on a transaction. Funding will not commence otherwise. Funders will be required to review all answers. Any negative answers will require the funding be held and the loan go back to underwriting.