MBA supports clear guidance on pathways to eligibility for new purchases and refinances for borrowers impacted by COVID-19.

On May 19, Fannie Mae edited Lender Letter 2020-03 and Freddie Mac published Bulletin 2020-17 to provide temporary eligibility requirements for purchase and refinance transactions following forbearance.

Lenders may immediately apply these policies to loans in process and must apply them to loans with application dates on or after June 2, 2020. These policies will be effective until further notice.
Borrower who previously entered into forbearance agreement seeks new loan (purchase or refinance)

Lenders:
1. Review borrower’s credit report.
2. Apply due diligence for each mortgage loan on which the borrower is obligated to determine if they are current as of the note date of the new transaction.

“Current” means the borrower has made all mortgage payments due in the month prior to the note date of the new transaction no later than the last business day of that month.

Examples of additional due diligence:
• Loan payment history
• Payoff statement
• Latest mortgage account statement
• Verification of mortgage

Common Scenarios

Borrower continued making payments during forbearance

Borrower reinstated the loan prior to the application received date

Borrower remains in forbearance and has missed payments (has not agreed upon an exit strategy)

Borrower has exited forbearance and entered into loss mitigation agreement with their servicer

Borrower is determined to be current

Reinstatement: Borrower resolves missing payments through an eligible source of funds documented by the lender.

Loss Mitigation:
• Repayment Plan
• Payment Deferral
• Loan Modification
• Other Loss Mitigation Program

Borrower is eligible for new loan after making three consecutive timely payments or completing the loss mitigation program or repayment plan, whichever comes first.

No waiting period to begin processing new loan.

Acceptable sources to verify payments include:
• A loan payment history from the servicer or a third-party verification service.
• The latest mortgage account statement from the borrower, and
• The payoff statement (on loans being refinanced), provided that the borrower made the three consecutive timely payments. Missed payments cannot be rolled into the new loan amount.

NOTE: Proceeds from a refinance can be used toward all types of loss mitigation program payments.

NOTE: The presence of missed payments due to forbearance does not automatically classify a refinance as a “cash-out refinance.”

NOTE: Payments missed during a COVID-19-related forbearance that have since been resolved will not be considered a historical delinquency (with the exception of high-LTV refinance)