

Friday, May 15, 2020

Bulletin #2020-AC-027

NOTICE TO ALL CUSTOMERS

Updated Policy for Borrowers with Mortgages in Forbearance, Water Requirement on VA loans and other clarifications

Borrowers with Mortgages in Forbearance

As we navigate the pandemic together and experience the impact to the economy and consumers, the CARES Act, rules and regulations, it is important to educate consumers and borrowers applying for forbearance and how doing so will impact their ability to refinance or buy a home in the near future. Despite the fact that loans placed in forbearance without being delinquent will continue to be reported as “current” under the CARES Act, servicers must report the account being in forbearance in compliance with the Fair Credit Reporting Act (FCRA).

Our current policy states that Borrowers in forbearance on any mortgage or rent payments are ineligible for financing, unless documentation is provided evidencing all missed mortgage/rental payments have been brought current, and the mortgage/rental has been removed from forbearance. However, as the pandemic effects linger, our policy is being changed in order to meet the agencies’ housing payment history requirements which state:

- On the date of the loan application, the borrower’s existing mortgage must be current, which means that no more than 45 days may have elapsed since the last paid installment date.
- The lender must review the borrower's credit report to determine the status of all mortgage accounts. The lender does not have to independently verify the mortgage’s payment history provided the credit report includes a reference to the mortgage (or mortgages) and reflects 12 months of the most recent payment activity.

Therefore, effective with loan finalized to FLCBank on or after Monday May 18, 2020:

- Borrowers refinancing a mortgage in forbearance will not be eligible for refinance until the loan is out of forbearance and 12 months of consecutive satisfactory mortgage payments are documented.
- Borrowers trying to purchase a property where the credit report denotes forbearance on any outstanding mortgage will not be eligible for financing until 12 months of consecutive satisfactory mortgage payments are documented.

Loans in the pipeline where the credit report reflects the borrower’s mortgage may be in forbearance but documentation from the loan servicer is provided confirming all missed mortgage/rental payments have been brought current, and the mortgage/rental has been removed from forbearance must fund on or before May 29, 2020.

VA Water Test-COVID-19

Effective immediately, if a water test on a VA transaction is required, the following apply:

- Purchase Transactions and Refinances of a non-VA insured mortgage:
An acceptable water test per VA policy must be obtained.
- Refinance of a VA insured mortgage:
The water test requirement is waived.

Per guidance received from the agencies in relation to Continuance of Income requirements, the following updates apply:

- Temporary Leave: If the borrower has been placed on “temporary leave” due to COVID-19 (furloughed or laid off) is not considered to be actively employed and is therefore ineligible under the temporary leave requirements regardless of whether there is a projected return to work date.
- Unemployment compensation being received due to COVID-19 cannot be used to qualify a borrower.

To access the updated document and other important attachments, please [click here](#).