

MPF Announcement:

2020-44

Date:

July 22, 2020

Alert:

Clarification
New Policy
Policy Update
Reminder
Training Information

Audience:

Compliance/Legal
Program Management
Origination
Quality Control
Servicing
Underwriting

Product:

MPF Direct
MPF Government MBS
MPF Traditional
MPF Xtra[®]

Effective Date:

Immediately (unless otherwise noted)

Impact of COVID-19 on Originations of MPF Traditional (Conventional) Loans

In a continuing effort to monitoring the spread of COVID-19 and its concerns about its potential impact on borrowers, businesses, and loan originations, the MPF Program is issuing this guidance on originating and delivering MPF program mortgage loans, which in some instances reminds PFIs of current or announced temporary policies, and in other instances creates new temporary policies. This guidance supersedes any conflicting current Guide provisions or recent COVID-19 announcements.

Reference

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PFIs and Servicers originating, delivering or servicing:

- MPF Government loans and MPF Government MBS loans must follow relief policies and guidance issued by the applicable Government Agencies.
- MPF Xtra loans must follow relief policies and guidance issued by Fannie Mae.
- MPF Direct loans must follow relief policies and guidance issued by the product's investor, Redwood Trust.

In addition, PFIs and Servicers are expected to abide by any/all federal or state laws or proclamations that may affect borrowers or loans affected by COVID-19.

Changes since MPF Announcement 2020-37:

- **Update: Extended the application dates for some temporary policies in place from July 31, 2020 to August 31, 2020. Each applicable date has been updated within this announcement.**

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The following temporary policies are covered in this announcement. New and updated policies are noted, other policies remain as originally issued:

- Eligibility requirements for purchase and refinance transactions (Issued June 9, 2020)
- Delivery of loans in loss mitigation plan and Early Payment Default (EPD) (Issued April 21, 2002, updated April 22, 2020 and May 6, 2020)
- Verbal verification of employment (Issued March 24, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
- Verification of self-employment (Issued April 6, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
- Requirements for borrowers using self-employment income to qualify (Issued June 9, 2020)
 - Income Analysis
 - Business Income Calculation Adjustment
 - Business Assets
- Continuity of income (Issued March 24, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
- Unemployment benefits qualifying as income (Issued May 6, 2020)
- Furloughed Borrowers (Issued May 6, 2020)
- Age of documentation (Issued April 6, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
- Market-based assets (Issued April 6, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
- Title insurance (Issued March 24, 2020)
- Powers of attorney (Issued April 6, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
- Notes, electronic records, and signatures (Issued March 24, 2020)
- Remote online notarization (Issued March 24, 2020, updated May 4, 2020)
- Appraisal:
 - Generally (Issued April 1, 2020, updated May 6, 2020)
 - Desktop Appraisals (Issued April 1, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - Exhibits for desktop appraisals (Issued April 1, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - Exterior-only inspection appraisals (Issued April 1, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - Exhibits for exterior-only inspection appraisals (Issued April 1, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - Virtual inspections for appraisals (Issued May 4, 2020)
 - Revisions to the scope of work, statements of assumptions and limited conditions, and appraiser's certification (Issued April 1, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - Completion reports (Form 1004D) (Issued April 1, 2020, Updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - Additional form instructions for appraisals (Issued April 1, 2020, updated May 4, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - New construction loans
 - Documentation requirements for new construction loans (Issued April 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - Builder certification (Issued April 6, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
 - Completion reports for new construction properties (Issued April 6, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)

- Project documents used in project reviews (Issued May 4, 2020)
- Appraisal Waivers (Issued April 1, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
- Delivery requirements (Issued April 1, 2020, updated May 6, 2020, June 17, 2020, and July 22, 2020) (UPDATED)
- Automatic Underwriting Systems (AUS) (Issued April 6, 2020)
- Quality control requirements (Issued April 6, 2020)
 - Reverifications
 - Field review of appraisals
 - Prefunding QC reviews
- Business continuity (Issued March 24, 2020)
- Seasoned loans (Issued March 24, 2020)
- General resources

Eligibility requirements for purchase and refinance transactions

PFIs continue to have the obligation to review each borrower's credit report to determine the status of all the borrower's debts and liabilities, and apply due diligence for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine whether the payments are current as of the note date of the new transaction. For the purposes of these requirements, "current" means all mortgage payments due in the month prior to the note date of the new loan transaction were made by no later than the last business day of that month. Other than MPF Xtra loans, the MPF Program is not providing any accommodations to the current MPF Guide provisions with regard to these requirements when a borrower is already obligated on a mortgage loan that is not current and where any payments were missed, even if the reason for the missed payments is COVID-19 related.

Effective: June 9, 2020

Delivery of loans in loss mitigation plan and Early Payment Default (EPD)

Other than MPF Xtra loans, the MPF Program only accepts loans that are current on Funding Date (i.e., the date the loan is sold into the Program), mortgage loans in a loss mitigation plan (such as forbearance plan, repayment plan or other such plan) or loans with material modifications, such as changes to the original loan amount, interest rate, final maturity, or product structure, are not eligible for delivery to into the MPF Program.

This includes loans under the Colonial Savings Servicing Released option for MPF Traditional. Colonial Savings will not purchase mortgage servicing for MPF Traditional loans in forbearance or on a forbearance plan. This includes loans that are committed to Colonial and are then placed on a forbearance plan prior to servicing file delivery to Colonial or are placed on forbearance beginning with the First Payment Due to Colonial Savings. In the event that a loan is placed on a forbearance plan within 60 days of delivery to Colonial, Colonial will continue to service the loan, but will pay zero SRP for the servicing and charge additional loan servicing administration fees.

Mortgage loans for which borrowers are granted relief due to COVID-19 related circumstances after Funding Date are not exempt from the Early Payment Default provisions of the MPF Guides (See MPF Program Guide section 8.4 - Early Payment Default and product specific guide provisions).

MPF Xtra loans in forbearance due to COVID-19 may be delivered if they meet all requirement provided by Fannie Mae for such loans, including requirements detailed in Fannie Mae's Lender Letter 2020-06, and any other applicable announcements.

Effective: April 22, 2020 for MPF Xtra Loans and April 21, 2020 for all other MPF products. (Updated on May 6, 2020)

Verbal verification of employment (UPDATED)

While Originators are still expected to attempt to obtain the verbal verification of employment (VOE) in accordance with the MPF Guides, to address difficulties with obtaining the VVOE due to disruption to operations of the borrower's employer, the MPF Program will permit the following:

- **Written VOE:** The MPF Traditional Selling Guide section 5.9.2 Written Verification of Employment permits a written VOE confirming the borrower's current employment status within the same timeframe as the verbal VOE requirements. An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used in lieu of a verbal VOE. The MPF Program will now allow a VOE obtained after loan closing up to the time of loan delivery. Obtaining a verbal VOE before the note date is strongly encouraged.
- **Paystub:** a year-to-date paystub from the pay period that immediately precedes the note date may be used.
- **Bank statements:** bank statements (or other alternative documentation as permitted by MPF Traditional Selling Guide section 5.19 Bank Statements) evidencing the payroll deposit from the pay period that immediately precedes the note date may also be used.

Effective: March 24, 2020 and effective until further notice, for all loans in process on that date and policy remains in place for loans with application dates on or before **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and **July 22, 2020**)

Verification of self-employment (UPDATED)

When a borrower is using self-employment income to qualify, the Originator must verify the existence of the borrower's business within 120 calendar days prior to the note date. Due to latency in system updates or recertifications using annual licenses, certifications, or government systems of record, Originators must take additional steps to confirm that the borrower's business is open and operating. Originators must confirm this within 10 business days of the note date (or after closing but prior to delivery).

Below are examples of methods Originators may use to confirm the borrower's business is currently operating:

- evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the Originator verifies self-employment);
- evidence of current business receipts within 10 days of the note date (payment for services performed);
- Originator certification that the business is open and operating (Originator confirmed through a phone call or other means); or
- business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

See MPF Traditional Selling Guide section 5.9.1 - Verbal Verification of Employment for current requirements.

Effective: PFIs were encouraged to apply these accommodations to existing loans in process as of April 6, 2020, and were required to apply them to loans with application dates on or after April 14, 2020 through **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and **July 22, 2020**)

Requirements for borrowers using self-employment income to qualify

1. Income Analysis

Self-employed income from a business that has been negatively impacted by changing conditions may be eligible for use in qualifying the borrower, if the Originator determines the borrower's income is stable and has a reasonable expectation of continuance. Originators must obtain the following additional documentation to

support the decision that the self-employment income meets MPF Program requirements:

- 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 date; 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 depository account(s) statements no older than the latest two (2) months represented on the year-to-date profit and loss statement.
 - For example, the business depository account statements can be no older than April and May for a year-to-date profit and loss statement dated through May 31, 2020.
 - If the two (2) most recent depository account statements conflict with the information presented in the current year-to-date profit and loss statement, the Originator must obtain additional statements or other documentation to support the information from the current year-to-date profit and loss statement.

NOTE: The year-to-date profit and loss statement must be no older than 60 days old as of the note date consistent with Age of Documentation requirements provided for below.

Originators must review the profit and loss statement, and business depository accounts if required, and other relevant factors to determine the extent to which a business has been impacted by COVID-19. The Originator can use the following 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 Originator may find it necessary to obtain supplemental documentation listed in the examples below.

Assessing the Impact of COVID-19	
Business Operations	<ul style="list-style-type: none"> • Have business operations been maintained or modified to support continued business income? <i>For example, review an updated business plan.</i> • Is the business continuing to operate in the current location or an alternate location suitable for business operations? <i>For example, perform an Internet search or verify through a third-party source.</i> • Is there a demand for the product or service currently offered by the business? <i>For example, obtain current business receipts or purchase contracts.</i> • Is the business operation and/or revenue temporarily restricted due to state shelter in place, stay at home or other similar state or local orders? • Is the impact to the business operations negligible due to the nature of the business? <i>For example, obtain a written explanation from the business owner or confirmation that income is seasonal apart from the event timeline.</i>
Business Income	The Originator must complete a business income assessment by comparing the year-to-date net business income from the year-to-date profit and loss statement to historical business

	<p>income calculated using Income Analysis Form (Form 1084/Fannie Mae, Form 91/Freddie Mac) for a similar timeframe (such as monthly). This form must be included in the Mortgage Loan File.</p> <ul style="list-style-type: none"> • Originators can make standard adjustments to business cash flow (net income on the profit and loss statement) in accordance with MPF Traditional Selling Guide Section- 5.14 Self-Employment Income when making this determination. • When the Originator determines net business income is impacted, but profit and loss details are not sufficient to determine the income is stable at the reduced level, the Originator can obtain additional documentation to supplement the profit and loss statement (such as a month-to-month income trending analysis) to make this determination. If stability cannot be confirmed, the income is not eligible for qualifying purposes. See MPF Traditional Selling Guide section- 5.14 Self-Employment Income for additional details. <p>Example:</p> <p>Historical monthly self-employment income calculated using Form 1084 = \$2,000</p> <p>Current level of stable monthly self-employment income as determined by the Originator using details from the year-to-date profit and loss statement and other supplemental documentation = \$1,000</p>
Business Stability	<ul style="list-style-type: none"> • Does the profit and loss identify a significant imbalance between expenses and revenue that may impact financial stability? Or have modifications to current business operations been made to correct this imbalance? (Consider documenting with an updated business plan) • Do prior year business tax returns demonstrate ample financial liquidity due to a history of retained earnings? • Do current business account balances (excluding Paycheck Protection Program (PPP) or other similar COVID-19 related loans or grants) support the financial ability of the business to operate given current market and economic conditions? <p>A current balance sheet may be used to support the Originator's determination of business stability, in conjunction with the profit loss statement.</p>

2. Business Income Calculation Adjustment

When the Originator determines current year net business income has been impacted by the COVID-19 pandemic and is:

- less than the historical monthly income calculated using Form 1084, but is stable at its current level, the Originator must reduce the amount of qualifying income calculated using Form 1084 to no more than the current level of stable income as determined by the Originator (see Business Income above).
- more than the historical income calculated using Form 1084, the Originator must use no more than the currently stable level of income calculated using Form 1084 to qualify the borrower.

In all cases, qualifying income must be supported by documentation, including any supplemental documentation obtained by the Originator.

3. Business Assets

We are clarifying that proceeds from the Small Business Administration PPP or any other similar COVID-19 related loans or grants are not considered business assets. Please see MPF Traditional Selling Guide- 5.20 Acceptable Sources of Assets.

Effective: PFIs are encouraged to apply these requirements to existing loans in process as of June 9, 2020; however, they must be applied to loans with application dates on or after June 11, 2020 until further notice.

Continuity of income (UPDATED)

Only QM Safe Harbor loans that meet Ability to Repay are eligible for the MPF program. These requirements are not being waived in any way by this MPF Announcement, therefore PFIs selling loans into the MPF Program continue to have the responsibility of ensuring all loans meet these requirements.

To that end, Originators are expected to practice additional due diligence to ensure the most recent income information is obtained and are strongly encouraged to help ensure any disruption to borrowers' employment (or self-employment) and/or income due to COVID-19 is not expected to negatively impact their ability to repay the loan.

As an example of additional due diligence for a self-employed borrower, Originators can verify the borrower's business is operational closer to the note date rather than the current MPF Guide requirements (e.g., within 15 days instead of 120 days).

Effective: March 24, 2020 and effective until further notice, for all loans in process on that date and policy remains in place for loans with application dates on or before **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020)

Unemployment benefits qualifying as income

Originators must comply with the requirements provided for in the MPF Traditional Selling Guide Section 5.16.20 - Unemployment Income, pertaining to the use of unemployment benefits. Unemployment benefits can be used to qualify a Borrower if the income has been documented for two (2) years and is expected to continue.

Many unemployed and furloughed individuals are eligible for unemployment benefits under the CARES Act; however, unemployment compensation is short-term in nature and is therefore not a reliable and predictable source of income for Borrowers.

Effective: May 6, 2020

Furloughed Borrowers

The COVID-19 pandemic has resulted in an increase in furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee's position when the furlough period ends. Until furloughed employees actually return to work, they are unable to provide evidence of a stable and reliable flow of employment-related income and are therefore ineligible. (See MPF Traditional Selling Guide Section 5.10 Income Analysis)

Effective: May 6, 2020

Age of documentation (UPDATED)

To ensure the most up-to-date information is being considered to support the borrower's ability to repay, the MPF Program updated its age of documentation requirements for all loans (existing and new construction) as follows:

- Age of document requirements as provided for in MPF Traditional Selling Guide 5.1.3, is modified from four months (120 days) to two months (60 days) for most income and asset documentation. If an asset account is reported on a quarterly basis, the Originator must obtain the most recently issued quarterly statement.
- When an Originator receives employment and income verification directly from a third-party employment verification vendor, the information in the vendor's database must be no more than 60 days old as of the Note date.
- No changes are being made to the age of documentation requirements for military income documented using a Leave and Earnings Statement, Social Security, retirement income, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments, and the Originator can continue to apply standard age of document requirements as stated in the MPF Traditional Selling Guide.
- Due to the federal income tax filing extension granted through July 15, 2020, the following documentation requirements are being eliminated. These normally apply for income types that require copies of federal income tax returns when the mortgage has an application or disbursement date between April 15th and July 15th:
 - a copy of the IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Tax Return), and
 - IRS Form 4506-T (Request for Transcript of Tax Return) transcript confirming "No Transcript Available" for the 2019 tax year.

All other requirements contained in the MPF Traditional Selling Guide related to allowable age of credit documents and Federal Income Tax Returns continue to apply.

Effective: PFIs were encouraged to apply these accommodations to existing loans in process on April 6, 2020, and were required to apply them to loans with application dates on or after April 14, 2020 through **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020)

Market-based assets (UPDATED)

In light of market volatility, the MPF Program is making the following updates when the borrower is using stocks, stock options, or mutual funds for assets:

- When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

See MPF Traditional Selling Guide section 5.20.7 - Stocks and Bonds for current requirements.

Effective: PFIs were encouraged to apply these accommodations to existing loans in process on April 6, 2020, and were required to apply them to loans with application dates on or after April 14, 2020 through **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020)

Title insurance

While closures of recording offices present challenges with compliance of MPF Program title requirements in MPF Traditional Selling Guide Section 9.3.3 ALTA Policy Form, Originators are reminded that the MPF Program permits lender's policies of title insurance written on the 2006 ALTA loan title insurance form or a local equivalent. Covered Risk 14 in the 2006 ALTA form includes "gap coverage" for matters arising between the loan closing date and the mortgage recording date. This coverage is acceptable only if there is no exception for this coverage under Schedule B of the policy.

Effective: March 24, 2020

Powers of attorney (UPDATED)

MPF Traditional Selling Guide section 10.2.6 - Power of Attorney contains requirements for powers of attorney. For loans with application dates on or before **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~, the following **additional** requirements for using a power of attorney apply:

- All powers of attorney must include the address of the mortgaged property.
- The existing Guide conditions allowing persons "connected to the transaction" to serve as an attorney-in-fact or agent in refinance transactions will also now apply to purchase transactions as well as limited cash-out refinances.
- An individual who would otherwise be prohibited from serving as an attorney-in-fact or agent under the Guides, may execute the required loan documents on behalf of the borrower(s), provided all of the following conditions are met:
 - The attorney-in-fact or agent is not an employee of the Originator.
 - The power of attorney expressly states an intention to secure a loan not to exceed a stated amount from a named Originator on a specific property.
 - The power of attorney expressly authorizes the attorney-in-fact or agent to execute the required loan documents on behalf of a borrower only if the borrower has, to the satisfaction of the attorney-in fact or agent in a recorded, interactive session conducted via the Internet, both:
 - confirmed his or her identity; and
 - reaffirmed, after an opportunity to review the required loan documents, his or her agreement to the terms and conditions of the required loan documents evidencing such transaction and to the execution of such required loan by such attorney-in-fact or agent.
 - PFI must produce at the request of its MPF Bank or the MPF Provider at any time during the term of the related loan, within a commercially reasonable time following such request and without additional expense to MPF Bank or MPF Provider, a recording and other documentary media memorializing the entirety of the interactive session.
- Unless a recorded Internet session described in the paragraph above is required, a power of attorney may only be used in a purchase transaction with a note date on or after April 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 Originator 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, telephonically 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.
- Notwithstanding anything to the contrary in the Guides or this Announcement, for purchase transactions,

the attorney-in-fact or agent may not be the property seller, any relative of the property seller, or any direct or indirect employee or agent of the property seller, unless in any such instance such person is also a relative of the borrower.

- Whenever an attorney-in-fact or agent is an employee of the insuring title insurer or is an employee of the policy-issuing agent of the insuring title insurer, such title insurer must have issued a closing protection letter (or similar contractual protection) for the transaction for such policy issuing agent.
- Whenever a power of attorney is used at closing, whether authorized under the Guide or under the standards in this Announcement, the borrower's personal signature on the initial Form 1003 continues to be required if the initial Form 1003 can be signed personally (including through the United States Postal Service or commercial delivery service), or signed electronically as permitted by the Guides. If the initial Form 1003 cannot be timely signed by the borrower in these ways, then it must be signed by the holder of such power of attorney.
- Provided the power of attorney is not required to be notarized under applicable law (for example, the law governing the creation of the power of attorney, or the law of the location of the mortgaged property), the power of attorney is not required to be notarized if the transaction is a limited cash-out refinance unless:
 - the attorney-in-fact or agent named in the power of attorney is employed by, or otherwise represents or is affiliated with, the title insurance company that will issue the Originator's title insurance policy, and such title insurance company is affiliated with the Originator.
- If a power of attorney is required to be notarized, it may be remotely notarized in accordance with MPF Program Guide section 7.4.1 - Electronic Notarization (or Remote Notarization) (as revised by this Announcement) with the additional accommodation that it may be remotely notarized in all jurisdictions, even if not expressly permitted by the Guides, as long as the power of attorney is not required to be recorded. If the power of attorney is required to be recorded, it may be remotely notarized **only in the jurisdictions where the laws and regulations of the state in which the mortgaged property is located either expressly permit the use of remote notarization (such as Virginia and Montana) or expressly accept remote notarizations performed out-of-state in accordance with the laws of the state in which the notarial act is performed (as revised by the table below).**
- The limitations in MPF Traditional Selling Guide section 10.2.6 - Power of Attorney requiring at least one borrower signature of the note and security instrument are suspended.

The following existing policies remain in effect for loans using powers of attorney authorized by the Guides:

- PFIs may not deliver loans to the MPF Program that have unacceptable title impediments. Accordingly, the PFI must confirm that the title insurance policy does not take exception to the power of attorney, its manner of creation, the effectiveness of its notarization (if any) or to its use in relation to the transaction in accordance with MPF Traditional Selling Guide Section 9.6 Acceptable Title Exceptions.
- Originators must comply with all federal, state and local laws in accordance with MPF Program Guide Chapter 7. In addition, for Texas Section 50(a)(6) loans, PFIs should contact their MPF Bank.
- The current and revised provisions of MPF Traditional Selling Guide section 10.2.6 - Power of Attorney are always subject to the Originator's determination that applicable law requires the acceptance of a power of attorney in particular circumstances.
- This remains in place, as does the requirement that the Originator document its determination in the loan file.

Effective: Unless otherwise noted above, these accommodations were effective for all loans in process as of April 6, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020)

Notes, electronic records, and signatures

Originators are reminded that the MPF Program Guide section 7.4 currently permits all borrower facing documents to be esigned, with the exception of the promissory note and the security instrument, which **must be wet signed**. The MPF Program requires the original promissory note be in the possession of the custodian

within seven (7) calendar days of the Funding Date by the MPF Bank. See MPF Traditional Selling Guide section 15.3 Initial Certification Review.

Effective: March 24, 2020

Remote online notarization

PFI may sell loans with remotely notarized loan documents **in the states listed in the table below**, on the following terms and conditions:

- The notarization is performed in accordance with and is legally valid under the laws and regulations of the state in which the notarization is performed, at the time it was performed, and in compliance with the Uniform Electronic Transactions Act, as adopted in such state, and the Electronic Signatures in Global and National Commerce Act.
- The notary public is licensed and physically located in the state where the notarial act occurred and, where required by law or regulation, is specifically licensed to perform a remote online notarization.
- The loan is delivered with Special Feature Code 861 if the remotely notarized document is a security instrument or amendment to the security instrument.
- The loan is not a Texas Section 50(a)(6) loan.
- The system used for the remote notarization must meet the following minimum standards:
 - at least two-factor identity authentication, including using a government-issued photo ID that has a signature, credential analysis and identity-proofing;
 - tamper-sealed notarized documents and system security sufficient to (A) prevent interference with the authenticity, integrity and security of the notarial ceremony or corruption or loss of the recording of the same, and (B) protect the communication technology, electronic record and backup record from unauthorized use;
 - the remote online notary must keep a secure electronic journal of the notarial act including evidence of identity of the principal (a video and audio conference can be the basis for satisfactory evidence of identification) and maintain a backup of the electronic record; and
 - recording of the notarial ceremony with storage for the minimum period required by applicable laws or if no period is specified in the applicable law, for seven years.
- The PFI must maintain the recording of the notarial ceremony for the life of the loan.
- If the loan document is required to be recorded, then the county recorder in the state and county where the property is located must accept the remotely notarized document for recording.
- The PFI makes all selling representations and warranties per the Guides, including representations and warranties related to:
 - clear title and first lien enforceability;
 - compliance with laws and responsible lending practices; and
 - requirements regarding title insurance. If the notarized document is a security instrument or an amendment to a security instrument, the remote notarization must comply with the following title requirements and the title insurance company may not take any exception for the remotely notarized loan:
 - an affirmative endorsement to the title insurance policy must be obtained regarding Exclusion 3(b) in the standard ALTA terms and conditions; or
 - the title insurer has not taken an exception for the remote for the remotely notarized loan:
 - an affirmative endorsement to the title insurance policy must be obtained regarding Exclusion 3(b) in the standard ALTA terms and conditions; or
 - the title insurer has not taken an exception for the remote notarization in the title insurance policy and all related communications with the title insurer are kept in the mortgage loan file.
- Originators may not require a borrower to use remote notarization and must have other notary options for borrowers available.

LIST OF STATES PERMITTING REMOTE NOTARIZATION		
Alabama	Kansas	North Dakota
Alaska	Kentucky	Ohio
Arizona	Louisiana	Oklahoma
Arkansas	Maryland	Oregon
Colorado	Massachusetts	Pennsylvania
Connecticut	Michigan	South Carolina
Delaware	Minnesota	South Dakota
District of Columbia	Missouri	Tennessee
	Montana	Texas
Florida	Nebraska	Utah
Georgia	Nevada	Vermont
Hawaii	New Hampshire	Virginia
Idaho	New Jersey	Washington
Illinois	New Mexico	Wisconsin
Indiana	New York	Wyoming
Iowa	North Carolina	

If, after the publishing of this Announcement, a state not included in the above table expressly adopts a law that expressly permits the use of remote notarization or expressly accepts (either through state law or through the application of an express federal law) remote notarizations performed out-of-state in accordance with the laws of the state in which the notarial act is performed, remotely notarized loan documents meeting the requirements above will be permitted.

Effective: April 6, 2020 (updated as of May 4, 2020, and remain in effect until further notice.)

Appraisals (UPDATED)

A. Generally

The MPF Program will accept a desktop appraisal or an exterior-only inspection appraisal in lieu of the interior and exterior inspection appraisal (i.e., traditional appraisal) currently required under MPF Traditional Selling Guide, when an interior inspection is not feasible because of COVID-19 concerns. The MPF Program suggests that Originators relying on such desktop appraisals or exterior-only inspection appraisals consider working with the appraiser to obtain current exterior and interior photos supplied by the borrower or by using the virtual inspections accommodations provided below, to support the exterior and interior condition of the property.

The chart below details the temporary policy.

If a traditional appraisal is not obtained and there is insufficient information about the property for an appraiser to be able to complete an appraisal assignment with a desktop or exterior-only inspection appraisal, the loan will not be eligible for delivery to the MPF Program.

Loan purpose	LTV ratio	Occupancy	Permissible appraisals
Purchase*	Per MPF Program Eligibility	Principal residence	Traditional appraisal Desktop appraisal Exterior-only appraisal
	≤ 85%	Second home	Traditional appraisal Desktop appraisal Exterior-only appraisal
	> 85%	Second home	Traditional appraisal
Rate and term refinance	Per MPF Program Eligibility	All	Traditional appraisal Desktop appraisal Exterior-only appraisal
Cash out refinance	Per MPF Program Eligibility	All	Traditional appraisal

*Excludes construction-to-permanent loans.

For all loans with LTV ratios greater than 80%, mortgage insurance continues to be required in accordance with the MPF Traditional Selling Guide.

PFIs are required to confirm with the applicable MI company the coverage for mortgages using one of the temporary types of appraisals.

Effective: These general appraisal policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020)

A.1. Desktop appraisals

For purchase money transactions when an interior and exterior appraisal is not available, Originators are encouraged to obtain a desktop appraisal rather than an exterior-only appraisal.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information, and other third-party data sources to identify the property characteristics.

When a desktop appraisal is performed, the applicable form, as indicated in the chart below, must be retained in the Mortgage Loan File. With desktop appraisals, for added risk management and efficiency benefits, Originators have the option of using Collateral Underwriter (CU) to aid in the appraisal review process.

The table below provides the appraisal report form that must be used to complete the desktop appraisal for each property type.

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Uniform Residential Appraisal Report (Form 1004)</i>
Condominium unit	<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>
2-4 Unit Property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured Home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

As described below, the modified appraisal report language for the scope of work, statement of assumptions and limiting conditions, and certifications must be used with these appraisal forms.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020)

A.1.a. Exhibits for desktop appraisals

Each desktop appraisal report must include the following exhibits:

- a location map indicating the location of the subject and comparables, and
- photographs of the subject property. Appraisers are expected to utilize available means to obtain relevant pictures of the subject property.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020).

A.2. Exterior-only inspection appraisals

An exterior-only inspection appraisal may be obtained in lieu of an interior and exterior inspection appraisal for the following transactions:

- Purchase money loans
- Term and rate refinances

The table below shows the appraisal report form that must be used to complete an exterior-only inspection appraisal for each property type. Because there are not appropriate exterior-only appraisal report forms available for two-four unit properties and manufactured homes, an exterior appraisal scope of work completed using the applicable forms listed below will be acceptable.

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	Exterior-Only Inspection Residential Appraisal Report (Form 2055)
Attached condominium unit	Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075)
Two-four unit property	Small Residential Income Property Appraisal Report (Form 1025)

Manufactured home	Manufactured Home Appraisal Report (Form 1004C)
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As described below, the modified appraisal report language for the scope of work, statement of assumptions and limiting conditions, and certifications must be used with these appraisal forms.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020).

A.2.a. Exhibits for exterior-only inspection appraisals

The Following exhibits to the appraisal report are required for an exterior-only inspection appraisal:

- a street map that shows the location of the subject property and of all comparable sales that the appraiser used;
- clear, descriptive photographs (either in black and white or color) that show the front of the subject property, and that are appropriately identified (photographs must be originals that are produced either by photography or electronic imaging); and
- any other data—as an attachment or addendum to the appraisal report form—that are necessary to provide an adequately supported opinion of market value.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020).

A.3. Virtual inspections for appraisals

Appraisers may use virtual inspection methods to augment the data and imagery that is used for either a desktop appraisal or an exterior-only appraisal. All traditional appraisals require the appraiser to perform a complete onsite interior and exterior inspection of the property. A virtual inspection cannot be used as a substitute for the onsite interior and exterior inspection for a traditional appraisal.

Effective: May 4, 2020

A.4. Revisions to the scope of work, statements of assumptions and limited conditions, and appraiser's certification

In recognition of the fact that existing appraisal report forms do not accommodate the revised scope of work, statement of assumptions and limiting conditions, and certifications for some of the scenarios presented, Fannie Mae has issued documents that include modified language to be used with desktop appraisal reports and exterior-only appraisal reports:

- [Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification for Desktop Appraisals](#)
- [Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification for Appraisals with Exterior-only Inspection](#)

These documents include modified language for the scope of work, statement of assumptions and limiting conditions, and certifications. Of note is certification #10 which has been removed in recognition of fact that the appraiser may have relied on information from an interested party to the transaction (borrower, realtor, property contact, etc.) and additional verification may not have been feasible. Appraisal reports using the temporary policies provided in this Announcement must include these documents with the modified language for scope of work, statement of assumptions and limiting conditions, and certifications.

PFI's are responsible for ensuring Appraisers comply with these modifications as they may be updated by Fannie Mae and Freddie Mac.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020).

A.5. Completion reports (Form 1004D)

The MPF Program requires the Appraisal Update and/or Completion Report (Form 1004D) to evidence completion when the appraisal report has been completed "subject to." For all loans for which a completion certification is not available due to issues related to COVID-19, a letter signed by the borrower confirming that the work was completed will be acceptable. PFI's must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the loan file.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020).

A6. Additional form instructions for appraisals

For a desktop appraisal or an appraisal with an exterior-only inspection that is completed on a form for an interior and exterior inspection (e.g., Form 2055) as permitted above, the appraisal report must include, in the "Map Reference" field, the corresponding text identifier that reports the type of appraisal completed: "desktop" or "exterior." No other words or phrases may be used or included. The Map Reference field should reflect the appraisal type agreed to with the acceptance of the assignment and the minimum scope of work required for the assignment. The appraiser is responsible for determining what is the adequate scope of work for any assignment and may choose to expand the scope of work beyond the minimum required.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 4, 2020, May 6, 2020, June 17, 2020, and July 22, 2020).

B. New construction loans

For new construction properties where the property is 100% complete but an interior and exterior inspection appraisal cannot be completed, the MPF Program will permit a desktop appraisal on the forms identified in the following table. PFI's must adhere to the LTV ratio requirements in temporary appraisal requirement accommodations provided in "Appraisals – A. General" section above, including the requirement that second homes with LTV ratios above 85% require a traditional appraisal.

These requirements apply to purchase transactions only and exclude all construction-to-permanent loans.

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Uniform Residential Appraisal Report</i> (Form 1004)

Condominium unit	<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>
2-4 Unit Property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured Home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

To accommodate the desktop appraisal on the existing forms, the revised scope of work, statement of assumptions and limiting conditions, and certifications must accompany the form. Additionally, as noted below, the appraiser must identify a desktop appraisal was performed by populating the Map Reference field on the appraisal with “desktop.”

Effective: These policies were effective for all loans in process as of April 6 2020 and remain in place for loans with application dates on or before **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~ (Updated May 4, 2020, May 6, 2020, June 17, 2020, and **July 22, 2020**).

B.1. Documentation requirements for new construction loans

When construction on the property is 100% complete, and the appraisal report will be completed “as is,” the PFI must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (i.e., a photograph down the street in both directions)
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
- A copy of the complete, ratified sales contract, and all addenda.

Effective: These policies were effective for all loans in process as of April 6, 2020 and remain in place for loans with application dates on or before **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and **July 22, 2020**)

B.2 Builder certification

The PFI must obtain a signed Builder Certification attesting that the information provided is true and correct. This certification must be included in the loan file.

Effective: These policies were effective for all loans in process as of April 6, 2020 and remain in place for loans with application dates on or before **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and **July 22, 2020**)

B.3. 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 PFI is unable to obtain a completed Appraisal Update and/or Completion Report (Form 1004D) as a result of COVID-19 related issues, the MPF Program will accept the Completion of Construction Certification.

Effective: These policies were effective for all loans in process as of April 6, 2020 and remain in place for loans with application dates on or before **August 31, 2020** ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, **and July 22, 2020**)

C. Project documents used in project reviews

When a budget review is required on an established project, the MPF Program will accept the budget from the 2019 fiscal year if the current year’s budget has not yet been ratified due to issues related to COVID-19. To utilize this accommodation, the PFI must confirm the project currently meets the HOA dues delinquency requirements in MPF Traditional Selling Guide 8.2.7 Delinquent HOA Dues. All other project standards requirements in MPF Traditional Selling Guide 8.2 General Condominium Eligibility Requirements, continue to apply. This accommodation does not apply to new projects.

Due to the impact of the COVID-19 pandemic on many businesses, PFIs may be having increased difficulties in obtaining project documents from some HOAs and property managers. PFIs may use other sources of condo project data to complete their project reviews including, but not limited to, appraisals, MLS records, plat map and site surveys, public records, state laws or local ordinances, and tax searches. Additionally, there are various vendor products available that provide project documents or information regarding project eligibility.

Some information and documents, such as the project’s current budget, may only be available from the HOA or property manager. The PFI may be unable to obtain this information immediately while the operations are closed for extended periods.

The use of Fannie Mae’s Condo Project Manager (CPM) is permitted, provided that the requirements in MPF Traditional Selling Guide Section 8.6.4 Fannie Mae’s Condo Project Manager are met.

If a PFI previously completed a project review utilizing Fannie Mae’s CPM for an established condo project that project review may be used for additional condo unit loans in the same condo project for up to one year (measured to the note date of the subsequent loans), and for new projects for up to 180 days prior to the note date.

For all loans with LTV ratios greater than 80%, mortgage insurance continues to be required in accordance with the MPF Traditional Selling Guide. PFIs are required to confirm with the applicable MI company the coverage for mortgages using one of the temporary types of appraisals.

Effective: May 4, 2020

D. Appraisal waivers

MPF Bank and MPF Traditional Selling Guide requirements pertaining to appraisal waivers continue to apply. No changes are being made to these provisions. Please note, not all MPF Banks accept delivery of loans with appraisal waivers, and some MPF Banks may impose additional restrictions therefore, PFIs should contact their local MPF Bank before delivery of any loans with an Appraisal Waiver offer, to ensure eligibility and compliance with MPF Bank specific requirements. See MPF Traditional Selling Guide Section 4.2.1.1.2 Appraisal Waivers.

Mortgage loans with Freddie Mac ACE appraisal waivers are still not eligible.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020)

E. Delivery requirements

At this time, PFIs are not required to make any changes to the data they submit in connection with the temporary policies announced in this Announcement. The MPF Program will notify PFIs if changes are required at a future date.

Effective: These policies were effective for all loans in process as of April 1, 2020 and remain in place for loans with application dates on or before ~~August 31, 2020~~ ~~July 31, 2020~~ ~~June 30, 2020~~. (Updated May 6, 2020, June 17, 2020, and July 22, 2020)

Automatic Underwriting Systems (AUS)

Pursuant to the MPF Traditional Selling Guide Section 4.2.1, MPF Traditional (Conventional) Mortgage Loans may be underwritten with either AUS (Fannie Mae's Desktop Underwriter® (DU®) or Freddie Mac's Loan Product Advisor®) and must follow the overall program requirements, underwriting requirements, and eligibility requirements of the applicable GSE for that Mortgage Loan. The MPF Guides provide certain MPF Program Requirements that supersede Fannie Mae/DU and Freddie Mac/Loan Product Advisor requirements, including the requirement that there be a full Interior/Exterior Appraisal, or a DU eligible Appraisal Waiver if the MPF Program and any specific MPF Bank requirements for appraisal waivers are met.

The COVID-19 related appraisal accommodations provided for this Announcement supersedes the current full Interior/Exterior Appraisal requirement.

Effective: April 6, 2020

Quality control requirements

QC processes are designed to inform organizations of the level of quality risk they are incurring, and are extremely important, especially during times of significant stress. The MPF Program recognizes the unique challenges in the market today related to COVID-19 and will allow temporary post-closing accommodations related to reverifications and appraisal field reviews.

NOTE: Recognizing the unprecedented amount of stress in the market from COVID19 disruptions and significant volume pressure, we encourage PFIs to only adopt the QC accommodations they feel are necessary.

Effective: These temporary quality control accommodations were effective for all loans in the process of a post-closing quality control (QC) review as of April 6, 2020, and all loans selected for a post-closing QC review until June 2020 QC selections.

A. Reverifications

Any income, employment, and asset reverifications (required by the MPF Program Guide Section 8.7 Reverifications) that are typically mailed can be completed verbally or electronically. If a verbal or electronic reverification cannot be completed, the PFI can complete the file review without the reverification. However, to take advantage of this accommodation, the PFI must:

- internally track all loans that did not have a successful reverification attempt during this time, and
- conduct a special discretionary sample of such mortgages and perform the required reverifications on the sample population upon the expiration of these accommodations.

As reminders:

- The reporting requirements in the MPF Program Guide Section 8.10 Reporting Requirements continue to apply with respect to this special discretionary sample(s).
- PFIs are not required to perform post-closing QC reverifications if the loan has employment, income, and/or assets that have been fully validated through the DU or LPA validation service and the PFI has complied with all DU or LPA messages.

B. Field review of appraisals

In lieu of obtaining field reviews on 10% of its random sample (as required by the MPF Program Guide Section 8.9 Review of Appraisals) a PFI may leverage third-party tools for this 10% sample.

If the reviewer reaches a different opinion regarding the value of the property through this process, then, if possible, the PFI may obtain a field review to determine whether the property value can be supported.

If a field review of the property is not possible, the PFI should follow self-report procedures in the MPF Program Guide Section 8.10 Reporting Requirements. As a reminder, a desk review by the PFI's QC staff is still required on the remaining 90% sample.

C. Prefunding QC reviews

Our prefunding review requirements in the MPF Program Guide Section 8.5.2 Pre-Closing Sample Selection, already provide a great deal of flexibility to PFIs regarding both sample size and scope of review (full file or component review). We do not dictate a certain review percentage but leave that to each PFI based on its unique quality situation. In addition, reverifications are not required in the prefunding space. Accordingly, we are not changing any prefunding QC requirements at this time.

Business continuity

PFIs are reminded, that they must have a business continuity/disaster recovery program in place to support its ongoing ability to conduct business operations, among other things, in the event of an interruption to business operations and processes.

Effective: March 24 2020

Seasoned Loans

As a reminder, closed mortgage loans where documentation at closing may not meet current MPF Program requirements, may still be eligible for sale into the MPF program as a seasoned loan pursuant to MPF Traditional Selling Guide Section 14.1 - Conventional Mortgage Loan Seasoning Requirements, if all issues with the loan documentation are cured prior to delivery.

Effective: March 24, 2020

General resources

The MPF Program is pleased to continue providing support to PFIs/Service Centers in these difficult times. Please contact the MPF Service Center with any questions or concerns (877-FHLB-MPF).