MPF Announcement

January 18, 2019 2019-10

Alert
- **Policy Update**
- **New Policy**
- Reminder
- **Clarification**
- Training Information

Audience
- **Program Management**
- **Origination**
- Quality Control
- **Servicing**
- **Underwriting**
- **Compliance/Legal**

Product
- MPF Xtra®
- MPF® Direct
- MPF Government MBS
- **MPF Traditional**

Effective Date:

Immediately

(Unless Otherwise Noted)

REFERENCE

MPF Announcement 2019-04

Additional Policy Guidance Related to Federal Government Shutdown

On January 7, 2019 the MPF Program issued MPF Announcement 2019-04 which provided temporary guidance on policies for borrowers impacted by the federal government shutdown that began on December 22 ,2018.

As a result of the shutdown extending for a longer period of time, the MPF Program is providing this additional guidance to assist borrowers impacted by the government shut down.

This guidance, which only applies to borrowers affected by the federal government shutdown, is effective immediately, and will automatically expire when the federal government resumes full operations. Unless specifically mentioned in this MPF Announcement, all MPF Guide selling and servicing requirements must be met, including employment documentation requirements.

MPF Traditional (conventional loans):

Selling:

Financial Reserves:
A minimum reserves requirement is being imposed, to compensate for the interruption of income of affected borrowers. For loans other than high LTV refinances with application dates on or after the date of this announcement, the borrower must have the greater of:

- two months of documented reserves; or
- for loans underwritten through Desktop Underwriter® (DU®), the amount of reserves required by DU; or for manually underwritten loans, the amount of reserves required for the transaction per the MPF Guide.

Verbal VOE:
Flexibility is being provided with regard to the verbal verification of employment (VOE). PFIs must continue to attempt to obtain the verbal VOE required by the Guides. However, if a verbal VOE cannot be obtained due to the shutdown, the verbal VOE requirements are waived if the PFI documents the loan file with a written statement describing:

- the steps taken to obtain the verbal VOE, and
- that the requirement could not be met as a direct result of the shutdown.

Paystubs:
Our current requirement states that a paystub be dated no earlier than 30 days prior to the initial loan application date. PFIs must obtain the most current paystub that reflects year-to-date earnings and may need to obtain the final 2018 year-to-date paystub to accurately calculate income (dated no more than 120 days before the Note Date), specifically if the Borrower's 2019 paystub reflects $0 year-to-date income due to the interruption in pay. All other paystub

IRS Transcripts:
Requirements remain unchanged.

Flood Insurance:
Requirements remain unchanged.

Representations and Warranties:
When delivering loans originated pursuant to the provisions of this announcement, the PFI warrants that the borrower is employed at the time the loan is delivered to the MPF Bank.

Servicing:

Forbearance:
As a reminder, pursuant to MPF Announcement 2019-04, Servicers are authorized to grant forbearance or temporarily suspend mortgage payments for up to 90 days for Borrowers whose income is affected by the shutdown. Servicers must consult with the Master Servicer before granting relief that exceeds three months.

Late Charges:
Servicers are encouraged, but not required to waive late charges for borrowers impacted by the federal government shutdown.

Credit Reporting:
Servicers are encouraged, but not required, to suspend credit reporting for borrowers impacted by the federal government shutdown, during the duration of the shutdown. Servicers will continue to be responsible for complying with all applicable laws when reporting a mortgage loan status to credit repositories.

Flood Insurance:
Requirements remain unchanged.

Government Loans (MPF Traditional and MPF Government MBS):

PFIs and Servicers must follow the guidance issued by the applicable Government Agencies.

MPF Xtra:

PFIs and Servicers must follow the guidance issued by Fannie Mae.

MPF Direct:

PFIs and Servicers must follow the guidance issued by the product's investor, Redwood Trust.

Additional Notes:

Servicers under the Scheduled/Scheduled remittance option are expected to continue to make P&I advances as required.

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