

MPF Announcement:

2020-10

Date:

March 24, 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

Reference

[MPF Announcement 2020-7](#)

[MPF Announcement 2020-9](#)

[HUD Mortgagee Letter 2020-04](#)

[USDA Rural Development Bulletin](#)

[Fannie Mae Lender Letter 2020-04](#)

[Fannie Mae Lender Letter 2020-03](#)

[Fannie Mae Lender Letter 2020-02](#)

[Fannie Mae's COVID-19 webpage](#)

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

Visit the MPF Website to review and register for upcoming complimentary [MPF Webinars](#).

Impact of COVID-19 on Mortgage Loan Originations

In a continuing effort to monitoring the spread of COVID-19 (coronavirus) and its concerns about its potential impact on borrowers, businesses, and loan originations, the MPF Program is issuing this MPF Announcement to address a number of questions and concerns related to loan origination. The temporary policies in this Announcement are effective immediately and are effective until further notice, for all loans in process and remain in place for loans with application dates on or before May 17, 2020.

This Announcement is in addition to [MPF Announcement 2020-7](#), and [MPF Announcement 2020-9](#).

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.

In addition, 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. (including: [HUD Mortgagee Letter 2020-04](#) and [USDA Rural Development Bulletin](#))
- MPF Xtra loans must follow relief policies and guidance issued by Fannie Mae. (including: [Fannie Mae Lender Letter 2020-04](#), [Fannie Mae Lender Letter 2020-03](#), [Fannie Mae Lender Letter 2020-02](#) or by visiting [Fannie Mae's COVID-19 webpage](#).)
- MPF Direct loans must follow relief policies and guidance issued by the product's investor, Redwood Trust.

The MPF Program will continue to evaluate the situation to determine whether this Announcement or MPF Guide provisions should be modified to provide additional relief.

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Verbal verification of employment

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.

Continuity of income

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).

Notes, electronic records, and signatures

Originators are reminded that the MPF Program Guide section 7.4 currently permits all borrower facing documents to be e-signed, with the exception of the promissory note and the security instruments, 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.

Title insurance

While closures 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.

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.

General resources

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. The MPF Program is operating at its normal level and will continue to provide support to PFIs/Serviceicers.

Please contact the MPF Service Center with any questions or concerns (877-FHLB-MPF).