



To: All Customers **From:** Credit Risk
Date: 06/01/20 – Updated 07/27/20 **Memo #:** 20064
Subject: **Temporary Eligibility Requirements for Purchase and Refinance - Conventional Transactions**

Due to the ongoing impact of COVID-19, we are implementing temporary eligibility requirements for purchase and refinance transactions based on the announcements made by Fannie Mae and Freddie Mac and will remain in effect until further notice. We will continue to monitor the situation and update this memo as needed.

For transactions with a LTV greater than 80%, the mortgage insurance company may apply additional requirements beyond those listed below.

As a reminder, Flagstar requires an Approve or Accept response through DU/LPA on all conventional loan transactions. The mortgage history requirements are in addition to the eligibility requirements of the AUS response.

PIPELINE LOANS

Effectively immediately, all conventional transactions in the pipeline dated prior to the effective date of Tuesday, June 2, 2020, the below Eligibility Requirements section may be applied in the event missed payments as a result of COVID are identified during the loan process the borrower must resolve according to the grid. For example, existing loans that are currently in forbearance but paid current can take advantage of the requirements below.

NON-DELEGATED LOANS

TABLE FUNDED LOANS

Effective for loans with an *Application Taken* date on or after Tuesday, June 2, 2020.

NON-TABLE FUNDED CORRESPONDENT LOANS

Effective for all loans with an *Imaged Package Received* date on or after Tuesday, June 2, 2020.

The following at closing condition will be added to all conventional loan commitments with existing mortgages, "Mortgages are documented as paid current through { }. Note date must be dated on or before { } or updated payment verification will be required."

DELEGATED LOANS

All loans delivered with an application date on or after Tuesday, June 2, 2020 must meet the below requirements in order to be eligible for purchase by Flagstar Bank. Correspondent lenders are responsible for all mortgage history requirements through the Note date of the loan.

TEMPORARY REQUIREMENTS FOR BORROWERS WITH EXISTING MORTGAGES

MORTGAGE HISTORY REQUIREMENTS- ALL FINANCED PROPERTIES

In addition to reviewing the credit report, additional due diligence will be performed for each mortgage loan on which the 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 (e.g. A Note date of July 1, 2020 would require

the payments be made through June. A Note date of June 29, 2020 would require the payments made through May).

Examples of acceptable additional due diligence methods to document include:

- a loan payment history from the servicer or third-party verification service,
- a payoff statement for mortgages being refinanced (e.g. “interest to date” must be current or indicate the next payment due date),
- the latest mortgage account statement from the borrower, or
- a verification of mortgage

A credit supplement is not an acceptable method of due diligence to document a mortgage history. The manner in which information is provided to the repository cannot be validated and there remains inconsistencies in servicer reporting a current status under the CARES Act due to a borrower's ability to make ongoing partial payments.

The documentation provided must support the accurate payment history of the borrower and will be accepted at the discretion of Flagstar Bank.

Missed payments as a result of COVID, including the borrower opting for forbearance, will not be treated as delinquent mortgage payments for the purposes of assessing borrower’s credit worthiness.

ELIGIBILITY REQUIREMENTS

As of the Note Date of the new subject Mortgage, each existing Mortgage on which the Borrower is obligated that is secured by either the subject property or any other 1- to 4-unit residential property, must meet the following requirements:

- If the borrower has made all timely payments due prior to the subject loan Note date, regardless if a loan is in forbearance, no additional requirements apply.
- If the borrower has missed payment(s) on a loan prior to the Note date as a result of the impact of COVID (regardless if the loan was placed in forbearance) the missed payment(s) must be resolved and documented according to one of the options below:

Resolution with Servicer	Eligibility Requirements
Reinstatement	<ul style="list-style-type: none"> • All missed payments must be made to bring the loan current • Source of funds must be documented from an eligible source (e.g. restricted use of borrowed funds, gift funds are ineligible on investment properties, etc.) • Funds from the subject transaction may not be used to reinstate the mortgage
Repayment Plan	<ul style="list-style-type: none"> • A repayment plan must be completed, or • At least 3 consecutive payments must be documented <ul style="list-style-type: none"> ○ Lump sum or advance payments is not acceptable to meet the 3 month requirement • In connection with the mortgage being refinanced, the proceeds may be used to satisfy the remaining balance owed.
Payment Deferral	<ul style="list-style-type: none"> • At least 3 consecutive payments must be documented <ul style="list-style-type: none"> ○ Lump sum or advance payments is not acceptable to meet the 3 month requirement • In connection with the mortgage being refinanced, the proceeds may be used to satisfy the remaining balance owed.

Modification Trial Period Plan	<ul style="list-style-type: none">• The Borrower must have successfully completed the 3 month Trial Period• In connection with the mortgage being refinanced, the proceeds may be used to satisfy the remaining balance owed.
Any Other Loss Mitigation Program	<ul style="list-style-type: none">• A program must be completed, or• at least 3 consecutive payments must be documented<ul style="list-style-type: none">○ Lump sum or advance payments is not acceptable to meet the 3 month requirement• In connection with the mortgage being refinanced, the proceeds may be used to satisfy the remaining balance owed.

The borrower must be able to provide one of the above resolutions to be eligible.

ADDITIONAL RESOURCES

- [Fannie Mae Lender Letter 2020-03](#)
- [Freddie Mac Bulletin 2020-17](#)