

Bulletin 20-52

Updated FHA Forbearance Plan and Modified Loans Policy

HUD issued Mortgagee Letter [2020-30](#) on September 10, 2020 which provides eligibility guidance for borrowers with a prior mortgage forbearance or currently in forbearance as well as updates to loan modifications.

FHA's new forbearance policy applies to the subject property **and** to all other real estate owned, varies by transaction type, and whether or not the borrower is currently in forbearance or had a prior forbearance. Transactions must continue to meet all current FHA and GNMA seasoning requirements. FHA's new policy will replace Homebridge's current forbearance policy.

Borrower Currently in Forbearance Plan

The following applies to transactions where the borrower is currently in a forbearance plan

- **Purchase, Rate/Term, Simple and Cash-Out Refinances**
 - A borrower who is currently in a forbearance plan but is making payments under the terms of the original Note (current with no skipped payments) is **not** considered delinquent and should **not** be considered in forbearance. The forbearance plan must be terminated prior to or at loan closing
 - NOTE:** Documentation of termination of forbearance plan only applies to other REO and/or subordinating second(s) on subject; it does **not** apply to subject property first lien
 - If the borrower is not current and/or has missed payments, the loan is ineligible
- **Credit Qualifying Streamline**
 - A borrower in forbearance at time of case number assignment is eligible subject to:
 - All mortgage payments have been made within the month due for the 6 months prior to entering forbearance, **and**
 - There has been no more than one 30 day late payment for the previous 6 months
- **Non-Credit Qualifying Streamline**
 - A non-credit qualifying streamline is **not** eligible

Borrower Previously in Forbearance Plan

- **Purchase, Rate/Term, Simple and Cash-Out Refinances**
 - **Purchase, Rate/term or Simple Refinance:**
 - Eligible if a minimum of 3 consecutive payments have been made **after** completion of the forbearance plan
 - **Cash-Out Refinance:**
 - Eligible if a minimum of 12 months consecutive payments have been made **after** completion of the forbearance plan

Borrower Previously in Forbearance Plan (cont.)

- **Credit Qualifying Streamline:**
 - Eligible if borrower has completed the forbearance plan, **and**
 - Has made < 3 consecutive monthly payments **after** forbearance, **and**
 - Made all mortgage payment within the month due for the 6 months prior to entering forbearance, **and**
 - Had no more than one 30 day late payment for the previous 6 months
- **Non-Credit Qualifying Streamline**
 - The borrower is considered to have an acceptable payment history if at time of case number assignment the borrower has:
 - **Completed** the forbearance plan, **and**
 - The borrower has made at least 3 consecutive payment within the month due on the mortgage since completing the forbearance plan

Downgrade to Manual Underwriting: Updated Requirements

- **Purchase, Rate/Term and Simple Refinance:** In addition to the current late payments on a mortgage history criteria that require a downgrade to a manual underwrite HUD **added** the following requirements:
 - If in the 12 months prior to case number assignment the borrower has made < 3 consecutive payments since completing the forbearance plan a downgrade to manual underwrite required and manual underwriting policies apply
 - If a mortgage is in forbearance, the payment history in accordance with the forbearance plan, for the time period of forbearance, is used to determine late housing payments
 - If the forbearance plan is on other REO and/or subordinating second(s) on subject proof of termination of the forbearance plan is required; it is **not** required on the subject first lien
- **Cash-Out Refinance:** In addition to current requirements for downgrading to manual underwrite HUD **added** the following requirement
 - The borrower has made < 12 consecutive payments **after** completing the forbearance plan

NOTE: Downgrade **not** required if the borrower is currently in forbearance but has continued to make payments as agreed under the terms of the original Note.

Documentation the borrower has terminated the forbearance plan is required for other REO and/or subordinating second(s) on subject; documentation of termination **not** required on the subject property first lien

Streamline Transaction Updates

- **Loan Amount Calculations:** The calculation for the maximum base loan amount for owner-occupied transactions has been updated to **include, in addition to the outstanding principal balance, interest due and MIP** the following:
 - Late charges, **and**
 - Escrow shortages
- **Modified Loans Payment Requirement:**
 - When the loan being refinanced has been modified, a minimum of 6 payments must have been made **under the terms of the modification agreement**

Modification Agreement: All Transaction Types

If the loan being refinanced is subject to a modification agreement, the borrower must have made a minimum of 6 payments under the modification agreement

Updated Documentation Requirements: Forbearance Plans and Modifications

If payments have been made under a forbearance plan **OR** a loan modification **within the 12 months prior to case number assignment**, the following is now required:

- Copy of the forbearance plan (**not required if forbearance due to COVID 19**) or modification document (**always required**), **and**
- Evidence of the payment amount and date of payments made during the plan (**always required**)

The above updates are effective immediately and may be applied to new submissions and loans currently in the pipeline. HUD will require these policies be applied for case numbers assigned on or after November 9, 2020

The Homebridge FHA and FHA Streamline guidelines have been updated and posted on the Homebridge website at www.HomebridgeWholesale.com

If you have any questions, please contact your Account Executive.