



LENDER NOTICE

Impact of Forbearance on New Hampshire Housing Loans

April 14, 2020

Updated April 24, 2020

Section 1: Introduction

This policy addresses the impact that COVID-19 and a CARES Act forbearance has on New Hampshire Housing loan programs. (The term "Forbearance" refers to a CARES Act forbearance that has been granted, requested or is reasonably expected to be requested.) This forbearance policy reflects New Hampshire Housing's consideration of its obligation to manage resources and risks while balancing our goal of prudently helping our lender partners.

Our primary shared goal is to ensure that borrowers have the income and employment to pay their mortgage even in these difficult times. Lenders should ensure loan files are complete and accurate and sent to New Hampshire Housing as soon after closing as possible. Prompt submission of applications and files is important.

We appreciate your support and help.

Section 2: Executive Summary

As detailed in this notice, the forbearance policy addresses the following.

- **Underwriting:** New Hampshire Housing is requiring and recommending additional lender efforts and documentation concerning each borrower's continued income, employment and ability to meet the mortgage obligations. This effort includes a new requirement that the lender verbally reverify each borrower's income just before closing.
- **Forbearance:** New Hampshire Housing is not obligated to and will not buy loans that are in Forbearance. Before New Hampshire Housing purchases a loan, lenders shall provide New Hampshire Housing with a certification that the loan is not in Forbearance (as defined above).
- **Home Flex Plus Option:** For Home Flex Plus loans, lenders may request that New Hampshire Housing purchase a loan in Forbearance in limited circumstances.
- **Home Preferred Option:** For loans under the Home Preferred Program, lenders may request that New Hampshire Housing purchase as loan in Forbearance in limited situations. (Added April 24, 2020)

New Hampshire Housing retains the right to amend or terminate this lender notice.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

32 Constitution Drive, Bedford, NH 03110
Mail: PO Box 5087, Manchester, NH 03108

603.472.8623
NHHFA.org



Section 3: The CARES Act Requires Enhanced Underwriting

All of us are dealing with the impact of the COVID-19 pandemic and the impact of the CARES Act on lending. The top priority is to confirm that each borrower can meet all mortgage obligations.

Specifically, the CARES Act, which became effective on March 27, 2020:

- Applies to all federally backed loans, meaning all New Hampshire Housing loan programs; and
- Provides borrowers a right of forbearance simply by stating that COVID-19 has caused a hardship.

While the CARES Act provides this right to borrowers, it did not provide any relief in terms of payments that are required to be made to mortgage holders or mortgage-backed securities (MBS) holders. This has created a significant challenge for secondary market participants, including New Hampshire Housing.

Temporary Income and Employment Reverification Policy

Lenders shall confirm that each borrower is employed as stated on their application and confirm their employment and income throughout the mortgage process and up to the closing. Specifically, New Hampshire Housing has instituted the following temporary overlay for reverification of employment and income:

- For W-2 borrowers: Two days before the closing date (as stated on the note), lenders shall obtain a verbal verification of employment that shows continued employment at the same income level as at the time of the loan application.
- For self-employed borrowers, five business days before the closing date (as stated on the note), lenders shall verify that the business is still operating and generating revenue.

Notes:

- [Fannie Mae Lender Letter \(LL-2020-03\) – Updated | Impact of COVID-19 on Originations](#)
- [FHA ML 2020-05 | Policy Updates](#)

Effective date: The requirement for re-verification before closing shall apply to all loans that close on or after April 20, 2020.

Recommended Best Practices

For some borrowers, this might not be the right time to take on a mortgage. New Hampshire Housing recommends that lenders take additional steps throughout the loan application, underwriting, processing and closing to confirm that the borrower is able to make the required mortgage payments.

These steps could include:

- Taking a more conservative underwriting approach. This is the first line of defense for the risks posed by the COVID-19 pandemic and its potential to impact a borrower's ability to pay the mortgage.
- At the closing, requiring borrowers to certify that they have not experienced any changes in their financial ability to pay the mortgage, including no change in

employment status, pay or assets. A sample form is attached to this lender notice as Attachment A.

- Paying special attention to determine if borrowers have sufficient reserves to perform under the mortgage. At a minimum, borrowers should have at least two months of reserves.
- Paying special attention to borrowers who would experience “payment shock,” meaning the new total mortgage payment is significantly higher than their current housing payment.
- Declining to close on a loan if a borrower at any time asks about forbearance.

Section 4: Loans in Forbearance: Not Eligible Mortgages for Purchase

Loans in Forbearance Not Eligible for Purchase

Under the Mortgage Loan Purchase Agreement (MLPA), New Hampshire Housing is only required to purchase “Eligible Mortgages.” To be an Eligible Mortgage, the loan: 1) must meet all “Program Guidelines” for the loan program; 2) must be saleable to the secondary market; 3) cannot have any value impairment; and 4) cannot have been modified. Based on the MLPA and as confirmed by New Hampshire Housing’s legal counsel, New Hampshire Housing is not obligated to purchase loans that are in Forbearance (as defined in this policy in *Section 1: Introduction*). Therefore, New Hampshire Housing will not purchase loans in Forbearance. Please see below for an option for Home *Flex* Plus.

Effective date: Because this policy is based on the MLPA, this policy applies to all loans that have not been purchased by New Hampshire Housing regardless of where the loan is in the process.

Required Certification that a Loan is not in Forbearance

When a loan file is ready to purchase, New Hampshire Housing shall notify the lender that the loan is ready to be purchased. For loans closing on or after April 20th, the lender shall send New Hampshire Housing the form attached to this notice as Attachment B by which the lender certifies the loan is not in Forbearance (as defined above). New Hampshire Housing will not purchase loans until the lender provides this certification. As stated in our [Lender Notice dated April 8, 2020](#), for loans closing prior to April 20th, by delivering a loan to New Hampshire Housing, the lender is certifying that the borrower did not ask for a forbearance or ask for information about obtaining a forbearance.

Timing and Delivery of Loan Files

Lenders are strongly encouraged to: 1) compile a complete and ready-to-fund loan; and 2) deliver loan files as soon as possible after closing to New Hampshire Housing. New Hampshire Housing will make every effort to review submitted loan files within seven business days. New Hampshire Housing will then inform the lender if the loan is ready to fund or if the loan has missing items that must be provided before the loan can be purchased.

Option with Home *Flex* Loans with Cash Assistance

This option is only offered with Home *Flex* Plus, government-insured loans with Cash Assistance.

New Hampshire Housing understands that if it does not purchase Home *Flex* Plus loans, government-insured loans with Cash Assistance, lenders could have a significant challenge with placing these loans. For example, FHA permits New Hampshire Housing to provide borrowers with the minimum required investment and permits New Hampshire Housing to increase the interest rate to fund the Cash Assistance. Therefore, if New Hampshire Housing does not buy the loan, the loan may not have FHA insurance, which could create a challenge for lenders.

To assist lenders, and as an accommodation not required by the MLPA, New Hampshire Housing adopts the following option under which it may purchase a loan in Forbearance:

- The loan shall otherwise comply with all New Hampshire Housing requirements and timelines.
- The Lender shall have underwritten, processed and closed the loan with a good faith effort to determine that the borrower would be able to make the mortgage payments.
- New Hampshire Housing will then review the loan to determine if the loan can be pooled and to determine if any additional deadlines are required to ensure delivery into the secondary market. If a loan cannot be timely pooled per Ginnie Mae requirements, New Hampshire Housing cannot purchase such loan.
- The lender's request for this accommodation includes the lender's agreement to forgo all lender compensation associated with the loan that normally New Hampshire Housing would pay the lender. New Hampshire Housing will, however, pay the lender the 20 bps compensation for the Mortgage Credit Certificate (MCC).
- Such request will include the lender's agreement that New Hampshire Housing's agreement to purchase such loan does not constitute a change to the MLPA or evidence of a change in the MLPA due to "course of performance."
- If New Hampshire Housing purchases a loan under this option and later determines that a lender did not act in good faith, the lender shall be required to repurchase that loan.

Option with Loans Under the Home *Preferred* Program (Added April 24, 2020)

This option is offered with loans under the Home *Preferred* Programs, including Home *Preferred* and Home *Preferred* Plus.

In the [Fannie Mae FAQs](#) (Updated: April 8, 2020), Fannie Mae stated that it will NOT buy loans in Forbearance. Then on April 22, 2020, Fannie Mae issued guidance on purchasing certain loans in Forbearance:

- [Fannie Mae Lender Letter 2020-06](#)
- [Fannie Mae Forbearance Scenarios and Representations](#)

Fannie Mae's purchase of loans in Forbearance is time limited, and loans must meet other stated requirements. Most importantly, Fannie Mae has imposed **significant** loan level price adjustments (500 bps on purchase loans to first-time homebuyers and 700 bps on all other loans).

New Hampshire Housing is not obligated to purchase loans in Forbearance. However, given Fannie Mae's new guidelines and as an accommodation to lenders, New Hampshire Housing will consider purchasing Home *Preferred* loans in Forbearance, provided:

- The loan meets Fannie Mae's forbearance policy;
- The loan otherwise meets all New Hampshire Housing Program Guidelines; and
- New Hampshire Housing and the lender come to an agreement of payment of the loan level price adjustment.

Best Practices for Home Preferred Loans (Added April 24, 2020)

Lenders are reminded that that getting loans to New Hampshire Housing in fully fundable status will help lenders and New Hampshire Housing reduce forbearance risk by delivering loans to Fannie Mae as soon as possible after closing. Until New Hampshire Housing purchases the loan from the lender, the lender bears the risk of Forbearance. Lenders can reduce their forbearance risk by delivering loans as early as possible to New Hampshire Housing by delivering a complete and accurate loan file. To help lender, Attachment C provides lenders with the most common items that delay New Hampshire Housing's purchase of a loan.

Thank you for working with us. We are committed to providing you with clear and timely communications. If you have any questions, please contact Ignatius MacLellan at 603.310.9270 or imaclellan@nhhfa.org.

Sincerely,

Homeownership Team
New Hampshire Housing

Attachments

- Attachment A: Recommended Certification from Borrower to Lender that No Changes in Employment, Income and Assets
- Attachment B: Required Lender Certification to New Hampshire Housing that Loan is not in Forbearance
- Attachment C: Common Errors that Delay New Hampshire Housing's Purchase of Home Preferred Loans (Added April 24, 2020)

**ATTACHMENT A TO NEW HAMPSHIRE HOUSING
LENDER NOTICE DATED APRIL 14, 2020**

**RECOMMENDED FORM
Employment and Income Borrower(s) Affidavit**

I/We, the undersigned, as part of my/our uniform loan application (Loan Application) for financing (the Mortgage Loan), through a lender of the undersigned's choosing for the purchase of a single-family residence, being duly sworn do hereby represent and warrant as follows:

I/We executed a Loan Application as part of my/our application for a Mortgage Loan.

(Check and complete Section (a) or (b), whichever applies.)

(a) ____ I/We have reviewed the aforementioned Loan Application and declare there has been no change in the statements therein and said statements remain true and accurate as of the date hereof.

(b) ____ I/We have reviewed the aforementioned Loan Application and declare that the following changes have occurred from the statements therein:

Given that, the undersigned, being duly sworn, do hereby further represent and warrant as follows:

- There has been no change in employment or income as of the date of the Mortgage Loan Closing;
- I/We have no knowledge that my/our employment will be discontinued or that I/we will be furloughed;
- I/We have no knowledge that my monthly income disclosed on my most recently signed Loan Application will be reduced;
- My/Our financial obligations disclosed on my/our most recently signed Loan Application have not changed including opening new credit accounts or increasing credit balances;
- I/We am/are not in a forbearance plan nor have requested mortgage relief;
- I/We do not anticipate requiring a forbearance plan or mortgage relief within the next 6 months; and
- I/We anticipate having the ability to pay my mortgage payment in full within the next 6 months.

I/We acknowledge and understand that this Affidavit will be relied upon for the purpose of determining the Applicant's eligibility for a Mortgage Loan.

I/WE DECLARE UNDER PENALTIES OF PERJURY THAT ALL STATEMENTS IN THIS AFFIDAVIT ARE TRUE AND ACCURATE.

Executed on: _____ (Date)

Signature

Signature

Print Name

Print Name

**ATTACHMENT B TO NEW HAMPSHIRE HOUSING
LENDER NOTICE DATED APRIL 14, 2020**

REQUIRED FORM

**Forbearance and Borrower Ability to Repay
Lender Certification**

_____ (“Name of Lender”)

This certification relates to the following:

Borrower: _____ Co-Borrower: _____

Property being financed at located at:

_____ NH _____
(Address) (Town) (Zip code)

Mortgage loan closing date: _____

**AFTER REASONABLE INVESTIGATION, THE LENDER HEREBY CERTIFIES TO
NEW HAMPSHIRE HOUSING THAT:**

- 1) The mortgage loan is not in “Forbearance” or under any other mortgage relief option; and
- 2) To the best of my knowledge, the Borrower(s) has not requested or indicated that they plan to seek a Forbearance or any other mortgage relief options.

The term “Forbearance” refers to a CARES Act forbearance that has been granted, requested or is reasonably expected to be requested.

The Lender understands that New Hampshire Housing will rely on this certification in purchasing this mortgage.

By: _____
(Signature of Lender Representative)

Title: _____

Date: _____

**ATTACHMENT C TO NEW HAMPSHIRE HOUSING
LENDER NOTICE DATED APRIL 14, 2020**

Common Errors that Delay New Hampshire Housing's Purchase of Home Preferred Loans

It is essential that lenders send Home Preferred (Fannie Mae) loans to New Hampshire Housing as soon as possible after closing. It is equally important that the loan file be complete and included all required documents in the correct format. Sending complete files will speed up New Hampshire Housing's ability to purchase the loan from the lender and deliver it as soon as possible to Fannie Mae.

Home Preferred and Home Preferred Plus

- **Uniform Closing Dataset Certificate:** UCD Certificate is missing or the UCD casefile number does not match the DU casefile number; Numbers must match for delivery to Fannie Mae. Please remember when lenders re-run loans in DU that changes the DU case number, and New Hampshire Housing must update the DU number with Fannie Mae for the loan to be sold to Fannie Mae.
- **Verbal Verifications of Employment:** Fannie Mae always requires a verbal VOE within 10 days of the closing; please note New Hampshire Housing is also requiring 48 hours before closing.
- **Summary Submission Report:** The required SSR Report is missing.
- **Mortgage:** These are the most common mortgage errors:
 - Marital status missing;
 - Riders not noted on page 2 of the mortgage; and
 - Lender closes on MERS documents; NHHFA does not participate in MERS
- **Deed:** The deed is required for refinances and are often missing.

MH ROC Loans

- **ROC Certificate:** ROC Membership document-missing/incomplete;
- **Appraisal Form:** The ROC FNMA appraisal form 2090 is missing; and
- **Rider:** ROC mortgage riders are missing, incomplete or incorrect.

Mortgage Credit Certificate

Note: If the loan includes a mortgage credit certificate (MCC), lenders should also ensure the file includes all MCC documents. New Hampshire Housing will not delay buying a Home Preferred loan when MCC documents are missing, but New Hampshire Housing will not issue the MCC until all MCC documents are submitted.

Common errors that delay the issuance of a MCC are:

- **Seller Affidavit:** Must be properly signed and executed at closing;
- **Three-years Tax Returns:** If the borrower is purchasing in a non-targeted town, then the lender is required to provide either: three-years complete tax transcripts or three-years complete signed tax returns. If providing tax returns, the tax returns provided must be complete and signed by all title holders; and
- **Income Verification:** For the MCC program, the lender must provide proof of all household income for all household member 18 years or older. Household income includes, but is not limited to:
 - Child support, social security, overtime, bonus income, pension, disability income, w-2 income, self-employed income, etc.
 - If self-employed, in addition to complete signed tax returns or complete IRS tax transcripts, the applicant must also provide a year-to-date, signed Profit and Loss statement.

References

Lenders should submit ALL documents listed on stacking list

Preferred: https://www.nhhfa.org/wp-content/uploads/2019/07/Preferred_Stacking_List.pdf

Preferred ROC https://www.nhhfa.org/wp-content/uploads/2019/07/Preferred_MHROCs_Stacking_List.pdf

New Hampshire Housing Selling Guide:

<https://www.nhhfa.org/homeownership/lenders-realtors/lender-selling-guide/>