



COVID-19 Temporary Credit Policy

Wholesale and Mini-Correspondent

Revised 12/22/2020

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Section 1 Introduction

The following information explains Plaza's temporary guidance and overlays to loan program requirements. Refer to Plaza's program guidelines and underwriting guidelines for additional details.

Effective Date: April 7, 2020 unless otherwise mentioned.

Section 2 All Loan Programs (Government and Conventional)

2.1 Document Age (Effective for new loan approvals as of April 10, 2020)

Documents may be no more than two months (60 days) old for most income and asset documentation for all loan programs, as of the note date. If the loan expires, these new age requirements will apply to the income and assets documents.

- If an asset account is reported on a quarterly basis, the most recent issued quarterly statement must be obtained.
- There are no changes to the age of documentation requirements for military income documented using a Leave and Earnings Statement, Social Security, retirement income, long-term disability, mortgage credit certificates, public assistance, foster care or royalty payments and the standard age of document requirements per the Plaza Credit Guides can be applied.

Note: Credit Report will follow the AUS dates.

2.2 Tax Returns

Due to the federal income tax filing extension granted through July 15, 2020, the following documentation requirements will be eliminated. These usually apply for income types that require copies of federal income tax returns when the mortgage has an application or disbursement date between April 15 and July 15.

- A copy of the IRS Form 4868 (Application for Automatic Extension of time to File US Individual Tax Return) and
- IRS Form 4506-T (Request for Transcript of Tax Return) transcript confirming "No transcript Available" for the 2019 tax year.

Note: With respect to returns due on March 16, 2020, which include Form 1065, Form 1065-B, Form 1066, and Form 1120-S, the filing of those returns has not been postpone by the IRS. Plaza will require these forms for the appropriate business type, or proof of extension. With respect to Form 990-T, if that Form is due to be filed on April 15, then it has been postponed to July 15 under the Notice. For taxpayers whose Form 990-T is due on May 15, that due date has not been postponed under the Notice.

2.3 IRS Tax Transcripts

Effective immediately, for any loan not in CTC status, tax transcripts are required as per normal guidelines. See below for when tax transcripts are required.

IRS tax transcripts are required in the following circumstances listed below:

- Program Requirements: USDA and all Jumbo
- Handwritten paystubs are used as verification of income.
- Borrower(s) is employed by a family member.
- A relationship exists between the parties to the transaction.

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2.4 Title Insurance - County Recorder Closings: Gap Coverage on Title Policies on all Loan Products (Effective 3/23/2020)

If the recording/county clerk's office is closed and doesn't accept e-recordings, Plaza will require that the title company provide Gap Coverage. Plaza recommends the title company uses the ALTA Short Form. There must be no exception on title for Gap Coverage or delay in recorded documents. In states where it is typical to fund after recording, Plaza will allow the loan to fund without having the recorded documents, as long as the title policy has Gap Coverage with no exception.

For Plaza's Preferred Purchase Jumbo Program, in addition to Gap Coverage, all borrowers must sign an affidavit at closing providing indemnification against intervening liens when Gap insurance is required.

2.5 Income Analysis

Underwriters are encouraged to take proactive measures in documenting evidence of their analyses and justification for all borrowers. Detailed PACE notes must be entered into BREEZE.

2.6 Secondary Financing (Effective for loans submitted to Plaza in Application Review or greater status on or after April 10, 2020)

Subordinate financing is allowed up to the maximum LTV limit per program guidelines. CLTV limits in excess of LTV limits are not allowed. This applies to all loan programs and all subordinate financing including down payment assistance programs and community/affordable seconds.

Section 3 Conventional (Fannie Mae & Freddie Mac)

3.1 Income

Verbal Verification of Employment at Closing (Effective 3/23/2020)

Effective Dates Extended - Income Flexibility

Applications dated on or before June 30, 2020 [UPDATE Extended to **January 31, 2021**].

Salaried and Hourly Borrowers [Update Date June 29, 2020]

Plaza, in all cases, will conduct a verbal verification of employment within five (5) business days of closing. If Plaza is unable to obtain a verbal verification of employment, Plaza will allow the following flexibilities:

- Plaza will next accept an email directly from the employer within five (5) business days of closing (or funding in escrow states). The email must be sent to Plaza from the employer and identify the name and title of person verifying employment, as well as the borrower's name and current employment status. The person verifying the employment must be from the company's Human Resources department or a Manager/Supervisor. The email must be from a business domain and not from a @gmail.com, @hotmail or @yahoo.com type account.
- The borrower may provide the most recent YTD pay stub for the pay period immediately preceding loan closing. In no cases can it be dated more than 14 calendar days old. Income should be consistent with that used to qualify, with no decrease or adverse changes in earnings. *
- A borrower may provide a bank statement or printout per standard guidelines showing the most recent ACH payroll deposit for the pay period immediately preceding the loan closing. In no cases can it be dated greater than 14

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calendar days prior to loan closing. Income should be consistent with that used to qualify, with no decrease or adverse changes in earnings. *

Plaza will accept Third Party Verification of employment if the vendor's database has been updated within fourteen (14) business days of closing (funding for escrow states) and reflects the borrower's current employment status as Active.

*Borrowers who are paid monthly may have to delay closing until an updated pay stub is received if the pay immediately preceding loan closing is more than fourteen days old. A paystub or bank statement may not be used as verification of employment if the borrower is known not to be working or employed. Every attempt should be made to obtain a verbal or email. Confirmation that the borrower's hours or salary remains consistent with that used to qualify should be obtained when obtaining a verbal or email.

Third-Party Verifications Vendors

A third-party verification with companies like The Work Number will only be accepted if the vendor's database has been updated within 14 calendar days of closing and shows the borrower is currently still employed.

Active Duty Military Personnel

Follow current standard 10-day reverification requirements per PHM Credit Guides.

Self Employed Borrowers

- Verification of the existence of the business via a third party per standard guidelines is required within ten (10) business days of closing (funding in escrow states).
- Verification that the business is open and operating must also be obtained within ten (10) business days of the note date.
- Below are examples of methods the lender may use to confirm the borrower's business is currently operating:
 - Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment).
 - Evidence of current business receipts within 10 days of the note date (payment for services performed)
 - Lender certification the business is open and operating (lender confirmed through a phone call or other means) or
 - Business website demonstrating activity supporting current business operations (timely appoints for estimates or services can be scheduled).

Self-Employment Income Used to Qualify (Updated 6/11/2020)

For all loans with an Application Date of June 11, 2020 until further notice.

Plaza must determine that the borrower's income is stable and had a reasonable expectation of continuance. Plaza will now require additional documentation:

- An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; OR
- An unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and two business depository account(s) statements no older than the latest ~~two~~ **three** months represented on the year-to-date profit and loss statement.
 - For example, the business depository account statements can be no older than Apr. and May for a year-to-date profit and loss statement dated through May 31, 2020.

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- The underwriter must review the three most recent depository account statements to support and/or not conflict with the information presented in the current year-to-date profit and loss statement. Otherwise, the underwriter must request additional statements or other documentation to support the information from the current year-to-date profit and loss statement.

NOTE: The year-to-date profit and loss statement must be no older than 60 days old as of the note date.

Underwriters must review the profit and loss statement, and business depository accounts if required, and other relevant factors to determine the extent to which a business has been impacted by COVID-19. The underwriter can use the following guidance when performing the assessment of business operations and stability and must complete the business income assessment based on the minimum additional documentation above. In some instances, the underwriter may find it necessary to obtain supplemental documentation listed in the examples below.

Assessing the Impact of COVID-19	
Business operations	<ul style="list-style-type: none"> ▪ Have business operations been maintained or modified to support continued business income? <i>For example, review an updated business plan.</i> ▪ Is the business continuing to operate in the current location or an alternate location suitable for business operations? <i>For example, perform an Internet search or verify through a third-party source.</i> ▪ Is there a demand for the product or service currently offered by the business? <i>For example, obtain current business receipts or purchase contracts.</i> ▪ Is the business operation and/or revenue temporarily restricted due to state shelter in place, stay at home or other similar state or local orders? ▪ Is the impact to the business operations negligible due to the nature of the business? <i>For example, obtain a written explanation from the business owner or confirmation that income is seasonal apart from the event timeline.</i>

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<p>Business Income</p>	<p>The lender must complete a business income assessment by comparing the year-to-date net business income from the year-to-date profit and loss statement to historical business income calculated using the <i>Cash Flow Analysis</i> (Form 1084)* for a similar timeframe (such as monthly).</p> <ul style="list-style-type: none"> ▪ Lenders can make standard adjustments to business cash flow (net income on the profit and loss statement) in accordance with B3-3.4-04, Analyzing Profit and Loss Statements when making this determination. ▪ When the lender determines net business income is impacted, but profit and loss details are not sufficient to determine the income is stable at the reduced level, the lender can obtain additional documentation to supplement the profit and loss statement (such as a month-to-month income trending analysis) to make this determination. If stability cannot be confirmed, the income is not eligible for qualifying purposes. See B3-3.1-01, General Income Information for details. <p>Example Historical monthly self-employment income calculated using Form 1084 = \$2,000</p> <p>Current level of stable monthly self-employment income as determined by the lender using details from the year-to-date profit and loss statement and other supplemental documentation = \$1,000</p> <p>The impact of the COVID 19 pandemic on current business income results in a 50% decline from historical levels. See Business Income Calculation Adjustment below for next steps.</p> <p>*Form 1084 or any other type of cash flow analysis form that applies the same principles.</p>
<p>Business Stability</p>	<ul style="list-style-type: none"> ▪ Does the profit and loss identify a significant imbalance between expenses and revenue that may impact financial stability? Or have modifications to current business operations been made to correct this imbalance? (Consider documenting with an updated business plan) ▪ Do prior year business tax returns demonstrate ample financial liquidity due to a history of retained earnings? ▪ Do current business account balances (excluding Paycheck Protection Program (PPP) or other similar COVID-19 related loans or grants) support the financial ability of the business to operate given current market and economic conditions? <p>A current balance sheet may be used to support the lender's determination of business stability, in conjunction with the profit loss statement.</p>

Business Income Calculation Adjustment

When the underwriter determines current year net business income has been impacted by the COVID-19 pandemic and is:

- Less than the historical monthly income calculated using Form 1084, but is stable at its current level, the lender must reduce the amount of qualifying income calculated using Form 1084 to no more than the current level of stable income as determined by the lender (see Business Income above).
- More than the historical income calculated using Form 1084, the lender must use no more than the currently stable level of income calculated using Form 1084 to qualify the borrower.

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In all cases, qualifying income must be supported by documentation, including any supplemental documentation obtained by the underwriter.

Business Assets

Proceeds from the Small Business Administration PPP or any other similar COVID-19 related loans or grants are not considered business assets.

Rental Income Used to Qualify (Effective for loans submitted to Plaza in Application Review or greater status on or after April 10, 2020)

Rental income may not be used for qualifying on investment property transactions, 2-4-unit owner occupied transactions, or departing residence retained as rental unless the borrower has six (6) months of full PITIA reserves after closing for each residential property owned in addition to all required funds to close, plus payment reserves as required by current standard program guidelines.

3.2 Assets

Effective Dates Extended – Asset Requirements

Applications dated on or before June 30, 2020 [UPDATE Effective until further notice].

Market-Based Assets

In light of current market volatility, we are making the following updates when the borrower is using stocks, stock options, or mutual funds for assets:

- When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

Business Assets

Proceeds from the Small Business Administration PPP or any other similar COVID-19 related loans or grants are not considered business assets.

3.3 Appraisal Documentation (Effective 3/23/2020) Updated April 14, 2020

Effective Dates Extended – Appraisal Flexibility

Applications dated on or before June 30, 2020 [UPDATE Extended to **January 31, 2021**].

Originators when placing an order through Plaza Mercury Appraisal Ordering Platform, should place an order to obtain a Full Interior/Exterior Appraisal first. If unable to obtain a Full Interior/Exterior Appraisal because of COVID-19, apply the appraisal flexibility guidance as established by the agencies. The appraisal flexibility should be done in a waterfall approach, attempting an Interior/Exterior Appraisal first, then Desktop Appraisal and then Exterior Only. Both Interior/Exterior Appraisals and Desktop Appraisals must still be submitted to the UCDP with correlating SSR's and also submitted to Collateral Underwriter.

- Purchase Transactions:
 - Principal residence: Full Interior/Exterior Appraisal, Desktop Appraisal or Exterior only is permissible.
 - Second home or Investment property with LTV of 85% or less allow: Full Interior/Exterior Appraisal, Desktop Appraisal or Exterior only is permissible.
 - Second home or investment property with LTV greater than 85%, no flexibility allowed, full interior/exterior appraisal is required.

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- Rate/Term Refinance:
 - Fannie to Fannie* or Freddie to Freddie*
 - Allow: Full Interior/Exterior Appraisal or Exterior only is permissible.
 - Fannie to Freddie or Freddie to Fannie – no flexibility allowed, full interior/exterior only.
 - Mortgage being refinanced is not owned by Fannie Mae or Freddie Mac – no flexibility allowed, full interior/exterior only.

*When the current mortgage on the subject property is held by Fannie Mae or Freddie Mac. Below are links to the agencies websites where the property address can be checked.

FNMA Property Lookup – [CLICK HERE](#)
 FHLMC Property Lookup- [CLICK HERE](#)

- Cash out refinance – Full Interior/Exterior only
- Renovation and construction to perm loans – Full Interior/Exterior only
- Repair Inspections:
 - If a standard 1004D Evidence of Completion of Repairs cannot be obtained, the following flexible documentation is permissible:
 - A letter signed and dated by borrower confirming the work was completed accompanied by the following:
 - Photos of completed work OR
 - Paid invoices OR
 - Occupancy certificate/permit from the local authority
- New Construction (updated 4/14/2020):
 - Plaza will adhere to the LTV ratio requirements as defined above, including the requirement that second homes with LTV ratios above 85% require a traditional appraisal.
 - For new construction loans where the appraisal was completed “Subject To” completion per plans and specs or when the subject property is 100% completed and the appraisal was completed “As-Is” but a full Interior/Exterior appraisal cannot be obtained, a desktop appraisal is permissible but only under the following conditions:
 - Purchase only
 - Not allowable on Construction-to-Perm
 - The following forms are required:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Uniform Residential Appraisal Report (Form 1004)</i>
Condominium unit	<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>
Cooperative unit	<i>Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)</i>
Two- to four-unit property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

- If construction has not yet begun and the appraisal will be done “Subject To” completion, the appraiser must be provided with the following by the lender or builder:
 - Plans and specs

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- Survey and/or plot plan
 - Current photos of the lot and down the street in both directions (construction not yet started).
 - Front and rear-view photos and street scene photo plus interior photos of kitchen, all bathrooms, main living area, basement including all finished rooms (construction started but property not complete).
 - Fully ratified sales contract with all addenda.
 - If property is 100% complete and appraisal will be completed “As-Is”, the appraiser must be provided with the following by the lender or builder:
 - Plans and specs
 - Survey and/or plot plan
 - Current photos of the front and rear of the subject plus down the street in both directions, the kitchen, all bathrooms, main living area, basement including all finished rooms.
 - Fully ratified sales contract with all addenda.
 - A builder certification must be obtained. For a copy of Builder/Contractor Certification – [CLICK HERE](#)
 - When property is complete and a 1004D cannot be obtained, okay to use the Completion of Construction Certification.
- (NEW) The Map Reference field on the Appraisal Report for appraisals that use the flexibilities must contain the word “desktop” or “exterior.” No other words or phrases may be used or included.
 - The Map Reference field should reflect the appraisal type agreed to with the acceptance of the assignment and the minimum scope of work required for the assignment.
 - Condominium Project Review Flexibility (Effective 4/14/2020):
 - Additional guidance and temporary flexibilities for project eligibility reviews on condo projects.
 - Waiver of project review - extending project review waiver flexibilities for loans with LTV ratios greater than 80% and up to 90%. This flexibility applies to Fannie-owned, limited cash-out refinance transactions for owner-occupied condo units only. Second homes and investment transactions are excluded. Plaza will confirm the project meets the following, existing requirements:
 - The litigation requirements described in Selling Guide B4-2.1-03, Ineligible Projects, and
 - All policies in agency guidelines, Waiver of Project Review, for all loans with LTV ratios greater than 80% using the waiver of review for Fannie Mae-owned limited cash-out refinance transactions.
 - Underwriters must identify Project Type Code V in BREEZE for loan delivery to the agency.
 - Project documents used in project reviews
 - When a budget review is required on an established project, Plaza will accept the budget from the 2019 fiscal year if the current year’s budget has not yet been ratified due to issues related to COVID-19.
 - To utilize this flexibility, Plaza must confirm the project currently meets the HOA dues delinquency requirements as defined in the agency’s guidelines.
 - All other project standards requirements continue to apply.
 - New projects are excluded from this flexibility.
 - Plaza may use other sources of condo project data to complete their project reviews including, but not limited to, appraisals, MLS records, plat map and site surveys, public records, state laws or local ordinances, and tax searches.
 - Refer to [Fannie Mae’s Lender Letter 2020-04](#) for more details on Condo Product Flexibility.

For details on the details and requirements of a reduced appraisals refer to Freddie Mac’s guidance (which mirrors Fannie Mae) – [CLICK HERE](#)



3.4 Power of Attorney

Using Powers of Attorney to Close

At this time Plaza is not aligning with Fannie Mae or Freddie Mac temporary guidance as it relates to a Power of Attorney.

3.5 Forbearance

Effective Dates – Forbearance and Documentation

May immediately apply these policies to loans in process and must apply them to loans with application dates on or after Jun. 2, 2020. **These policies will be effective until further notice.**

Fannie Mae and Freddie Mac have issued temporary guidance regarding the eligibility of borrowers who are in forbearance, or have recently ended their forbearance, looking to refinance or buy a new home.

Eligibility Requirements for all existing Mortgage

A borrower who is not current and has missed payments on any mortgage loan is eligible for a new mortgage loan if those missed payments were resolved in accordance with the requirements in the table below.

Resolution Method	Eligibility
Reinstatement	If the borrower resolved missed payments through a reinstatement, they are eligible for a new mortgage loan. The lender must document the source of funds in accordance with eligible sources of funds in the <i>Selling Guide</i> , if the reinstatement was completed after the application date of the new transaction. Proceeds from a refinance may not be used to reinstate any mortgage loan.
Loss Mitigation Solution	<p>If outstanding payments will be or have been resolved through a loss mitigation solution, the borrower is eligible for a new mortgage loan if they have made at least three timely payments as of the note date of the new transaction as follows:</p> <ul style="list-style-type: none">▪ For a repayment plan, the borrower must have made either three payments under the repayment plan or completed the repayment plan, whichever occurs first. Note that there is no requirement that the repayment plan be completed.▪ For a payment deferral, the borrower must have made three consecutive payments following the effective date of the payment deferral agreement.▪ For a modification, the borrower must have completed the three-month trial payment period.▪ For any other loss mitigation solution not listed above, the borrower must have successfully completed the program, or made three consecutive full payments in accordance with the program. <p>Verification that the borrower has made the required three timely payments may include:</p> <ul style="list-style-type: none">▪ a loan payment history from the servicer or third-party verification service,▪ the latest mortgage account statement from the borrower, and▪ a verification of mortgage. <p>If these requirements are met on an existing mortgage loan being refinanced, the new loan amount can include the full amount required to satisfy the existing mortgage.</p>

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Note: Payments will not be considered missed during the time of a COVID-19-related forbearance that have been resolved to be historical delinquencies for purposes of the agencies excessive mortgage delinquency policy as outlined by both their guidelines.

Documentation Requirements

These guidelines are effective for all Fannie Mae and Freddie Mac eligible loans with application dates on or after June 2, 2020.

Underwriters must continue to review the borrower's credit report to determine the status of all mortgage loans. In addition to reviewing the credit report, the underwriter must also apply due diligence 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. For the purposes of these requirements, "current" means the borrower has made all mortgage payments due in the month prior to the note date of the new loan transaction by no later than the last business day of that month.

Regardless of forbearance status, additional documentation must be obtained 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. Underwriter can confirm compliance with this requirement by obtaining and reviewing any of the following:

- Reviewing the payment history provided by the servicer(s) for each existing Mortgage, or
- Reviewing the Borrower-provided Mortgage statements or electronic Mortgage history for each existing Mortgage, or
- Using a third-party verification service to confirm Mortgage payment history, or
- For Mortgages being refinanced, reviewing the pay-off statement, or
- A verification of mortgage.

Note: It is important that the underwriter be able to assess whether an existing mortgage is in forbearance, and may require a combination of the above or ask for additional documentation.

Refer to [Fannie Mae Lender Letter 2020-03 updated May 19, 2020](#) and [Freddie Mac Guide Bulletin 2020-17](#) for details.

Section 4 Government Loans

4.1 Minimum FICO Requirement (Effective 3/27/2020)

All Loans

- A minimum FICO of 640 is required on all Government loans.
- FHA Streamlines and VA IRRRLs with a FICO < 640 are only eligible when refinancing a Plaza serviced loan. When employment is disclosed it must be verified and the minimum FICO is 580 (not credit qualified, confirmation that the borrower is still employed).

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4.2 FHA Loan Programs

4.2.1 Income

Verbal Verification of Employment at Closing (Effective 3/23/2020)

Effective Dates Extended – Income Flexibility

For loans closed on or before June 30, 2020 [UPDATE Extended to February 28,2021].

Salaried and Hourly Borrowers

Plaza, in all cases, will conduct a verbal verification of employment within five (5) business days of closing. If Plaza is unable to obtain a verbal verification of employment, Plaza will allow the following flexibilities:

- The borrower may provide the most recent YTD pay stub from the pay period immediately preceding the loan closing dated no greater than 14 calendar days prior to loan closing. Income should be consistent with that used to qualify, with no decrease or adverse changes in earnings, along with evidence the Borrower has a minimum of 2 months of Principal, Interest, Taxes and Insurance (PITI) in reserves, (HECM's do not require reserves)*, or
- A borrower may provide a bank statement or printout that follows current standard guidelines showing the most recent ACH payroll deposit from the pay period immediately preceding the loan closing dated no greater than 14 calendar days prior to loan closing. Income should be consistent with that used to qualify, with no decrease or adverse changes in earnings, along with evidence the Borrower has a minimum of 2 months of Principal, Interest, Taxes and Insurance (PITI) in reserves, (HECM's do not require reserves)*.

*Borrowers who are paid monthly may have to delay closing until an updated pay stub is received if the pay immediately preceding loan closing is more than fourteen days old. A paystub or bank statement may not be used as verification of employment if the borrower is known not to be working or employed. Every attempt should be made to obtain a verbal or email. Confirmation that the borrower's hours or salary remains consistent with that used to qualify should be obtained when obtaining a verbal or email.

Third-Party Verifications Vendors

A third-party verification with companies like The Work Number will only be accepted if the vendor's database has been updated within 14 calendar days of closing and shows the borrower is currently Active.

Active Duty Military Personnel

Follow current standard 10-day reverification requirements per PHM Credit Guides.

Self Employed Borrowers

- Verification of the existence of the business via a third party is required within ten (10) calendar days of closing (funding in escrow states).
- Verification that the business is open and operating must also be obtained within ten (10) calendar days of the note date.
- Below are examples of methods the lender may use to confirm the borrower's business is currently operating:
 - Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment).
 - Evidence of current business receipts within 10 days of the note date (payment for services performed).
 - Lender certification the business is open and operating (lender confirmed through a phone call or other means) or

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- Business website demonstrating activity supporting current business operations (timely appoints for estimates or services can be scheduled).

FHA Streamline Refinances will follow current standard Plaza Program Guide requirements for Verbal Verification of Employment prior to closing. No Verbal Verification of Employment is required.

Self-Employment Income Used to Qualify

- When the third-party verification of the existence of the business indicates the business is closed or not currently operating, no income from the business may be used.
- No investigation into current income level outside of current Credit Guides is required if the business is open and operational.

Rental Income Used to Qualify (Effective for FHA case number assignments dated 8/12/2020 through 2/28/2021)

In addition to the requirements in SF Handbook 4000.1 – Rental Income (TOTAL and Manual), when a borrower is utilizing rental income, for each property generating rental income *one* of the below must be met:

- Reduce effective income associated with the calculation of rental income by 25%* *or*
- Verify 6 months PITIA reserves *or*
- Verify the borrower has received the previous 2 months rental payments as evidenced the borrower's bank statements showing the deposit (This option is only available for borrowers with a history of receiving rental income from the property).

*Example if using the first bullet point:

- If utilizing Schedule E for calculating rental income (allowed when there is a history of receiving rental income). Rental income should be calculated as per the 4000.1 and then reduce the resulting figure by another 25%.
- If utilizing a lease agreement or statement of fair market rent (when there is a lack of rental history receipt), calculate rental income as per the 4000.1 including using a 25% maintenance/vacancy factor. Once that figure is computed, reduce the rental income by another 25%.

4.2.2 Appraisal Documentation (Forward and Reverse) (Effective 3/27/2020)

Effective Dates Extended – Appraisal Flexibility

Appraisal inspections completed on or before June 30, 2020 [UPDATE Extended to February 28,2021] for Exterior Only Appraisal Flexibilities as shown below. Desktop Appraisal inspections will expire on October 31, 2020 and will not be extended further at this time. Inspections dated after October 31, 2020 can no longer follow the Desktop Appraisal flexibilities. The Desktop Appraisal information noted below is not being removed as loans in the pipeline could still fall under its guidance].

Originators when placing an order through Plaza Mercury Appraisal Ordering Platform, should place an order to obtain a Full Interior/Exterior Appraisal first. If unable to obtain a Full Interior/Exterior Appraisal because of COVID-19, apply the appraisal flexibility guidance as established by FHA/HUD. The appraisal flexibility should be done in a waterfall approach, attempting an Interior/Exterior appraisal first, then either an Exterior Only or Desktop appraisal would be acceptable. Appraisals should be submitted to the FHA Electronic Appraisal Delivery (EAD) portal and have correlating SSR's.

- A Desktop Appraisal (this option is discontinued for inspection performed after October 31, 2020) or Exterior Only Appraisal is permissible when a Full Interior/Exterior inspection cannot be done.
- Information may be obtained by the appraiser from an interested party to the transaction when additional verification is not feasible.
- The Desktop (this option is discontinued for inspection performed after October 31, 2020) or Exterior Only Appraisal Reports must be on current FHA approved forms by property and assignment type. Note: Fannie Mae 2055 and Freddie Mac 1075 are not FHA-approved forms and are not compatible with the EAD portal.

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- Desktop (this option is discontinued for inspection performed after October 31, 2020) and Exterior Only Appraisal Reports require an amended certifications and clear scope of the work disclosed.
- Appraisal reports should include a signed certification indicating whether the appraiser did or did not personally inspect the subject property and the extent of the inspection. FHA Model Certifications - [CLICK HERE](#)
- Exterior-Only Option

The updated protocols and exhibits under the Exterior-Only Option are: Appraiser will observe the Property and Improvements from at least the street;

 - The Appraisal will be completed “AS IS” unless Minimum Property Requirements (MPR) related deficiencies are observed from the street or otherwise known;
 - The Appraiser may utilize extraordinary assumptions when necessary;
 - At a minimum, the exterior photos must include the front and sides of the dwelling (rear photo is not required);
 - Front view of each comparable utilized is required. Multiple Listing Service (MLS) photographs are acceptable to exhibit comparable condition at the time of sale; however, Appraisers must include their own photographs as well, to document compliance;
 - Interior photos and sketch are not required; and
 - The Map Reference field of the appraisal form must be reported as “Exterior”
- Full Appraisals are required on the following program types:
 - Cash-out Refinances
 - New Construction
 - Construction to Perm
 - 203K Standard and Limited
 - Borrower building on own land.
- Repair inspections - If a standard 1004D Evidence of Completion of Repairs cannot be obtained, the following flexible documentation is permissible:
 - A letter signed and dated by borrower confirming the work was completed accompanied by the following:
 - Photos of completed work OR
 - Paid invoices OR
 - Occupancy certificate/permit from the local authority.

For requirements on what each appraisal protocols and exhibits, refer to FHA Mortgagee Letter 2020-02.

Resource - [FHA Mortgagee Letter 2020-02](#)

On October 6, 2020. FHA published FHA Info 20-73 which allows for temporary flexibilities for disaster inspections.

The Federal Housing Administration (FHA) published a temporary policy waiver to its Single Family Housing Policy Handbook 4000.1 requirements that suspends the standard inspection requirement for “interior” photographs of property in designated Presidentially-Declared Major Disaster Areas (PDMDAs). This waiver of requirements for interior photographs in PDMDAs is now consistent with the temporary inspection guidance allowing for exterior-only or desktop-only inspections due to the COVID-19 National Emergency currently in place.

All FHA timing requirements for inspections must still be followed. This temporary waiver is only related to the interior inspection. Exterior photos are still required.

4.2.3 Forbearance

In accordance with FHA’s requirements for borrowers with previous mortgage payment forbearance (Mortgagee Letter 2020-30), Plaza is aligning with eligibility requirements listed below.

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Borrowers who are in active or inactive forbearance are eligible for a new FHA mortgage if the following requirements are met:

- **Evidence of the forbearance plan being terminated or closed must be provided prior to the closing of the new loan**
 - Evidence from the existing loan Servicer in the form of a servicing portal screenshot with the loan number and status of the forbearance plan (to state terminated, closed, removed or other language indicating the plan has ended. A status of Inactive will still need to be dispositioned) or,
 - A letter or direct email from the Lender/Servicer stating the forbearance plan has ended (with loan number referenced and date of termination of plan).
- **The borrower has continued to make timely payments on their existing mortgage.**
 - **Purchase and Limited Cash-Out (R/T)** – The borrower has completed the Forbearance plan and has made at least three (3) consecutive and timely monthly payments post forbearance (note: this does not include the “catch up” payments required to complete the forbearance plan, if applicable).
 - **Cash-Out Refinances** – The borrower has completed the forbearance plan and made at least twelve (12) consecutive and timely monthly payments post forbearance.
 - **Credit Qualifying Streamline Refinance** – If the borrower is still in forbearance plan and made less than three (3) consecutive and timely monthly payments post forbearance they are still eligible if in a credit qualifying streamline refinance program. All other program guidelines apply.
 - **All Streamline refinance transactions** – The borrower has made at least six (6) payments on the FHA-insured mortgage being refinanced (where the FHA insured mortgage has been modified after forbearance, the borrower must have made at least six (6) payments under the Modification).
- **Borrowers who were granted forbearance (knowingly or unknowingly) and continued to make timely mortgage payments in accordance with the terms of the original Note are not considered delinquent or late.**
 - Evidence that the forbearance plan has been terminated is required prior to closing.
 - No additional documentation regarding consecutive payments received post forbearance is required.
- **Modification Loans:** Borrowers who meet the pay history requirements and have made six (6) or more timely, consecutive payments under the modification agreement are eligible for a No-Cash Out Refinance. All other eligibility requirements apply.
- **Proof of assets to support the satisfaction of forbearance plan:** When multiple months of loan payments have been made to satisfy a forbearance plan, the Borrower must provide evidence of sufficient assets to support the lump-sum payment (if applicable based on the forbearance plan terms). The most recent two-months asset statements are required. Underwriter must evaluate sufficient assets to meet the loan requirement, if any. Any undisclosed debt may require additional documentation.
- **A letter of explanation to explain the reason why the borrower requested the forbearance and an update on their current status to support how the terms of the plan have been rectified** (i.e. Forbearance was requested due to reduction in hours or temp furlough and now borrower is back to work full time).

Ineligible Loans:

- Plaza will not accept downgraded (refer), manually underwritten FHA loans due to mortgage lates on any mortgage related tradeline (including lines of credit) (***see Manual Downgrades as a result of Delinquent Mortgage Payments for more information***).
- Purchases are ineligible if the previous mortgage was in forbearance and paid off prior to the borrower making three or more consecutive payments post forbearance.
- Loans must meet FHA payment history requirements or will be considered ineligible.
- Plaza will not accept loans that have less than the required amount of consecutive payments after the completion of a mortgage forbearance plan. The required timeframe must be met prior to closing.

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- Loans that have been modified must meet the payment history requirements in accordance with the modification. Late mortgage payments during a modification period that do not adhere will be ineligible.
- Loans that have been modified but have less than six (6) timely consecutive mortgage payments under the modification agreement are ineligible.

Manual Downgrades as a result of Delinquent Mortgage Payments: FHA's Mortgagee Letter 2020-30 provides the option to manually downgrade loans that reflect delinquent mortgage payments during the 12 months prior to case number assignment and/or loans that do not meet the required number of consecutive monthly payments since the completion of the forbearance plan. While the option is documented, Plaza does not accept a downgraded, manually underwritten FHA loan for this reason.

Forbearance Requirement Matrix:

<i>Loan Type:</i>	<i># of months payments post forbearance plan:</i>	<i>Proof of Forbearance terminated required?</i>	<i>Comments:</i>
Purchase	3	Y	
Limited Cash-Out / No Cash-out Refi	3	Y	
Cash-Out Refi	12	Y	
Credit Qualifying Streamline Refi	3	Y	
All Streamline Refinances	6	Y	
Loans that are in forbearance but no skipped payments (all payments were timely)	N/A	Y	Bwr made payments on time despite being on a forbearance plan

Note: ALL Loan Types require proof that the forbearance plan has been closed or terminated.

4.3 Veterans Administration (VA) Loan Programs

4.3.1 Income

Effective Dates Extended - Income Flexibility

Until further notice or April 1, 2021

Verbal Verification of Employment at Closing (Effective 3/23/2020)

Salaried and Hourly Borrowers

Plaza, in all cases, will conduct a verbal verification of employment within five (5) business days of closing. If Plaza is unable to obtain a verbal verification of employment, Plaza will allow the following flexibilities:

- Plaza will next accept an email directly from the employer within five (5) business days of closing (or funding in escrow states). The email must be sent to Plaza from the employer and identify the name and title of person verifying employment, as well as the borrower's name and current employment status. The person verifying the employment must be from the company's Human Resources department or a Manager/Supervisor. The email must be from a business domain and not from a @gmail.com, @hotmail or @yahoo.com type account.

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- The borrower may provide the most recent YTD pay stub from the pay period immediately preceding the loan closing dated no greater than 14 calendar days prior to loan closing and must contain at least a full months of employment. Income should be consistent with that used to qualify, with no decrease or adverse changes in earnings, * or
- A borrower may provide a bank statement or printout per currently agency guidelines showing the most recent ACH payroll deposit from the pay period immediately preceding the loan closing and dated no greater than 14 calendar days prior to loan closing and must contain and show a full months of employment. Income should be consistent with that used to qualify, with no decrease or adverse changes in earnings*.

*Borrowers who are paid monthly may have to delay closing until an updated pay stub is received if the pay immediately preceding loan closing is more than fourteen days old. A paystub or bank statement may not be used as verification of employment if the borrower is known not to be working or employed. Every attempt should be made to obtain a verbal or email. Confirmation that the borrower's hours or salary remains consistent with that used to qualify should be obtained when obtaining a verbal or email.

Third-Party Verifications Vendors

A third-party verification with companies like The Work Number will only be accepted if the vendor's database has been updated within 14 calendar days of closing and shows the borrower is currently Active.

Active Duty Military Personnel

No change to Plaza or VA's current policy.

Self Employed Borrowers

- Verification of the existence of the business via a third party is required within ten (10) business days of closing (funding in escrow states).
- Verification that the business is open and operating must also be obtained within ten (10) business days of the note date.
- Below are examples of methods the lender may use to confirm the borrower's business is currently operating:
 - Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment).
 - Evidence of current business receipts within 10 days of the note date (payment for services performed)
 - Lender certification the business is open and operating (lender confirmed through a phone call or other means) or
 - Business website demonstrating activity supporting current business operations (timely appoints for estimates or services can be scheduled).

VA Interest Rate Reduction Refinance Loans (IRRRL's) will follow current standard Plaza Program Guide requirements for Verbal Verification of Employment prior to closing. No Verbal Verification of Employment is required.

Self-Employment Income Used to Qualify

- When the third-party verification of the existence of the business indicates the business is closed or not currently operating, no income from the business may be used.
- No investigation into current income level outside of current Credit Guides is required if the business is open and operational.



Rental Income Used for Qualifying (Effective for loans submitted to Plaza in Application Review or greater status on or after April 10, 2020)

Rental income may not be used for qualifying on 2-4-unit owner occupied transactions or departing residence retained as rental unless the borrower has six (6) months PITIA reserves after closing for each residential property owned in addition to all required funds to close, plus payment reserves as required by current standard program guidelines.

4.3.2 Appraisal Documentation (Effective March 27, 2020) Updated 4/10/2020

Effective Dates Extended – Appraisal Flexibility

Until further notice or April 1, 2021

Originators when placing an order should attempt to obtain a Full Interior/Exterior Appraisal first. If unable to obtain a Full Interior/Exterior Appraisal because of COVID-19, apply the appraisal flexibility guidance as established by VA. The appraisal flexibility should be done in a waterfall approach, attempting an Interior/Exterior Appraisal first, then, then Exterior Only and as a last choice in limited instances a Desktop Appraisal, in limited instances.

- If a full Interior/Exterior appraisal cannot be obtained, then an Exterior Only is permissible.
- A Desktop Appraisal is only allowed if the appraiser indicates that an Interior/Exterior appraisal or Exterior Only is not able to be done.
- Exterior Only Appraisals may be done on Fannie Mae 2055 or Freddie Mac 1075 forms. For manufactured homes and multi-unit (2-to-4 unit) properties, appraisers will use the 1004C or 1025 form.
- If a Desktop is completed, it must be on the appropriate FNMA form; 1004, 1073, 1004C, or 2025.
- On page 1 of the Uniform Residential Appraisal Report (URAR), Subject section, “Map Reference” appraisers are to state “Exterior-Only” or “Desktop.”
- An appraiser to make an Extraordinary Assumption (EA) about the interior of a property. This is permitted by USPAP if the appraiser has a reasonable basis for the EA and still results in a credible analysis. The appraisers will always determine the scope of work for the assignment. All EAs will be boldly noted in the Reconciliation section of the report. The report will be completed “AS IS” unless there are MPR requirements the appraiser observed in the review of the property. Without an interior review of the property, the appraiser can make an EA concerning MPRs with the information available.
- The appraiser will continue to gain access to view the interior property for a Purchase Transaction (vacant property). The interior inspection is allowed, when the appraiser poses no harm to themselves or others.
- Exterior-Only Appraisal with enhanced assignment conditions will be limited to one and a half times the maximum 2020 Conforming Loan Limit for a one-unit limit for the county or county-equivalent area.
- Desktop valuations will be limited to the maximum 2020 Conforming Loan Limit for a one-unit limit for the county or county-equivalent area.
- For Exterior Only and Desktop Appraisals, Appraisers are to boldly and inconspicuously state “Per Department of Veterans Affairs, no interior inspection was provided due to COVID-19.”
- If a Reconsiderations of Value is required it must adhere to the following restrictions:
 - Purchase transactions limited to 7% of appraiser’s opinion of value or \$10,000 whichever is greater
 - Not allowed on cash out refinances
 - Not allowed on renovation loans
- Termite inspections:
 - Purchase Transactions:
 - If there is no known or visible evidence of termite infestation present:
 - The seller and realtor must provide a certification to that fact and the Veteran must acknowledge that no inspection was completed.
 - It is recommended that after closing the veteran obtain a termite report, but it is not required.
 - If there is known or visible evidence of termite infestation:
 - Plaza will require a clean termite report and any necessary repairs to be completed prior to closing.

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- Cash-Out Refinance Transactions:
 - If there is no known or visible evidence of termite infestation present:
 - The Veteran can provide a certificate of fact if there is no known or visible evidence of termite infestation present.
 - If there is known or visible evidence of termite infestation:
 - Plaza will require a clean termite report and any necessary repairs to be completed prior to closing.
- Repair inspections – two options are available:
 - Option One - If a standard 1004D Evidence of Completion of Repairs cannot be obtained, the following flexible documentation is permissible:
 - A letter signed and dated by borrower confirming the work was completed accompanied by the following:
 - Photos of completed work OR
 - Paid invoices by a licensed professional OR
 - Occupancy certificate/permit from the local authority
 - The LAPP Underwriter, or authorized individual at Plaza must sign and date a Lender Certification stating that the property has been completed in accordance with VA's property standards.
 - Option Two – Purchase Transaction, if a standard 1004D Evidence of Completion of Repairs cannot be obtained, the following flexible documentation is permissible:
 - Work to be completed within 180 days of closing, and
 - Plaza will require that repairs be held in escrow in accordance to our existing escrow hold back policy, holding one in a half times the cost of the repair.
 - All health and safety repairs must be completed prior to the loan being eligible to close and may not be conditions for after closing or held in escrow.
- Well Water Testing:
 - Purchase Transactions:
 - When required, Plaza will require an acceptable well water certificate prior to closing.
 - Refinance Transactions:
 - VA to VA refinances, water test requirements will not be required.
 - When required, Non-VA to VA, Plaza will require an acceptable well water certificate prior to closing.

Refer to the Circular for more details on repair requirements, particularly if repairs involve lead paint.

For complete information on appraisal protocols and required exhibits, refer to VA Circular 26-20-11.

Resource – **Circular 26-20-13 (Updated 4/10/2020)**

4.3.3 Forbearance

VA-Guaranteed Purchase and Cash-Out Refinance Loans

Veterans who are affected by COVID-19 should still be afforded the opportunity to utilize their earned VA home loan benefits. For this reason, VA is temporarily relaxing certain credit underwriting policies for VA-guaranteed purchase and cash-out refinance loans. While lenders must continue to follow VA's underwriting standards generally, lenders should not use a CARES Act forbearance as a reason to deny a Veteran a VA-guaranteed loan. In such cases, borrowers, through the lender, must provide reasons for the loan deficiency and information to establish that the cause of the delinquency has been corrected.

VA will not consider a Veteran as an unsatisfactory credit risk, based solely upon the fact that the Veteran received some type of credit forbearance or experienced some type of deferred payment during the COVID-19 national emergency. VA reminds lenders instead to continue to review and evaluate all applicable credit qualifying information, e.g., residual income,

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debt-to income ratios, credit, and assets. Although deferred payments may not be considered for credit risk purposes, the lender should consider the monthly obligation if the debt remains active after closing the new loan.

Interest Rate Reduction Loans (IRRRLs)

Loans that are currently 30 days or more delinquent do not require VA prior approval. Borrowers should provide an explanation for the loan deficiency and provide evidence the cause has been corrected. The loans must meet credit standards (credit qualifying and approved by lender).

Waiver of VA prior approval:

- Lender is approved to close loans on an automatic basis.
- Borrower has invoked a CARES Act forbearance relating to the loan being refinanced.
- The borrower has provided information to establish the borrower is no longer experiencing a financial hardship caused Covid-19 AND
- The borrower meets VA credit standards as per 38CFR 36.4340 c-j (DTI, residual income, employment/income, credit (non-covid-19 related) and general lender related responsibilities).

Loans that are not currently 30 or more days delinquent can continue to be closed as per regular guidelines. This includes no credit qualifying required.

Max Loan Amount in the context of CARES Act

IRRRLs may include the following:

- *Any past due payments, including those deferred under a CARES Act forbearance*
- *All applicable late charges*
- EEM improvements (if applicable)
- Standard allowable closing costs and prepaids and
- The VAFF

Resource: VA Circular 26-20-25

4.4 USDA Rural Development Loan Programs

4.4.1 Income

Effective Dates Extended - Income Flexibility

Loans closing on or before June 30, 2020 [UPDATE Extended to February 28,2021].

Verbal Verification of Employment at Closing (Effective 3/23/2020)

Plaza will conduct a reverification of employment for salaried and hourly (W-2) borrowers prior to the loan closing (for escrow states prior to funding) by one of the following methods:

Plaza, in all cases, will conduct a verbal verification of employment within five (5) business days of closing. If Plaza is unable to obtain a verbal verification of employment we will accept an email directly from the employer within five (5) business days of closing. The email must be sent to Plaza directly from the employer and identify the name and title of person verifying employment, as well as the borrower's name and current employment status. The person verifying the employment must be from the company's Human Resources department or a Manager/Supervisor. The email must be from

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a business domain and not from a @gmail.com, @hotmail or @yahoo.com type account. Confirmation that the borrower's hours or salary remains consistent with that used to qualify should be obtained when obtaining a verbal or email.

Third-Party Verifications Vendors

A third-party verification with companies like The Work Number will only be accepted if the vendor's database has been updated within 14 calendar days of closing and shows the borrower is currently Active.

Active Duty Military Personnel

Follow current standard 10-day reverification requirements per PHM Credit Guides.

Self Employed Borrowers

- Verification of the existence of the business via a third party is required within ten (10) business days of closing (funding in escrow states).
- Verification that the business is open and operating must also be obtained within ten (10) business days of the note date.
- Below are examples of methods the lender may use to confirm the borrower's business is currently operating:
 - Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment).
 - Evidence of current business receipts within 10 days of the note date (payment for services performed).
 - Lender certification the business is open and operating (lender confirmed through a phone call or other means) or
 - Business website demonstrating activity supporting current business operations (timely appoints for estimates or services can be scheduled).

Self-Employment Income Used to Qualify

- When the third-party verification of the existence of the business indicates the business is closed or not currently operating, no income from the business may be used.
- No investigation into current income level outside of current Credit Guides is required if the business is open and operational.

Rental Income Used for Qualifying (Effective for loans submitted to Plaza in Application Review or greater status on or after April 10, 2020)

Rental income may not be used for qualifying on 2-4-unit owner occupied transactions or departing residence retained as rental unless the borrower has six (6) months PITIA reserves after closing for each residential property owned in addition to all required funds to close, plus payment reserves as required by current standard program guidelines.

4.4.2 Appraisal Documentation (Effective 3/27/2020)

Effective Dates Extended – Appraisal Flexibility

Appraisal completed on or before June 30, 2020 [UPDATE Extended to February 28,2021].

Originators when placing an order through Plaza Mercury Appraisal Ordering Platform, should place an order to obtain a Full Interior/Exterior Appraisal first. If unable to obtain a Full Interior/Exterior Appraisal because of COVID-19, apply the appraisal flexibility guidance as established by USDA/RD. The appraisal flexibility should be done in a waterfall approach, attempting an Interior/Exterior appraisal first, then Exterior Only.

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- An Exterior Only Appraisal is acceptable when the appraiser is unable to complete a full Interior/Exterior Report. This applies to both purchases and non-streamlined refinance transactions.
 - When an Exterior Only is obtained, the appraiser is not required to certify that the property meets HUD 4000.1 standards.
- Full Interior/Exterior appraisal is required on manufactured homes, new construction or construction-to-perm transactions.
- If a standard 1004D Evidence of Completion of Repairs cannot be obtained, the following flexible documentation is permissible:
 - A letter signed and dated by borrower confirming the work was completed accompanied by the following:
 - Photos of completed work OR
 - Paid invoices OR
 - Occupancy certificate/permit from the local authority.

For requirements on what each appraisal protocols and exhibits, refer to USDA COVID-19 Resources.

Resource - [USDA Rural Development COVID-19 Resources](#)

4.4.3 Forbearance

For purchase transactions (Manually Underwritten, Refer and Refer with Caution), applicants emerging from forbearance must have resumed repayment of their mortgage loan for a period of at least 3 months prior to applying for a new loan.

For non-streamlined and streamlined refinance transactions, the loan must have closed at least 12 months prior to the request to refinance, borrower must have resumed making payments for a period of at least 3 months and have a total 180-day period of satisfactory payments, excluding the time the loan was in forbearance.

For streamlined-assist refinance transactions, the borrower must have resumed making payments for a period of at least 3 months and not have any defaults in the previous 12-month period, excluding the time the loan was in forbearance.

