

Ralph M. Perrey, Executive Director



**MEMORANDUM**

DATE: March 30, 2020

TO: All Originating Agents

FROM: Rhonda Ronnow, Director of Single Family Loan Operations

SUBJECT: **Lender Temporary Guidance During COVID-19**

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As THDA continues to monitor the impact of the COVID-19, staff has received several questions from our Originating Agents. THDA wants to assure you that senior staff has taken action to protect our team members and to continue serving our customers. All Single Family Loan Operations staff are working remotely, and therefore THDA **does not** anticipate any interruptions or extended turn times for underwriting or purchasing loans at this time.

**THDA'S PROGRAMS**

THDA sells tax-exempt mortgage revenue bonds to investors and uses the proceeds from the sale to purchase the government loans from our lenders. THDA does not securitize or sell our bond loans. THDA is also self-sufficient and funds down payment assistance utilizing its own funds. These loans are owned by THDA, and serviced by the servicing department, Volunteer Mortgage Loan Servicing (VMLS). You can access the VMLS website to review the actions implemented to assist borrowers during the COVID-19 pandemic: <https://vol servicing.com/>. Since these loans are “whole” loans, this provides THDA more flexibility.

THDA is currently testing a Mortgage Backed Security pilot, and all COVID-19 guidance for that program is under the direction of Freddie Mac.

**LOCKING RATES**

THDA's rate lock system, THELMA, is available and there have been no changes with the lock process. Existing construction has a 90 day lock and new construction has a 180 day lock. Loan submissions should continue to contain the following: appropriate documentation to evidence the borrower(s) income, all applicable items indicated on the Submission Checklist and the automated underwriting system (AUS) results.

**APPRAISALS**

THDA follows ML 2020-05, temporary changes to FHA's appraisal protocols. Most Single Family Purchase transactions may utilize an optional Exterior-Only or Desktop-Only Appraisal inspection scope of work. The Exterior-Only and Desktop-Only Appraisal options must continue to be reported on the current FHA approved appraisal forms with amended certifications and scope of work disclosures. The appraisal report must include a signed certification indicating whether the Appraiser did or did not personally inspect the subject property and the extent of the inspection.

### **Exterior-Only Option**

The required protocols and exhibits under the Exterior-Only Option are:

- Appraiser will observe the Property and Improvements from the street.
- The Appraisal will be completed “AS IS” unless Minimum Property Requirements (MPS) related deficiencies are observed from the street or otherwise known.
- The Appraiser may utilize extraordinary assumptions when necessary.
- No sketch, interior photos or rear exterior photographs are required.

### **Desktop-Only Option**

The required protocols and exhibits under the Desktop-Only Option are:

- Appraiser will not physically observe the Property and Improvements.
- The Appraisal will be completed “AS IS” unless MPR related deficiencies are known.
- The Appraiser may utilize extraordinary assumptions when necessary.
- No sketch, interior photos, exterior photographs are required.
- No comparable viewing nor photos are required.

### **1004D Completion Report (Inspection)**

When a final inspection is required to evidence completion of a required repair, FHA will permit a letter signed by the borrower affirming that the work was complete with further evidence of completion by photograph, paid invoice, occupancy permits or other substantially similar documentation. These flexibilities are not permitted on new construction.

### **Temporary Waiver of Damage Inspection Reports in Presidentially-Declared Major Disaster Areas:**

Friday, March 27, 2020, the Federal Housing Administration (FHA) issued a waiver of its Single Family Housing Policy Handbook 4000.1 (SF Handbook) policy to temporarily suspend the requirement that FHA roster appraisers must complete damage inspection reports for properties pending sale or endorsement in Presidentially-Declared Major Disaster Areas (PDMDAs) associated with COVID-19. This waiver of SF Handbook policy is effective immediately. The waiver that needs to be provided in the file can be found here:

<https://www.hud.gov/sites/dfiles/Housing/documents/DamageInspectionWaiverinPDMDA.pdf>

### **VVOE**

Effective immediately, THDA will require a verbal verification (VVOE) with the closing package dated within 5 days of the note date. Per ML2020-05, FHA is allowing flexibilities related to the Originating Agent’s process of completing re-verification of employment, which includes verbal verifications of employment. Originating Agents do not need to provide a re-verification of employment prior to the Note date as described in Handbook 4000.1, Sections II.A.4.c.ii(C)(1)-(2) and II.A.5.b.ii(C)(1)-(2) Traditional and Alternative Current Employment Documentations, **provided that the Mortgagee is not aware** of any loss of employment by the borrower and has obtained:

- For forward purchase transactions, evidence the Borrower has a minimum of 2 months of Principal, Interest, Taxes and Insurance (PITI) in reserves; and
- A year-to-date paystub or direct electronic verification of income for the pay period that immediately precedes the Note date, or
- A bank statement showing direct deposit from the Borrower’s employment for the pay period that immediately precedes the Note date.

The direction from HUD will stay into effect until May 17, 2020.

## **IRS/TAX RETURNS/NON-FILING**

The IRS has extended tax day for 2019 taxes until July 15, 2020, and THDA will follow the IRS direction. The IRS is temporarily suspending new Income Verification Express Service (IVES) requests at this time as they make adjustments for the impact of the state and local shelter in place. The borrower(s) most recent tax return available should be included in the loan submission package sent to THDA. THDA will allow a signed copy from the borrower, a signed copy from the borrower's tax preparer or the borrower can access their own tax returns from the IRS website, <https://www.irs.gov/individuals/get-transcript>.

THDA also understands that obtaining a non-filing verification is difficult at this time. Please continue to try all avenues to have a non-filing in the underwriting submission package. THDA will need a signed statement from the borrower and/or occupants if non-filing is not in the file. Keep in mind since 2019 tax day has been extended until July 15, 2019, typically it is 60 days after that date before the IRS will issue a non-filing for 2019. At this time we are looking for 2018 non-filings and all statements (W2 or 1099, etc.) regarding any work during 2019. If a non-filing cannot be obtained, a trailing closing document condition will be issued to allow your loan to be closed and purchased by THDA. THDA will still need the non-filing within 120 days after closing. THDA will continue to monitor the IVES status with IRS in regards to a non-filing. If the IVES system is unavailable at 120 days, THDA will waive the trailing condition. If IVES is available and the non-filing is not provided to THDA, it is considered late delivery of trailing documents and 100 bps service release will be retained by THDA.

## **HOMEBUYER EDUCATION**

THDA's homebuyer education team is working closely with the counseling network to monitor turnaround time for the 1-hour follow up session required after the online course. Staff strongly encourage the follow up sessions be completed via phone or Zoom; during this time staff is discouraging any in-person counseling. If your borrower is experiencing a turnaround time that exceeds 2 business days to schedule the follow up session, or if your borrower's follow up session is scheduled for more than 7 days out, please notify the homebuyer education team at [HomebuyerEducationInfo@thda.org](mailto:HomebuyerEducationInfo@thda.org).

To assist customers who do not have internet access, an exception request may be submitted using the **Homeownership Education After Closing Exception Form** found on the website in the Loan Documents section. Each exception must be pre-approved by THDA; approval will allow pre-purchase education to be completed as soon as available after closing. The lender must complete the form, have it signed by borrower, and sent by email to [HomebuyerEducationInfo@thda.org](mailto:HomebuyerEducationInfo@thda.org) **prior to loan submission.**

## **CLOSURES OF RECORDING OFFICES**

We have information from ALTA that many title insurance companies are offering an Indemnity and Undertaking Agreement with their title agents. If you have a loan and the register's office is closed, and therefore a deed of trust cannot be recorded, a copy of the executed agreement between the title agent and title insurance provider should be included in the closing file. The file should also include the appropriate executed affidavits. The following link provides access to monitor recording office closings <https://www.alta.org/business-tools/coronavirus.cfm>. THDA is monitoring closing of these offices closely, and files will be conditioned accordingly. Please provide signed affidavits, the signed agreement or evidence from the title company if the recording office has reopened.

### **REMOTE ON-LINE NOTARIZATION (RON)**

Tennessee is a state that has Remote On-line Notarization (RON) legislation; more information can be found here <https://sos.tn.gov/products/business-services/online-notaries-public>. THDA will allow RON documents executed per state legislation, including application and seller affidavits. Wet signatures are required on mortgage note(s), deeds of trust(s) and THDA's deed of trust rider.

### **MORTGAGE NOTES**

Please continue to email your mortgage note(s) immediately after closing to [closing@thda.org](mailto:closing@thda.org). THDA requests a color image to identify the original blue ink signature. When uploading the closing package to THDA's online system THELMA, please include the tracking slip for the overnight containing the original note.

### **FIRST PAYMENT DEFAULTS**

This is a difficult time with employment uncertainties; therefore, THDA would like to provide some relief to the Originating Agents for first payment defaults. For loans THDA purchases with bond proceeds, a 90 day moratorium on first payment defaults will be put in place **immediately**. If any loan closed during the Presidentially-Declared National Emergency, as long as the loan did not contain other faults, the Originating Agent would not be required to repurchase the loan. VMLS servicing staff will work with the borrower(s) to offer options.

### **CURRENT THDA BORROWER**

THDA's servicing department, VMLS, is here to help your borrower. If you have been contacted by a previous customer needing assistance, please provide the web address for specific COVID-19 information from VMLS: <https://vol servicing.com/>. THDA also has Housing Counselors available to answer Loss Mitigation questions or assist with filling out the Loss Mitigation Package. The email is: [HUDcounseling@thda.org](mailto:HUDcounseling@thda.org).

### **THDA LENDER TRAINING**

At this time in-person trainings have been temporarily suspended; however our Customer Account Managers (CAMS) are available to host webinars via WebEx. Please reach out for training on our Great Choice Mortgage Loan MRB execution or if you would like to plan ahead for our GC-97 Freddie Mac release later this summer. The THDA CAM team will be able to assist you.

These are challenging and uncertain times. THDA is monitoring the situation closely and making adjustments as needed. THDA is committed to continuing our communication with our partners as adjustments are made. Staff encourages you to read the complete ML 2020-05 at: <https://www.hud.gov/sites/dfiles/OCHCO/documents/20-05hsgml.pdf> and take advantage of the COVID-19 Q&A HUD has put together at [https://www.hud.gov/sites/dfiles/SFH/documents/SFH\\_COVID\\_19\\_QA\\_03\\_18\\_20.pdf](https://www.hud.gov/sites/dfiles/SFH/documents/SFH_COVID_19_QA_03_18_20.pdf).

Thank you for your continued support and participation in the THDA mortgage loan programs. If you have any questions, please call 615-815-2100, e-mail [SFask@thda.org](mailto:SFask@thda.org) or contact your local THDA Customer Account Manager.