General Requirements

Income Stability

The stable and reliable flow of income is a key consideration in mortgage loan underwriting. Sun West Mortgage Company evaluates the likelihood that a consistent level of income will continue to be received for all borrowers.

Variable income:

All income that is calculated by an averaging method must be reviewed to assess the borrower's history of receipt, the frequency of payment, and the trending of the amount of income being received. Examples of income of this type include income from hourly workers with fluctuating hours, or income that includes commissions, bonuses, or overtime.

History of Receipt: Two or more years of receipt of a particular type of variable income is recommended; however, variable income that has been received for 12 to 24 months may be considered as acceptable income, as long as the borrower's loan application demonstrates that there are positive factors that reasonably offset the shorter income history.

Frequency of Payment: Sun West Mortgage Company must determine the frequency of the payment (weekly, biweekly, monthly, quarterly, or annually) to arrive at an accurate calculation of the monthly income to be used in the trending analysis (see below). Examples:

- If a borrower is paid an annual bonus on March 31 st of each year, the amount of the March bonus should be divided by 12 to obtain an accurate calculation of the current monthly bonus amount. Note that dividing the bonus received on March 31 st by three months produces a much higher, inaccurate monthly average.
- If a borrower is paid overtime on a biweekly basis, the most recent paystub must be analyzed to determine that both the current overtime earnings for the period and the year-to-date overtime earnings are consistent and, if not, why. There are legitimate reasons why these amounts may be inconsistent yet still eligible for use as qualifying income. For example, borrowers may have overtime income that is cyclical (transportation employees who operate snowplows in winter, package delivery service workers who work longer hours through the holidays). Sun West Mortgage Company must investigate the difference between current period overtime and year-to-date earnings and document the analysis before using the income amount in the trending analysis.

Income Trending: After the monthly year-to-date income amount is calculated, it must be compared to prior years' earnings using the borrower's W-2's or signed federal income tax returns (or a standard Verification of Employment completed by the employer or third-party employment verification vendor).

- If the trend in the amount of income is stable or increasing, the income amount should be averaged.
- If the trend was declining but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used.
- If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any variable income should be used, but in no instance may it be averaged over the period when the declination occurred.

Continuity of Income

Sun West Mortgage Company must ensure that all income used in qualifying the borrower will continue to be received by the borrower for the foreseeable future. If the income does not have a defined expiration date and the applicable history of receipt of the income is documented (per the specific income type), Sun West Mortgage Company may conclude that the income is stable, predictable, and likely to continue.

If the income source does have a defined expiration date or is dependent on the depletion of an asset account or other limited benefit, Sun West Mortgage Company must document the likelihood of continued receipt of the income for at least three years.

If the lender is notified that the borrower is transitioning to a lower pay structure, for example due to pending retirement, the lender must use the lower amount to qualify the borrower.

Unreimbursed Employee Expenses	Out-of-pocket, unreimbursed business expenses, reported on IRS Form 2106, must be deducted from the borrower's income when commission income is 25% or more of borrower(s) annual income. Note: Automated underwriting systems may not recognize negative "other income" so the effective income should be reduced by the average unreimbursed employee expenses.
Projected income/employment offers	Projected income, employment offers or contracts can be used as effective income in accordance with Fannie Mae. B3-3.1-09.
Self-employed income	When self-employed income is used to qualify, the following documentation is generally required: • Most recent two year individual federal tax returns (IRS Form 1040) with all applicable schedules, W-2's and K-1's • Most recent one year business tax returns (IRS Forms 1120, 1120S, 1065) in which the borrower has ownership interest of 25% or more as reflected in the borrower's K-1's. • If the borrower's ownership is more than 25%, qualifying income from business will be calculated using the lesser of: • Borrower's share of business income as per Cash Flow analysis(Form 1084); or • Income distribution to the borrower as verified on Schedule K-1. • Declining self-employment income must be justified by the Underwriter as stable. Sun West Mortgage Company follows Fannie Mae guidelines and DU/LP documentation requirement: When two years of signed individual federal tax returns are provided, Sun West Mortgage Company may waive the requirement for business tax returns if: • the borrower is using his or her own personal funds to pay the down payment and closing costs and satisfy applicable reserve requirements, • the borrower has been self-employed in the same business for at least five years, and • the borrower's individual tax returns show an increase in self-employment income over the past two years. For certain loan case files, DU will issue a message permitting only one year of personal and business tax returns, provided lenders document the income by: • obtaining signed individual and business federal income tax returns for the most recent year, • confirming the tax returns reflect at least 12 months of self-employment income, and • completing Fannie Mae's Cash Flow Analysis (Form 1084) or any other type of cash flow analysis form that applies the same principles. It may be necessary to obtain YTD Profit and Loss Statement for the current year in the following scenario or as per DU findings: • If borrower has filed for an extension for the most recent tax year along with Profit and loss statement for the most recent tax year, or;. • Business was reported to be in loss in any of the past two years, or; • Income decreased 10%-20% in the most recent business year then the most recent business year income will be used for qualification.

Liquidity Test on Self Employed Borrowers	• When income is used from partnership (form 1065) and/or S-Corp (form 1120S), this test will be required. • Irrespective of whether borrower's ownership percentage in the business is less than or more than 25%, Business income may only be used to qualify the borrower if: o the income was actually distributed to the borrower, or o the business has adequate liquidity to support the withdrawal of earnings. o If Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of adequate business liquidity is required. Otherwise liquid ratio to be calculated as mentioned below: • Quick Ratio (applicable to businesses that rely heavily on inventory to generate income): Quick Ratio = (current assets - inventory) ÷ current liabilities • Current Ratio (applicable to businesses that do not rely heavily on inventory to generate income): Current Ratio = current assets ÷ current liabilities • The result of this calculation should be one or more to pass the liquidity test. • When income is used from Corporation (form 1120): Liquidity test is a mandatory requirement.
Amended Tax Returns	• Borrowers who recently have amended tax returns are ineligible if the borrower is self-employed and any increase of income is being considered as per amended returns. • Minor amendments that do not affect the income (or loss) are acceptable.
Validation of Tax Returns	A complete and signed IRS Form 4506-C is required for every borrower on the loan application except for below cases: • If acceptable transcript already provided • All of the income is validated by the DU validation service Tax transcripts / Wage transcripts from the IRS are required to be documented in the loan file for each year. If the tax transcript of the return cannot be obtained due to the recent filing of the return by the borrower, the income may be used as documented below: • Professionally prepared: letter from the paid preparer must be provided to evidence that the return provided for the mortgage transaction match what was filed with the IRS. Borrower signed and dated tax returns may be used in lieu of transcripts. • Self-prepared: the return cannot be used for qualification purposes. If the borrower has not filed their return for the most recent year, then a copy of IRS Form 4868 is required in order to use the return for the previous year until October 15th. If IRS taxes are lien, then this must be paid off at or prior to closing.
Verbal Verification of Employment (VOE)	• A verbal verification of employment, or its equivalent, is required for all borrowers with an active employment.
AUS Restrictions	• Loans in the U.S. state of Virgin Island are only allowed with LPA (Loan Product Advisor). • ARM loans are to be reviewed as per Fannie Mae Guidelines (DU only)

	• Refer 'Automated Underwriting Systems' section in each product code guidelines for allowed AUS type.
Unacceptable Asset/Reserves Accounts	• Funds that have not been vested; • Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination, or death; • Stock held in an unlisted corporation; • Stock options and non-vested restricted stock; • Personal unsecured loans; • Cash proceeds from a cash-out refinance transaction. • Contributions by any interested party • Sweat equity • Paycheck protection Program (PPP) Loans • Small Business Administration (SBA) loans Notes: • For any retirement accounts (401(k), IRA, Keogh etc.) the borrower must have documented unrestricted access in order to qualify for reserves. • All funds required to close must be documented and fully sourced.
Occupancy Considerations as Principal Resident Properties	• Children wanted to provide housing for parents: If the parent is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the child is considered the owner/occupant. • Parents are legal guardian wanting to provide housing for their physically handicapped or developmentally disabled adult child: If the child is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the parent or legal guardian is considered the owner/occupant. • Multiple borrowers: Only one borrower needs to occupy and take title to the property except as otherwise required for mortgage that have guarantors or co-signers.
Business Assets	• Business Assets may be an acceptable source of funds for down payment, closing costs, and financial reserves when borrower is self employed. Individual federal income tax returns &/or business tax return are evaluated to perform a business cash flow analysis to confirm that the withdrawal of funds will not have negative impact on the business. Additional documentation may be required such as several months of recent business asset statements and/or current balance sheet in order to perform a quick ratio liquidity test. This may be due to the amount of time that has elapsed since the most recent tax return filing, or in order for Sun West Mortgage Company's requirement to perform its analysis for use of business assets.
Additional Reserves	• DU/LPA Approved Loan: Reserve requirement for other financed properties will be calculated by applying a specific percentage based on the aggregate Unpaid Principal Balance (UPB) for all the mortgages and Home Equity Line of Credit (HELOC) except primary residence and subject property. • DU will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties. • The percentage is determined by the number of financed properties owned by the borrower as explained below: o 1-4 financed properties: 2% o 5-6 financed properties: 4% o 7-10 financed properties: 6% Click here for further references and examples on calculating reserves for Additional Financed Properties.
Rental Income	Rental income is an acceptable source of stable income if it can be established that the income is likely to continue. If the rental income is derived from the subject property, the property must be one of the following: • A two- to four-unit principal residence property in which the borrower occupies one of the units, or

	• A one- to four-unit investment property. If a borrower has a history of renting the subject or another property, generally the rental income will be reported on IRS Form 1040, Schedule E of the borrower's personal tax returns or on Rental Real Estate Income and Expenses of a Partnership or an S Corporation form (IRS Form 8825) of a business tax return. If the borrower does not have a history of renting the subject property or if, in certain cases, the tax returns do not accurately reflect the ongoing income and expenses of the property, the lender may be justified in using a fully executed current lease agreement. Examples of scenarios that justify the use of a lease agreement are • purchase transactions; • refinance transactions in which the borrower purchased the rental property during or subsequent to the last tax return filing; or • refinance transactions of a property that experienced significant rental interruptions such that income is not reported on the recent tax return (for example, major renovation to a property occurred in the prior year that affected rental income). When the subject property will generate rental income, one of the following Fannie Mae forms must be used to support the income-earning potential of the property: • For one-unit properties: *Single-Family Comparable Rent Schedule* (Form 1007) (provided in conjunction with the applicable appraisal report), or • For two- to four-unit properties: *Small Residential Income Property Appraisal Report* (Form 1025). • When the borrower owns property - other than the subject property - that is rented, loan file must document the monthly gross (and net) rental income with the borrower's most recent signed federal income tax return that includes Schedule E. Copies of the current lease agreement(s) may be substituted if the borrower can document a qualifying exception with supporting documents. Example would be if the home had rehabilitation or repairs being made causing the rental to be out of service.
Departure Residence Policy for a property within a reasonable commuting distance to the new subject property	Sun West is committed to responsible lending practices and wants to minimize a potential "buy and bail" transaction. However, Sun West does understand that circumstances may exist where a loan no longer meets the needs of the applicant and a new primary residence may be warranted As determined by an SWMC ordered AVM or full appraisal dated within 60 days of note date, the borrower must have positive equity in the departing property to mitigate a potential "buy and bail" and to be eligible for new financing. Occupancy in the new subject property must be reasonable and meet the following requirements: ○ Must qualify with the entire PITIA payment ○ Must document an executed rental agreement with proof of deposit of rental security deposit ○ Must demonstrate motivation for new residence, such as: ▪ Increase in family size ▪ Vacating a jointly-owned property ▪ Documented medical condition • Departing residence must not be in the process of short-refinance or short-sale
Refinance of a mortgage debt included in bankruptcy or insolvency proceedings.	For loans which involve a refinance of a mortgage debt included in bankruptcy or insolvency proceedings, the loan debt must be properly reaffirmed, to the extent required under the applicable state law and United State Bankruptcy Code, during the proceedings by • Documented evidence that the mortgage was reaffirmed when papers were filed, **OR** • A separate executed affirmation agreement with the bankruptcy court Note: A credit report is not a reliable method of confirming a debt has been reaffirmed.

Credit Reports/ Undisclosed Debts	• Credit report must contain information from three different credit repositories. • Sun West Mortgage Company will examine inquiries to determine any potential for undisclosed or new liabilities
Business Debts in Borrower's Name	If self-employed borrower claims that a monthly obligation that appears on his or her personal credit report is being paid out of company funds and this was considered in its cash flow analysis of the borrower's business. (There must be an expense reduction for the payment reflected on the tax schedules). The account payment does not need to be considered as part of the borrower's individual recurring monthly debt obligations if: • The account in question does not have a history of delinquency, • The business provides acceptable evidence that the obligation was paid out of company funds (such as 12 months of canceled company checks), and • The lender's cash flow analysis of the business took payment of the obligation into consideration
Credit Supplements	• Sun West Mortgage Company will not accept credit supplements to document the removal of disputed debt and derogatory credit information from the credit report. A new credit report would be required.
Appraisal Validity Periods	• Four months preceding the date of the note and mortgage. Appraisal update can also be performed within this same time period. Note: Fluctuating market conditions may dictate the use of a shorter period or ineligibility of appraisal update reports.
UCDP Requirements	• All conventional loans must be accompanied by a successful submission summary report (SSR) from both Freddie Mac and Fannie Mae as well as the Document File Identifier generated by the UCDP (Doc File ID). Note: For loans in which Sun West Mortgage Company has ordered the appraisal report, this condition will not apply
Refinance of Home Equity Loan in Texas	A Home Equity Loan in Texas state may be refinanced as a Limited/No Cash Out Refinance, as classified under Texas law, provided the following requirements are met: • The refinance loan should close at least one year after the Texas 50(a)(6) home equity loan was closed; • Additional funds may not be advanced through the transaction other than the funds to refinance the existing debt and actual closing costs; • Maximum LTV/CLTV/HCLTV ≤ 80% of the fair market value of the homestead property; • Maximum fees and charges may not exceed 2% of the loan amount.
Unacceptable properties	• Vacant land or land development properties • Properties that are not readily accessible by roads that meet local standards • Agricultural properties, such as farms or ranches • On-frame modular construction • Units in condo or co-op hotels • Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate • Boarding houses • Bed and Breakfast properties • Properties that are not suitable for year-round occupancy regardless of location • Properties that do not demonstrate market acceptance • Multi-family residences (5 or more units).
Excess Land/Acreage or additional parcels	• The appraisal must include the actual size of the site and not a hypothetical portion of the site for the subject property. For example, the appraiser may not appraise only 5 acres of an unsubdivided 40-acre parcel. The appraised value must reflect the entire 40-acre parcel.
Title vesting requirements	• All borrowers must be vested on title; exception is allowed for properties held in the borrower's trust. • Refinance transactions involving properties being removed from a trust, business or removal of a borrower must be done prior to the closing of the loan.

- Non-borrowing spouses or civil unions/domestic partnerships must be correctly reflected on the loan documents in compliance with state statues.

Power of attorney

When a power of attorney is used, a fully executed POA must be provided and this must also be approved by Sun West Mortgage Company prior to the closing of the loan. Loan documents signed without an approved POA will not be accepted.

When using a Power of Attorney, the following guidelines apply:

- Letter of explanation must be provided for the use of the POA.
- The POA must be complete and fully executed.
- The POA must be "Specific" or "Special" that grants the attorney-in-fact to enter into a real estate mortgage transaction on behalf of the borrower and mortgage the subject property. Durable or General POA are not acceptable, except in states that require a statutory form or that prohibit the refusal of a Durable of General POA.
- POA is not unenforceable or illegal.
- POA must be revocable.
- POA document must be in effect at the time of loan application. If the POA expires, we must ensure that the loan will be able to fund prior to the expiration date.
- POA must be notarized.
- POA must be recorded concurrently with the security instrument/mortgage.
- POA must be acceptable and insurable by the title company issuing the title policy, and therefore, the title company must provide approval for the use of the POA and indicate that the final title policy will not have any exceptions for the use of the POA.
- For a refinance transaction, Sun West Mortgage Company will need a specific power of attorney. This POA should specifically state the terms of the refinance transaction, i.e. POA should include the Lenders Name; Loan Amount; Interest Rate and Term.
- The documents (including disclosures) can be signed by the POA only AFTER the POA is executed. The only exception is if we have a generic or general POA in effect and then the title company is simply requiring a more specific POA to be done at closing.
    - Note that some POAs are not valid or do not go into effect until the principal becomes mentally and/or physically disabled. Thus, if the principal is still mentally competent, the POA may not be valid.
    - If the principal is mentally incompetent, the POA must be durable and specifically designed to survive incapacity and avoid the need for court proceedings. This means that the designated POA can sign and act on behalf of the principal if and when the borrower becomes disabled or incapacitated.
    - Reviewed evidence from a physician (opinion letter etc.) that the borrower was, in fact, competent at the time the POA was executed whenever a power of attorney is used for a mentally incompetent borrower. An attorney, notary, or other witness is not acceptable to verify competency within the POA itself.
    - In the instance in which POA is acting on behalf of an incompetent borrower and the POA wants to take the incompetent borrower off the title to the property or deed it from the borrower to themselves, court approval needs to be obtained in order to allow this to happen as some title companies will not allow this to occur, especially if the POA is doing so in a self-serving manner.
    - Sometimes instead of a POA, there will be a guardian or court appointed conservator that has been assigned to the borrower. If that is the case, then we must be provided with the complete copy of the guardianship/conservatorship papers and the court must approve moving forward with the reverse mortgage transaction.

	Exception: For delegated loans, a POA does not need to be approved prior to closing.
Revocable Trust	• Trusts must meet all state, federal and agency lending regulations. • Trust must be revocable trust; irrevocable trust are not acceptable, in other words, if the home is taken out of the trust at some point, the borrower must be able to retain title to the home. • A property may only be held in the name of an inter vivos also known as a living trust, which is effective during the Settlor's lifetime. In general, a living trust is created during the lifetime of a person (as opposed to a testamentary trust which is created by the person's will after his/her death). • The trustee must have the power to borrow money, purchase, construct, and mortgage or encumber real property. This must be written into the trust as a trustee power. • The subject property must be an asset of the trust or the power is granted to add additional property to the trust if the subject property is not already listed as an asset. • A trustee cannot sign any of the loan documents on behalf of the borrower, only along with the borrower. Only a power of attorney or court appointed guardian can sign documents on behalf of the homeowner/borrower. The trustee only signs the security instruments on behalf of the trust. • The trust must have been created in the same jurisdiction of the subject property or meet the laws of the state in which the property is located. For example, if the trust was originally written in State X, but the mortgage borrower has since moved to State Y, an attorney opinion letter is required to verify that the trust that was created under the state laws of State X is legally binding and fully enforceable in State Y (where the subject property is located). • The trust needs to be properly executed per state law. Some states require a notary or 2 witnesses in order to be considered legally valid. • We do not accept unsigned or conformed copies. A fully executed copy is required. • We must have a complete or entire copy of the trust including ALL pages, articles and amendments. • With prior approval, Sun West Mortgage Company may accept a fully executed trust cert in lieu of a full trust if all of our trust requirements items can be verified by the certification provided and if we are also provided with an attorney opinion letter that clearly indicates that per the local state law we can rely solely on a trust cert for loan purposes in lieu of a complete trust. • When a loan is vested in the name of the trust, the vesting must include the complete trust name including the trust creation date. This complete trust vesting name including creation date must be on DOT and signature lines. • If the trust is amended and restated, the vesting will also need to include the verbiage "as amended and restated on" and the date in addition to the original trust creation date. Title and Title Insurance Requirements: • The title insurance policy must provide full title protection (trust approval) without listing any exceptions with respect to the trust or has issued a trust endorsement. The title company must document their approval for the use of the trust. • The title insurance policy state that title to the security property is vested in the trustee(s) of the inter vivos revocable trust. • Title to the security property is vested solely in the trustee(s) of the inter vivos revocable trust, jointly in the trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the trustee(s) of more than one inter vivos revocable trust. • Title held in the trust does not diminish the lender's rights as a creditor, including the right to have full title to the property vested in the lender should foreclosure proceedings have to be initiated to cure a default under the terms of the mortgage.

Significant Derogatory Credit Events – Waiting Periods	• **Bankruptcy (Chapter 7 or Chapter 11)** o A four-year waiting period is required, measured from the discharge or dismissal date of the bankruptcy action. *Exceptions for Extenuating Circumstances* A two-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the discharge or dismissal date of the bankruptcy action. • **Bankruptcy (Chapter 13)** o A distinction is made between Chapter 13 bankruptcies that were discharged and those that were dismissed. The waiting period required for Chapter 13 bankruptcy actions is measured as follows: ▪ two years from the discharge date; or, ▪ four years from the dismissal date. The shorter waiting period based on the discharge date recognizes that borrowers have already met a portion of the waiting period within the time needed for the successful completion of a Chapter 13 plan and subsequent discharge. A borrower who was unable to complete the Chapter 13 plan and received a dismissal will be held to a four-year waiting period. *Exceptions for Extenuating Circumstances* A two-year waiting period is permitted after a Chapter 13 dismissal, if extenuating circumstances can be documented. There are no exceptions permitted to the two-year waiting period after a Chapter 13 discharge. • **Foreclosure** o A seven-year waiting period is required, and is measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower. *Exceptions for Extenuating Circumstances* A three-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the completion date of the foreclosure action. Additional requirements apply between three and seven years, which include: ▪ Maximum LTV, CLTV, or HCLTV ratios of the lesser of 90% or the maximum LTV, CLTV, or HCLTV ratios for the transaction per the *Eligibility Matrix*. ▪ The purchase of a principal residence is permitted. ▪ Limited cash-out refinances are permitted for all occupancy types pursuant to the eligibility requirements in effect at that time. Note: The purchase of second homes or investment properties and cash-out refinances (any occupancy type) are not permitted until a seven-year waiting period has elapsed. • **Foreclosure and Bankruptcy on the Same Mortgage** o If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if the lender obtains the appropriate documentation to verify that the mortgage obligation was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied. • **Deed-in-Lieu of Foreclosure, Preforeclosure Sale, and Charge-Off of a Mortgage Account** o These transaction types are completed as alternatives to foreclosure ▪ A deed-in-lieu of foreclosure is a transaction in which the deed to the real property is transferred back to the servicer. These are typically identified on the credit report through Remarks Codes such as "Forfeit deed-in-lieu of foreclosure." ▪ A preforeclosure sale or short sale is the sale of a property in lieu of a foreclosure resulting in a payoff of

	less than the total amount owed, which was pre-approved by the servicer. These are typically identified on the credit report through Remarks Codes such as "Settled for less than full balance." ▪ A charge-off of a mortgage account occurs when a creditor has determined that there is little (or no) likelihood that the mortgage debt will be collected. A charge-off is typically reported after an account reaches a certain delinquency status, and is identified on the credit report with a manner of payment (MOP) code of "9." A four-year waiting period is required from the completion date of the deed-in-lieu of foreclosure, preforeclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower. *Exceptions for Extenuating Circumstances* A two-year waiting period is permitted if extenuating circumstances can be documented. **Note**: Deed-in-lieu and preforeclosure sales may not be accurately or consistently reported in the same manner by all creditors or credit reporting agencies. See Identification of Significant Derogatory Credit Events in the Credit Report above for additional information.
COVID-19 Forbearance Guidelines	• **If borrower is in Forbearance for any mortgage against subject or a non-subject property**: o **Cash out loans:** • The borrower should be current at the time of closing with no late payments in the last 12 months including the forbearance period. • Proof that forbearance plan is completed or terminated at or prior to closing is required. • Letter of explanation from borrower with the details regarding the circumstances that led to apply for forbearance should be provided. • In case of missed payments during forbearance underwriter should be able to justify that the reason behind forbearance is now mitigated (E.g. loss of employment/income) o **Purchase and No cash out loans:** • Proof that forbearance plan is completed or terminated at or prior to closing is required. • Letter of explanation from borrower with the details regarding the circumstances that led to apply for forbearance should be provided. • Mortgage payment history requirement (as per product guidelines) should be met excluding the forbearance period. • The borrower must have brought the account current prior to closing and should be current at the time of closing. o **Refinance loan with Suspended or deferred or accrued balance added to existing mortgage as a result of forbearance:** If existing loan went through any kind of loss mitigation program such as payment deferral or modification including scenarios where deferred balance was modified as second lien or added to the end of the amortization period, the outstanding balance including deferred/modified amount can be financed through new loan amount provided the borrower has made at least three timely consecutive payments as of the note date of the new transaction. Scheduled monthly payments could not be prepaid. **Note** - Acceptable documentation for verifying three timely payments can be a payment history from the servicer or verification of mortgage or latest mortgage statements covering most recent three months after completion of modification.