



Announcement TPL/WS20-04

May 18, 2020

Subject: Additional Updates to Amplify Third Party/Wholesale Lending Guidelines as a result of COVID-19

Due to the ongoing impact of COVID-19 causing volatility in the markets, the following additional (highlighted) overlays are effective immediately on all loans unless otherwise stated:

Topic	Details
<p>Verbal Verification of Employment</p> <p>(Non-Self- Employed Borrowers)</p>	<p>Non-Self-Employed (Salaried):</p> <p>All VVOEs must be completed with 3 business of the note date and must be completed by a HR representative, owner, or digital vendor and contain the following:</p> <ol style="list-style-type: none"> 1. Validation that the borrower is currently employed and not on leave or furlough 2. Confirmation that the borrower’s hours nor pay have been reduced in the last 30 days <p>Actions:</p> <p>If the borrower’s pay or hours have decreased, or they are on temporary leave or furlough, the borrower must qualify at the reduced income and determine that the income is stable. Updated income documents must be obtained.</p> <p>VVOE Options:</p> <ol style="list-style-type: none"> 1. Traditional Telephone Verbal Verification utilizing a phone number validated via third party 2. An email from the borrower’s employer must be from the employer’s email address, such as name@company.com 3. A Written verification of employment 4. Utilization of the Work Number or other digital/electronic verification sources. The electronic verification must clearly show: <ul style="list-style-type: none"> • the borrower is currently employed and not furloughed AND • the “Current As Of” date within the last 3 business days (not Verified On date) <ul style="list-style-type: none"> o If “Current As Of” date is not within 3 business days, a paystub within 3 days of Closing reflecting income sufficient to qualify is required. • Where pay is reflected on the electronic statement, it must be consistent with that reflected in the file.



<p>Verbal Verification of Employment</p> <p>(Self-Employed Borrowers)</p>	<p>Self-Employed:</p> <p>The standard VVOE requirements which require verification of a phone listing and address for the borrower’s business, or verification through a third party such as a CPA, regulatory agency or applicable licensing bureau are being updated to additionally require the following within 3 business days of the Note Date:</p> <ol style="list-style-type: none"> 1. The Borrower must provide a written statement that the business is open and operational and that the COVID-19 effects will not have a material impact on the financial statement provided at time of approval. 2. In addition, a bank statement that shows deposits, sourced to the business, must be obtained within 10 business days of the note date. These deposits must be consistent with the income used to qualify. <p>If bank statements are unable to be obtained, then the qualifying income must be reduced by 25%.</p>
<p>Self-Employment Attestation</p>	<p>A Self-Employment Attestation must be obtained to document the Borrower’s business has not been impacted by COVID-19 as described in the Verbal Verification of Employment overlays.</p> <p>Borrowers who own multiple businesses that generate income used to qualify will need an attestation completed for each business.</p> <p>The attestation(s) must be signed and dated within 72 hours of closing. A copy of the attestation can be found in the Documents section of the Third Party Lending Portal.</p>
<p>Unemployment Benefits As Qualifying Income</p>	<p>Unemployment benefits cannot be used to qualify a borrower unless they are clearly associated with seasonal employment that is reported on the borrower’s signed federal income tax returns.</p> <p>We recognize that many unemployed and furloughed individuals are eligible for unemployment benefits under the CARES Act; however, unemployment compensation is short-term in nature and is therefore not a reliable and predictable source of income for borrowers who are not established seasonal workers.</p>
<p>Furloughed Borrowers</p>	<p>The COVID-19 pandemic has resulted in an increase in furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee’s position when the furlough period ends.</p> <p>Until furloughed employees return to work, they are unable to provide evidence of a stable and reliable flow of employment-related income and are therefore ineligible under our Temporary Leave Income set forth in Fannie Mae’s Guidelines.</p>



<p>Tax Transcripts</p>	<p>Due to the IRS temporarily suspending acceptance of new 4506-T work as they adjust to the impact of state and local shelter in place orders, we are providing the following tax transcript guidance.</p> <ul style="list-style-type: none"> • Amplify Conventional: we are suspending the requirement for IRS Tax or W-2 Transcripts • Amplify Jumbo: Regardless of employment status, tax transcripts or statement from Licensed CPA reflecting stating that tax returns provided are true and correct copies of what was provided to the IRS. <p>Completed 4506-T forms, signed at closing, continue to be required for all loans.</p>
<p>Projected Income</p>	<p>Projected or future income is not allowed.</p>
<p>Variable Income</p> <p><i>(Effective on all new loan submissions received on or after April 24th, 2020)</i></p>	<p>Commission and Bonus</p> <p>Qualifying income must be reduced by 25%, unless the borrower can document 12 months reserves. Borrowers must also demonstrate a 2-year history of receiving this income in order to utilize it for qualification.</p>
<p>Rental Income</p>	<p>Rental income may be used only if the borrower’s FICO \geq 700 and the borrower can document six months of reserves for each financed property in which rental income is being used to qualify. If the reserve requirements are not met, then the borrower must qualify with the full PITIA for the subject and other REO properties owned.</p>
<p>Self-Employed Income</p>	<p>Due to the Income tax filing date being moved from April 15 to July 15, all self-employed income must be validated with a YTD Profit and Loss (P&L) and balance sheet if more than a calendar quarter has elapsed since the date of the most recent calendar or fiscal year-end tax return was filed by the Borrower.</p> <p>As noted above in the VVOE section, if the borrower cannot document business deposits within 10 days of the note date, the 25% reduction in income applies regardless of the number of months of reserves.</p> <p>If using Self Employed income or 1099 income, the income will be reduced by 25% to account for a disruption in the business unless the borrower can document 12 months of reserves.</p> <p>Self Employed borrowers who were required to shut down their businesses due to COVID-19 will need to re-establish their business(es) before income can be determined. Bank statements reflecting deposits may be provided to support the income being utilized for qualification. The average percentage of expenses shown on the tax returns and/or P&Ls will be subtracted to determine the qualifying income.</p>

THIRD PARTY / WHOLESALE LENDING



ANNOUNCEMENT



<p>Age of Documentation</p> <p><i>(Effective on all new loan submissions received between April 06, 2020 through June 30, 2020)</i></p>	<p>In order to ensure that the most up-to-date information is being considered to support the borrower’s ability to repay, we are modifying our age of document requirements to two months (60 days) for most income and asset documentation. If an asset account is reported on a quarterly basis, the most recently issued quarterly statement must be obtained.</p> <p>When you receive employment and income verification directly from a third-party employment verification vendor, the information from the vendor’s database should be no more than 60 days old as of the note date. NOTE: reverification information has a lower timeframe.</p> <p>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, public assistance, foster care, or royalty payments, the standard age of documentation applies to those documents.</p>
<p>Market-Based Assets</p> <p><i>(Effective on all new loan submissions received between April 06, 2020 through June 30, 2020)</i></p>	<p>Stocks, Stock Options, and Mutual Funds</p> <p>In light of current market volatility, the following requirements apply when the borrower is using stocks, stock options, or mutual funds for assets:</p> <ul style="list-style-type: none"> • When used for down payment or closing costs, evidences 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 may be considered, and liquidation is not required. • When an IRA reflects stocks or mutual funds and is being used for reserves, only 70% of the value of the asset may be considered.
<p>Refinance Transactions</p>	<p>Any loan in forbearance or for which forbearance has been requested is not eligible for financing.</p> <p>If the credit report evidences any forbearance red flags such as a blank or \$0 monthly payment or a note stating, “affected by natural disaster”, then obtain documentation from the current servicer or updated tradeline, dated within 5 days of closing, evidencing the borrower is not in forbearance.</p>
<p>Disaster Policy</p>	<p>FEMA has started declaring Pandemic Declarations. The disaster policy does not apply to FEMA disaster declarations arising from the Covid-19 pandemic.</p> <p>We will not be requiring disaster inspections on loans within such designated markets since they are not weather related.</p>



<p>Appraisal Requirements</p>	<p>Third Party Lending / Wholesale 2nd Liens</p> <ol style="list-style-type: none"> 1. Loan Amounts Under \$250,000: <ul style="list-style-type: none"> • If 1st lien findings reflect a PIW - An AVM must be requested from Amplify. 1st lien DU findings must be ran using the AVM value or PIW value, whichever is less. If findings remain approve/eligible, no further valuation documentation will be required. • If 1st lien findings do not reflect a PIW- a full or 1004 desk appraisal is required. 2. Loan Amounts over \$250,000 -\$510,400: <ul style="list-style-type: none"> • 1004 desk review appraisal is required. <p>Wholesale 1st liens</p> <ol style="list-style-type: none"> 1. Loan Amounts \$50,000-\$510,400: <ul style="list-style-type: none"> • A full or 1004 desk review appraisal is required. 2. Loan Amounts \$510,401 and higher: <ul style="list-style-type: none"> • A full appraisal is required. <p>Wholesale Home Equity Loans (all lien positions; Amplify will order the required valuation upon receipt of the Borrower’s Intent to Proceed):</p> <ol style="list-style-type: none"> 1. Loan Amounts \$50,000-\$100,000: <ul style="list-style-type: none"> • AVM is required 2. Loan Amounts \$100,001-\$250,000: <ul style="list-style-type: none"> • Property Inspection Report or Drive by 2055 exterior appraisal is required 3. Loan Amounts \$250,000k-\$510,400: <ul style="list-style-type: none"> • 1004 desk review appraisal is required. 4. \$510,401 and higher: <ul style="list-style-type: none"> • Full appraisal is required.
<p>Appraisal Update/ Completion Reports</p>	<p>We require the Appraisal Update and/or Completion Report (Form 1004D) to evidence completion when the appraisal report has been completed “subject to.”</p> <p>For all loans for which a completion certification is not available due to issues related to COVID-19, we will permit a letter signed by the borrower confirming that the work was completed.</p> <p>The Broker must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation.</p>
<p>eClosings /Remote Online Notary (RON)</p>	<p>eClosings and remote online notary closings are not allowed at this time.</p>

THIRD PARTY / WHOLESALE LENDING



ANNOUNCEMENT



Title Insurance	<p>Recording offices are closed in certain areas due to public health directives associated with COVID-19 that may create challenges to comply with normal title requirements.</p> <p>Title policies written on the 2006 ALTA loan title insurance form or a local equivalent with Covered Risk 14 “gap coverage” for matters arising between the loan closing date and the mortgage recording date.</p> <p>Schedule B of the title policy must not reflect any exception for this coverage.</p>
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Please contact your Third Party Lending Account Manager with any questions.