



Frequently Asked Questions Related to the Retirement of LL-2021-03

March 30, 2023

Fannie Mae is providing guidance to lenders regarding the retirement of the temporary eligibility requirements for purchase and refinance transactions policy in LL-2021-03, *Impact of COVID-19 on Originations*. These FAQs provide responses to common questions related to standard *Selling Guide* policies that now apply.

FAQs

Q1. Can I rely on the credit report to determine whether the borrower has an acceptable mortgage payment history?

Yes. In accordance with *Documenting Previous Mortgage History* in B3-5.3-03, the lender must review the borrower's credit report to determine the status of all mortgage accounts provided the credit report includes a reference to the mortgage and reflects 12 months of the most recent payment activity. *Documenting Previous Mortgage History* in B3-5.3-03 details what alternative sources a lender may use if the credit report does not include adequate mortgage payment history.

We acknowledge that credit reporting may vary by servicer and that payments missed due to a COVID-19-related forbearance may not be reflected on the credit report. However, as long as there is reporting reflected on the credit report for the past 12 months, lenders may rely on that information to assess eligibility as they would have prior to the COVID-19 pandemic and the related CARES Act requirements.

Q2. What if the credit report does not reflect the most recent payment activity?

If an adequate mortgage payment history is not included in the credit report, the lender must use an acceptable alternative method to confirm the mortgage payment history, as outlined in *Documenting Previous Mortgage History* in B3-5.3-03. If the lender is unable to obtain documentation as outlined in B3-5.3-03, the loan is not eligible for sale to Fannie Mae.

Q3. If a borrower missed mortgage payments during a COVID-19-related forbearance, how should those delinquencies be assessed?

Payments missed during the time of a COVID-19-related forbearance are not considered to be historical delinquencies for purposes of complying with *Excessive Mortgage Delinquency* in B3-5.3-03.

Q4. For refinance transactions, if the lender discovers a deferred balance on the subject mortgage payoff statement, is the loan eligible for sale to Fannie Mae?

Yes. The deferred balance can be included in the payoff amount on a limited cash-out refinance transaction in accordance with B2-1.3-02, *Limited Cash-Out Refinance Transactions*, because the deferred balance represents an amount necessary to pay off the existing first mortgage loan.

Note: If a second lien is in place that was used to resolve outstanding amounts/missed payments from a COVID-19-related forbearance, the transaction will be considered a cash-out refinance because the second lien was not used to purchase the property.



Q5. **What if the lender becomes aware the borrower is not current on an existing mortgage loan at the time of loan application?**

The mortgage payment history must comply with *Existing Mortgage Payment Requirements* in B3-5.3-03, which states the borrower's existing mortgage loan must be current at the time of loan application.