



# Advantage MPP

## GUIDE UPDATE BULLETIN

MPP BULLETIN 12-21

### Updates to the MPP Guide

Effective  
October 20, 2021

*Please contact our MPP  
Department at 1-800-274-  
4636 with questions.*

## FHLBank Indianapolis Updates to the MPP Guide

The changes to the MPP Guide described in this bulletin are effective October 20, 2021.

Changes in this bulletin include:

- An update to the Underwriting Guidelines requirement for tax transcripts for self-employed borrowers regardless of AUS (4506-C transcripts),
- An update to the Limitations and Restrictions matrix for “Construction-to-permanent”.
- Removal of a requirement for IRS transcripts for self-employed borrowers in the AUS section, and
- An addition of section 10.3 Loans in a Federal Disaster Area, which outlines servicing guidelines for loans in federal disaster areas.

### 6.0 FHLBI UNDERWRITING GUIDELINES

Section 6.0 has been updated to remove the following:

**Tax transcripts must be provided for self-employed borrowers regardless of AUS (effective August 2, 2021)**

### 6.1 LIMITATIONS AND RESTRICTIONS

The matrix in Section 6.1 has been updated as follows:

#### Limitations Applicable to All Matrices

**Construction-to-permanent** – Exception to the maximum age of documentation for single close transactions. Documentation greater than 120 days old may be eligible with a minimum credit score of 700, Approve or Accept/Eligible findings, and LTV/HLTV/HCLTV <= 70%. Manual underwriting is not accepted.

### 6.3.1.1 AUTOMATED UNDERWRITING SYSTEM (AUS)

Section 6.3.1.1 has been updated as follows:

1. Follow DU/LPA findings
2. DU/Day One Certainty and LPA/AIM are acceptable
  - a. Documentation is accepted
  - b. Exempt from Representation and Warranty relief
  - ~~c. IRS transcripts are required for personal and business returns for self-employed borrowers regardless of AUS.~~

### 10.0 SERVICING GUIDELINES

Section 10.3 has been added with the following:

#### 10.3 LOANS IN A FEDERAL DISASTER AREA

##### 10.3.1 RELIEF OPTIONS FOR BORROWERS

Temporary mortgage payment relief:

If the mortgaged property is within the federally declared disaster area and the subject property has been impacted or the borrower's income is affected by the disaster, servicers may temporarily suspend or reduce their mortgage payments for up to 90 days while establishing a Quality Right Party Contact (QRPC) to determine an appropriate course of action.

Forbearance

An appropriate relief measure in response to disasters is forbearance. Under forbearance, the servicer can agree to reduce or suspend the borrower's monthly payments for a specified period. The borrower must agree to resume his or her regular monthly payments and work with the servicer to determine a method to resolve the missed payments which may include a repayment plan or modification. Generally, after establishing QRPC, forbearance may be granted for a term of up to six months from the date of the first reduced or suspended payment. Written approval from FHLBank Indianapolis is required for longer periods or other resolution options.

##### 10.3.2 SERVICER REQUIRED ACTIONS

Once the servicer becomes aware that a property has incurred damage as the result of a disaster, the servicer must:

- Assess the extent of the damage and its effect on the borrower's ability to maintain their mortgage loan payment,
- Confirm the property is adequately insured against damage,

- Counsel the borrower on the availability of relief provisions and/or loss mitigation alternatives, including but not limited to referral to <http://www.fema.gov> and /or state government assistance,
- Waive any late payment fees accrued during the established hardship period or pending insurance settlement,
- Ensure that hazard (and flood or earthquake, as applicable) insurance claims are filed and settled promptly and that the properties are repaired fully, and
- Notify FHLBank Indianapolis with the details of the impact and actions being taken by sending an email with the pertinent information to [defaultreporting@fhlbi.com](mailto:defaultreporting@fhlbi.com).

If a servicer has any doubt about the effect of the disaster on the property's condition or the borrower's employment or income status, it should discontinue any legal action in process until it can determine the true status. The servicer should make its final decision on the appropriate course of action based on the findings.

*Note: FHLBank Indianapolis expects that servicers will be able to determine the true status within 90 days following the date of the disaster declaration.*

In reaching its final decision about a specific delinquency, the servicer should not:

- Take any action (including the initiation or completion of foreclosure proceedings) if it may jeopardize the full recovery of a hazard, flood, or earthquake insurance settlement; or
- Initiate (or complete) foreclosure proceedings related to a property that has been destroyed until it evaluates the economic feasibility of pursuing the foreclosure.

If the insurance loss settlement exceeds the outstanding indebtedness of the mortgage loan, it may be more practical to use the claim proceeds to satisfy the debt and let the borrower retain title to the property. The servicer should consult with FHLBank Indianapolis before using the insurance proceeds to pay off the loan.

FHLBank Indianapolis periodically issues Informational Bulletins to provide program updates and information to approved Mortgage Purchase Program (MPP) sellers, including: MPP Guide revisions and changes; operational guidance or clarifications; and notices/reminders of industry issues that may affect sellers and servicers.

The Informational Bulletins are coded so that users can easily identify the issue and year of bulletin publication. For example, "Bulletin 04-20" indicates the fourth Informational Bulletin issued in 2020.

Please retain these bulletins with your MPP Guide for easy reference. Bulletins can also be found posted on the MPP Materials page online.

