



Advantage MPP



INFORMATIONAL BULLETIN

MPP BULLETIN 05-18

October 18, 2018

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

Hurricane Michael Relief for Borrowers/Eligibility Guidance

The Federal Home Loan Bank of Indianapolis (FHLBank Indianapolis) is implementing temporary directives for loan origination and servicing procedures as they relate to properties affected by Hurricane Michael in order to help borrowers to return to their homes and lives.

This bulletin outlines:

1. Relief options for borrowers
2. Servicer requirements
3. Loan eligibility guidance

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. A servicer may grant relief for a borrower impacted by the disaster while it attempts to establish Quality Right Party Contact (QRPC) and determine an appropriate course of action. Servicers must consult with FHLBank Indianapolis before granting disaster-related relief that exceeds 90 days.

Forbearance

An appropriate relief measure in disasters is forbearance. Under forbearance, the servicer can agree to reduce or suspend the borrower's monthly payments for a specified period. After that, the borrower must agree to resume his or her regular monthly payments and to pay additional money at scheduled intervals toward repayment of the amount reduced or suspended. Generally, after establishing QRPC, the term of forbearance may be granted up to six months from the date of the first reduced or suspended payment. Written approval from FHLBank Indianapolis is required for longer periods.

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 sustain 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;
- waive any late payment fees associated with the disaster or pending insurance settlement; and
- ensure that hazard (and flood or earthquake, as applicable) insurance claims are filed and settled promptly and that the properties are repaired fully.

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. Then, 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 lot.

3. Loan eligibility in affected areas:

The following requirement is a supplement to Section 12.2.4.1.8 of the MPP Guide:

All loans sold to FHLBank Indianapolis on or after October 8, 2018 that are secured by properties in the FEMA declared disaster area(s) will require one of the following:

- An Appraisal Update (1004D) must be completed prior to loan closing with an interior/exterior inspection including photos to verify no damage has occurred as a result of the disaster. This is applicable for all loans with appraisals dated prior to October 9, 2018.
- A full appraisal report (1004/1073) must have a comment addressing the post-disaster condition of the property for all appraisals dated on or after October 9, 2018. Any property that is identified as being damaged must be repaired prior to loan closing.

This situation is fluid; MPP staff will continue to monitor and update you as these directives evolve. As always, please contact staff with any questions related to this bulletin.

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.

The Informational Bulletins are coded so that users can easily identify the issue and year of bulletin publication. For example, "Bulletin 04-15" indicates the fourth Informational Bulletin issued in 2015.

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