



Advantage MPP



INFORMATIONAL BULLETIN

MPP BULLETIN 13-20
September 29, 2020

**Natural Disasters, COVID-19
Related Updates, and
Language Clarification for
Loan Amortization Types**

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

Relief for Borrowers and Eligibility Guidance for Properties in Federally Declared Disaster Areas

The Federal Home Loan Bank of Indianapolis (FHLBank Indianapolis) has implemented directives for loan origination and servicing procedures as they relate to properties affected by federally declared disasters in order to help borrowers to return to their homes and lives.

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 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 or other resolution options.

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 property.

Loan eligibility in affected areas:

The following is a reminder of the eligibility requirement in Section 12.2.4.1.8 of the MPP Guide regarding loans located in a federally declared disaster area:

FHLBank Indianapolis will purchase mortgage loans secured by properties located in a federal disaster area, provided the Seller submits the following documentation to FHLBank Indianapolis:

- 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 FEMA's Major Disaster event date.
- 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 FEMA's Major Disaster event

date. Any property that is identified as being damaged must be repaired prior to loan closing.

- The Seller should contact the appropriate regional FEMA offices to determine where properties located in its origination regions are included in the disaster areas.

FHLBank Indianapolis will not purchase the mortgage loan until any damages arising out of the disaster are repaired.

COVID-19 Origination and Loan Delivery

FHLBank Indianapolis continues to monitor the COVID-19 pandemic and its potential impact on borrowers as well as our members. These MPP Bulletins are intended to provide additional information to keep you informed of related changes.

Extension of effective dates

Advantage MPP has elected to adhere to the Fannie Mae and Freddie Mac guidance regarding temporary selling flexibilities for certain requirements such as appraisals and income documentation. For these items, Fannie Mae and Freddie Mac have extended the effective date to include mortgages with application dates through 10/31/2020. Consequently, to stay in concert with the selling flexibilities related to COVID-19, FHLBank Indianapolis has extended the effective date to 10/31/2020 as well.

Loan Delivery

As a reminder, mortgage loans must be current at the time of sale to FHLBank Indianapolis. Loans that have been placed into forbearance prior to sale are not considered current and are presently ineligible for delivery to Advantage MPP. Loans that were granted forbearance but have been fully reinstated prior to sale are considered current and are eligible for delivery to Advantage MPP.

Language Clarification for Loan Amortization Types

FHLBank Indianapolis is making the following language clarification to section 6.2.1.4 of the MPP Guide

Fixed Rate, Level-Payment Mortgages

Mortgage loans must provide for fixed rate, level-payment principal and interest payments that do not change for the life of the loan and must:

- Fully amortize over the remaining term to maturity, with the ~~original maturity not to extend more than 30 years~~ **amortization term not to exceed 360 months on the fixed rate, level-payment portion of the loan, and**

- Have no potential negative amortization, rate concessions (buy-downs), or graduated-payment mortgage (GPM) features.

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 06-20" indicates the sixth Informational Bulletin issued in 2020.

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 at www.fhlbi.com.