



ASSISTANT SECRETARY FOR  
PUBLIC AND INDIAN HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

**Date: April 22, 2021**

**Dear Lender Letter 2021-04**

**To:** All Tribes  
All Tribally Designated Housing Entities  
All Section 184 Approved Lenders and Servicers  
All Section 184A Approved Lenders and Servicers

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**Subject** Underwriting Guidelines for Refinance transactions, including Borrowers with previous COVID-19 Forbearance history; Payment History requirements for purchase transactions for Borrowers with previous COVID -19 Forbearance history

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**Purpose** The purpose of this Dear Lender Letter (DLL) is to inform Lenders participating in the Section 184 Indian Home Loan guarantee program (Section 184) and the Section 184A Native Hawaiian Housing Loan Guarantee program (Section 184A) of underwriting guidelines for Refinance transactions, including Borrowers with previous COVID-19 Forbearance history, as well as Payment History requirements for purchase transactions for Borrowers with previous COVID-19 Forbearance history

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**Effective Date** The provisions of this DLL may be implemented immediately but must be implemented for case numbers assigned on or after April 22, 2021.

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**Public Feedback** HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the Office of Loan Guarantee at [Section184Comments@hud.gov](mailto:Section184Comments@hud.gov). HUD will consider the feedback in determining the need for future relief.

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**Affected Programs** This guidance applies to Section 184 and Section 184A programs. The policy updates in this DLL replace Chapter 11 of the Section 184 Processing Guidelines and Chapter 10 of the Section 184A Processing Guidelines, as well as supersede the requirements of PIH Notice 2014-22– where they conflict.

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## Background

When a Borrower experiences significant reduction in income due the COVID-19 National Emergency, that may prevent them from making the required mortgage payment under the terms of the Note, Lenders may offer the Borrower the option to enter into COVID-19 Forbearance as a loss mitigation option to avoid foreclosure.

HUD recognizes the adverse impacts of such extenuating circumstances on a Borrower's ability to recover and resume meeting their financial obligations and that upon successful completion of a COVID-19 Forbearance, there may be the need and the opportunity for a Borrower to refinance an existing mortgage or purchase another home in accordance with Section 184 or 184A program eligibility requirements.

To continue facilitating affordable homeownership and mortgage financing opportunities for current and potential Borrowers, while mitigating risk to the Section 184 and 184A Loan Guarantee Funds, HUD is modifying its underwriting guidelines for Refinance and purchase transactions for these programs to address Payment History requirements for new and existing Borrowers who were granted a COVID-19 Forbearance.

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## Summary of Changes

This DLL updates the underwriting guidelines for Refinance transactions for the Section 184/184A programs (Chapter 11 of the Section 184 Processing Guidelines and Chapter 10 of the Section 184A Processing Guidelines) and establishes new guidelines for Borrowers under a COVID-19 Forbearance.

Updates to existing Refinance transactions:

- For Cash-Out Refinances, the Payment History review requirement is reduced to 24 months.
- Additional clarification on the acceptable sources to determine a Borrower's Payment History for Refinance transactions.

New guidelines for Borrowers under a COVID-19 Forbearance:

- Generally, a Borrower who was granted a COVID-19 Forbearance in accordance with DLLs 2020-06 and 2021-02 may be eligible for a Refinance transaction provided the Borrower made regularly scheduled mortgage payments in compliance with the COVID-19 Forbearance and has completed or terminated the forbearance.
- For No Cash-Out Refinances, Streamline Refinances or Purchase transaction after a COVID-19 Forbearance, the Borrower must have made all mortgage payments within the month due for the six months immediately prior to case number assignment and have no more than one 30-day late payment during the preceding six-month period.

- For No Cash-Out Refinances after a COVID-19 Forbearance the Borrower must have made at least 3 consecutive monthly mortgage payments post forbearance or 6 consecutive monthly mortgage payments for a Loan Modification after forbearance.
- For Cash-Out Refinances after a COVID-19 Forbearance, the Borrower must have made at least 12 consecutive monthly mortgage payments post forbearance or under a Loan Modification after forbearance.
- For Streamline Refinances after a COVID-19 Forbearance the Borrower must have made at least 6 consecutive monthly mortgage payments prior to forbearance and made at least 3 consecutive monthly mortgage payments post forbearance or under a Loan Modification after forbearance.
- For Purchase Transactions after a COVID-19 Forbearance, the Borrower must have made 3 consecutive mortgage payments post forbearance or 6 consecutive monthly mortgage payments for a Loan Modification after forbearance.
- A tribe or tribally designated housing entity (TDHE) Borrower that was granted a COVID-19 Forbearance is not required to meet any of the post COVID-19 Forbearance Payment History requirements for No Cash Out Refinances, Streamline Refinances or Purchase Transactions if the tribe or TDHE is able to certify that its income levels have returned to pre-forbearance levels.

**Section 184/184A  
Refinance  
Transactions  
General  
Requirements**

The Section 184/184A programs offer three types of refinances:

- No Cash-Out Refinance;
- Cash-Out Refinance; and
- Streamline Refinance.

Borrowers refinancing their mortgage loans are required to pay the same Loan Guarantee Fee that is required of new acquisitions. The Loan Guarantee Fee is non-refundable and may be financed or paid in cash at closing. The Borrower will not receive credit for a Loan Guarantee Fee from a Section 184/184A Loan that is being paid off.

Any late fees, escrow shortage or prepayment penalties are not allowed to be included as part of the refinance.

Unless otherwise specified below, the Direct Guarantee Underwriter evaluating a Refinance loan is to assess the Borrower's eligibility and the Borrower's ability and willingness to repay the mortgage debt using the same standards as they would if the loan type was an acquisition in accordance with PIH Notice 2014-22 for Section 184 loans and program guidelines for Section 184A loans.

For all types of transactions, a Borrower's housing expense is considered late if not paid within the month due.

For all types of Refinances, the Borrower must have made the payments for all mortgages secured by the subject property for the month due prior to disbursement of the new mortgage.

For No Cash-Out and Cash-Out Refinance transactions, a new appraisal is always required. A Streamline Refinance does not require an appraisal, unless the Borrower is seeking to finance closing costs as part of the Streamline Refinance.

For No Cash-Out Refinance and Streamline Refinance with an appraisal transactions, Borrowers are permitted to receive a maximum of \$500 cash back as part of the transaction, in addition to any reimbursement of closing costs paid in advance.

Lenders are required to use the Uniform Residential Loan Application (Fannie Mae Form 1003) and Section 184/184A Addendum to the Loan Application (HUD 50111 or HUD-50111A respectively) for all Refinance transactions.

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**Trust Land  
Documentation**

The following items are required in addition to all other standard Section 184 documentation, as prescribed by PIH Notice 2014-22, and must be included in the Loan file for all Refinance loans located on Trust land.

**Lease** - Borrowers seeking a refinance on Trust Land must have a current lease in place, executed between the Tribe and the Bureau of Indian Affairs, and the lease must have an expiration that exceeds the term of the new Loan by 10 years.

**Certified Title Status Report** - The Lender is required to obtain a certified Title Status Report (TSR), free of critical defects, from the Bureau of Indian Affairs. The certified TSR should include a copy of both the recorded Loan and lease, if applicable. The certified TSR cannot be older than 1 year at the date of case number assignment for Tribal Trust or individual allotted trust with an executed lease. For individual trust land without a lease, the TSR cannot be older than 6 months as of the date of case number assignment.

BIA approval of the Loan is required for allotted trust land without a lease. Loans on allotted or individual trust land without a lease must be submitted to the BIA for underwriting and approval of the Loan. BIA approval is required prior to loan closing.

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**No Cash-Out Refinance**

A No Cash-Out Refinance can be used for the following purposes:

- to reduce the interest rate or modify the term of the existing mortgage;
- to payoff a mortgage loan obtained to construct a home;
- to remove a co-owner or spouse; or
- to consolidate subordinate liens.

A No Cash-Out Refinance must meet the following standards.

**Minimum Occupancy Requirement** - The property must have been owned by the Borrower as his/her principal residence for a minimum of 6 months prior to the date of case number assignment.

**Payment History** - The Direct Guarantee Underwriter must examine a Borrower's Payment History for 24 months prior to case assignment. To be eligible for a No Cash-Out Refinance, the Borrower must have made all payments on their housing expense within the month due for the previous 12 months.

**Section 184/184A Mortgage Credit Analysis Worksheet (MCAW)** - Lenders are required to use the Section 184/184A MCAW (HUD Form 50132 or HUD Form 50132A) to determine the Base Loan Amount (Mortgage without Loan Guarantee Fee) and the Maximum Principal Loan Amount (Mortgage with Loan Guarantee Fee).

**Base Loan Amount** - The base loan amount for a No Cash-Out Refinance is the lesser of:

- the existing debt: the sum of the mortgage payoff, interest, seasoned subordinate liens, closing costs, prepaid expenses, reasonable discount points, and Borrower paid repairs required by the appraisal;
- 97.75% of the appraised value of the property (or 98.75 percent if the value of the property is \$50,000 or less); or
- the Section 184/184A Loan Limits in effect as of the date of case number assignment

**Maximum Cash to Borrower** - A No Cash-Out Refinance is limited to a maximum of \$500 cash back to the Borrower at closing for costs paid in advance during loan processing.

**New Home Construction Completed Prior to Closing** - When a No Cash-Out Refinance is used to pay off a mortgage for the construction of a new home, the Direct Guarantee Underwriter must obtain and review the following documentation:

- Construction payoff statement, including accrued interest and the origination date of the construction loan;
- Closing Disclosure Statement showing original loan amount and all costs to construct the home;
- Termite treatment (if state required);
- Builder's Certification (HUD 92541);
- A 1-year warranty (HUD 92544 or HUD 50110-A);
- Health authority approval on well and septic (if applicable);
- Flood Certificate; and
- One of the following:
  - a 10-year warranty;
  - a minimum of 3 inspections by a fee inspector; or
  - a building permit and certificate of occupancy or the equivalent.

**Removal of Co-owner or Spouse** - A No Cash-Out Refinance may be used to buy out the equity of a co-owner or spouse. The specified equity to be paid is considered property-related indebtedness and is eligible for inclusion in calculating the new Loan. A divorce decree, settlement agreement, or other bona fide equity agreement must be provided to document the equity to be paid to the co-owner or spouse.

**Subordinate Liens** - Borrowers seeking a No Cash-Out Refinance may be eligible to pay off an existing subordinate lien on the subject property by including the lien in the No Cash-Out Refinance, or a Borrower may subordinate the junior lien.

*Payoff of a Subordinate Lien* - A No Cash-Out Refinance permits the payoff of a subordinate lien that meets the following requirements.

- The subordinate lien that will be paid in full must meet a 12-month seasoning requirement.
- Any cash advance in the past 12 months on a subordinate lien, including a line of credit, may be included if the Borrower provides conclusive evidence (e.g., canceled checks and paid invoices) that the proceeds were used for the repair or rehabilitation of the subject property.

Any funds in excess of \$1,000 advanced within the past 12 months and for a purpose other than repairs and rehabilitation of the subject property are not eligible for inclusion in the No Cash-Out Refinance.

Subordination of a Junior Lien - A No Cash-Out Refinance permits the subordination of a junior lien, including a line of credit, regardless of when originated. The combined loan-to-value (CLTV) ratio of the No Cash-Out Refinance and all other liens cannot exceed 100 percent of the appraised value of the subject property. The Lender must use the maximum credit limit of any existing subordinate lien or line of credit to calculate the CLTV ratio.

Closing Cost Assistance Lien - Lender is required to obtain the original Closing Disclosure Statement for the existing mortgage to verify if closing cost/down payment assistance was provided. Tribal approval is required prior to closing for the payoff or subordination of this type of lien.

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## **Cash-Out Refinance**

Borrowers may be eligible to leverage accumulated equity in their home for a variety of purposes through a Cash-Out Refinance. A Cash-Out Refinance must meet the following standards.

**Minimum Occupancy Requirement** - The property must have been owned by the Borrower as his/her principal residence for a minimum of 12 months prior to the date of case number assignment.

**Payment History** - The Direct Guarantee Underwriter must examine a Borrower's Payment History for 24 months prior to case assignment. To be eligible for a Cash-Out Refinance, the Borrower must have:

- no late payments in the past 24 months on all accounts;
- no late payments in the past 24 months on all mortgage accounts; and
- no bankruptcy, judgment, or liens in the past 24 months.

**Mutual Help Purchases** - Borrowers purchasing their Mutual Help home may apply for Cash-Out Refinance to pay off the existing debt, if any, and obtain cash distribution of up to \$25,000. Lender is required to obtain a Payment History and payoff statement from the Tribe and/or the housing authority for the Mutual Help home.

**Non-Occupant Co-Borrowers** - Non-occupant co-Borrowers may not be added for qualifying purposes to a Cash-Out Refinance. Any co-Borrower being added to the note is required to be an occupant of the subject property.

**Section 184/184A Mortgage Credit Analysis Worksheet (MCAW)** - Lenders are required to use the Section 184/184A MCAW (HUD Form 50132 or HUD Form 50132A) to determine the Base Loan Amount (Mortgage without Loan Guarantee Fee) and the Maximum Principal Loan Amount (Mortgage with Loan Guarantee Fee).

**Base Loan Amount** - The base loan amount allowable for a Cash-Out Refinance is 85% of the appraised value of the subject property.

**Maximum Cash to Borrower** - A Cash-Out Refinance that includes a cash distribution directly to the Borrower is limited to \$25,000.

**Cash-Out Letter** - The Direct Guarantee Underwriter must provide an executed statement from the Borrower describing how the funds are to be utilized.

**Closing Cost Assistance Lien** - Lender is required to obtain the original Closing Disclosure Statement for the existing mortgage to verify if closing cost/down payment assistance was provided. Tribal approval is required prior to closing for the payoff or subordination of this type of lien.

**Payments to Creditors** - All payments to third party creditors are required to be paid in full and the account closed. This must be documented on the Closing Disclosure Statement.

**Repairs to the Subject Property** - The CLTV ratio of the Cash-Out Refinance cannot exceed 85 percent of the appraised value of the subject property. If the Borrower is requesting a Cash-Out Refinance for home improvements or rehabilitation exceeding \$10,000, the Lender must process the loan as a single close construction/rehabilitation loan and not a Cash-Out Refinance.

**Subordination of a Junior Lien** - A Cash-Out Refinance permits the subordination of a junior lien, including a line of credit. The CLTV ratio of the Cash-Out Refinance and all other liens cannot exceed 85 percent of the appraised value of the subject property. The Lender must use the maximum approved credit limit of the existing subordinate lien to calculate the CLTV ratio.

**Properties Owned Free & Clear**- Properties owned free and clear are eligible for Cash-Out Refinance.

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**Streamline  
Refinance  
Transactions**

Streamline Refinance is the refinance of a Loan currently guaranteed through the Section 184/184A programs. A Streamline Refinance will typically have a Net Tangible Benefit for the applicant, which will lower the Borrower's monthly loan payment or reduce the term of the loan.

There are three types of Streamline Refinance: with an Appraisal, without an Appraisal and Credit Qualifying. A Streamline Refinance, without an Appraisal, only covers the outstanding principal balance, a Streamline Refinance with an Appraisal may include closing costs and prepaid expenses into the new Base Loan amount, or a Credit Qualifying Streamline Refinance which is only required under certain circumstances.

A Streamline Refinance is not required to meet the requirements of PIH 2014-22 and must meet the following standards.

**Minimum Occupancy Requirement** - The property must have been owned by the Borrower as his/her principal residence for a minimum of 12 months prior to the date of case number assignment.

**Payment History** - The Direct Guarantee Underwriter must examine a Borrower's Payment History for 12 months prior to case assignment. To be eligible for a Streamline Refinance, the Borrower must have made all payments on their housing expense within the month due for the previous 12 months.

**Section 184/184A Mortgage Credit Analysis Worksheet (MCAW)** - Lenders are required to use the Section 184/184A MCAW (HUD Form 50132 or HUD Form 50132A) to determine the Base Loan Amount (Mortgage without Loan Guarantee Fee) and the Maximum Principal Loan Amount (Mortgage with Loan Guarantee Fee). The sections of the MCAW related to income, assets, debts, and other obligations do not generally require completion (unless you are deleting a Borrower).

**Evidence of Existing Section 184/184A Loan** - The Lender is required to indicate on the case number request form (HUD Form 50131 or 50131A) that the refinance is a Streamline Refinance and provide the case number for the existing loan.

**Base Loan Amount for Streamline Refinance** – The chart below highlights how the base loan amount should be calculated.

With an Appraisal, the lesser of:	Without an Appraisal, the lesser of:
The outstanding principal balance plus interest, closing costs, prepaid expenses and reasonable discount points; or	The outstanding principal balance; or
Appraised value times 97.75% (or 98.75% if the value of the property is \$50,000 or less).	The amount of the original Loan Guarantee Certificate for the existing Loan.
Not exempt from Section 184/184A Loan Limits in place as of the date of case number assignment.	Exempt from Section 184/184A Loan Limits in place as of the date of case number assignment.

**Adding or Deleting a Borrower-** A Borrower may be added to the Note with a Streamline Refinance. A Borrower may be deleted from the Loan through a Credit Qualifying Streamline Refinance.

**Subordination of a Junior Lien -** A Streamline Refinance permits the subordination of a junior lien, including a line of credit or closing cost/down payment assistance loan.

<i>Streamline with an Appraisal Subordination of Junior Lien:</i>	<i>Streamline without an Appraisal Subordination of Junior Lien:</i>
Line of credit or closing cost/down payment assistance loan.	Closing cost/down payment assistance loan only.
Maximum approved limit for the line of credit lien is used to calculate the CLTV ratio.	Not Applicable
The CLTV ratio may not exceed 100% of the appraised value of the subject property.	The CLTV ratio may not exceed the amount of the original Loan Guarantee Certificate for the existing Loan.

If a tribe provided closing cost assistance, the Lender is required to obtain the original Closing Disclosure Statement for the existing mortgage to verify if closing cost/down payment assistance was provided. Tribal approval is required prior to closing for the subordination of a tribally funded closing cost/down payment assistance lien.

**Net Tangible Benefit** - The Lender is required to determine that there is a net tangible benefit as a result of the streamline refinance transaction (with or without an appraisal). Net tangible benefit is defined as either:

- A reduction of at least 5% in the mortgage payment (principal and interest); or
- A reduction in the term of the mortgage provided the payment increase is less than 15%.

**Verification of Employment** - The Lender is required to include a signed and dated verification of employment (written or verbal) or if retired, documentation to evidence source of income.

**Cash-to-Close** - If the Borrower needs less than \$1,000 in cash to close, documentation of the funds is not required.

**Maximum Cash to Borrower** - A Streamline Refinance is limited to a maximum of \$500 cash back to the Borrower at closing.

**Credit Qualifying Streamline Refinance** - A Credit Qualifying Streamline Refinance may be required when a Borrower is impacted by the following:

- when a change in the loan term will result in an increase in the monthly loan payment of more than 20%;
- when deletion of a borrower or borrowers will trigger the due-on-sale clause; or
- following the assumption of a Section 184 Guaranteed Loan that occurred less than six months prior to case number assignment and did not trigger the transferability restriction (that is, the due-on-sale clause), such as in a property transfer resulting from a divorce decree or by devise or descent.

If any of the above apply, the Direct Guarantee Underwriter must also evaluate the Borrower's income and credit in accordance with PIH 2014-22, except for Item 8: Section 184 Loan Limits, Item 12: Loan Parameters, "Property Flipping," Item 13: Land Value/Appraisal Review and Item 14: Waivers.

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**Required  
Documentation  
for Refinance  
Transactions**

This DLL provides additional clarification for PIH Notice 2014-22 and Section 184A guidelines on the acceptable sources to determine a Borrower's Payment History for Refinance Transactions.

The Direct Guarantee Underwriter must determine the Borrower's mortgage Payment History through:

- the credit report;
- verification of mortgage received directly from the Lender; or
- a review of canceled checks that cover the most recent 24-month period.

Where a mortgage reflects payments under a Forbearance Plan and/or Modification Agreement within the 12 months prior to case number assignment, the Lender must obtain:

- a copy of the Forbearance Plan and/or Modification Agreement; and
- evidence of the mortgage payment amount and dates of mortgage payments during the Forbearance term and/or Modification Agreement.

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**Refinance After  
COVID-19  
Forbearance  
General  
Requirements**

A Borrower that was granted a COVID-19 Forbearance in accordance with DLLs 2020-06 and 2021-02 may be considered for a Refinance transaction if they made regularly scheduled mortgage payments in compliance with the COVID-19 Forbearance and has completed or terminated the forbearance. Listed below are general terms applicable to all types of Refinance transactions.

- The Direct Guarantee Underwriter must utilize the mortgage Payment History in accordance with the COVID-19 Forbearance for the time period of the forbearance in determining late mortgage payments.
- Forbearance Plans are not required for Borrowers under a COVID-19 National Emergency Forbearance.
- Any Borrower who is granted a COVID-19 Forbearance and is otherwise performing under the terms of the forbearance is not considered to be delinquent for purposes of credit underwriting.

- If a Borrower entered into COVID-19 Forbearance but continued to make regularly scheduled mortgage payments in compliance with the original note, the Borrower shall be treated as if not in forbearance provided the forbearance is terminated at or prior to closing.
  - If a COVID-19 Forbearance requires no monthly mortgage payments, the suspended payments are not counted towards the minimum number of payments.
  - The Direct Guarantee Underwriter must utilize the Payment History in accordance with any Modification Agreement for the time period of the modification in determining late mortgage payments.
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**No Cash-Out  
Refinance After  
COVID-19  
Forbearance**

Borrowers impacted by COVID-19 who have completed or terminated a COVID-19 Forbearance and are seeking a No Cash-Out Refinance must comply with No Cash-Out Refinance requirements of this DLL, with the exception of Payment History. The revised Payment History standard for these Borrowers is as follows in italics:

**Payment History** - The Direct Guarantee Underwriter must examine a Borrower's Payment History for 24 months prior to case assignment. To be eligible for a COVID-19 No Cash-Out Refinance, the *Borrower must have made all housing expense payments within the month due for the six months immediately prior to case number assignment and have no more than one 30-day late payment during the preceding six-month period.*

*Further, a Borrower who was granted a COVID-19 Forbearance must have:*

- *completed or terminated a Forbearance Plan on the subject property, and*
- *made at least 3 consecutive mortgage payments within the month due on the mortgage since completing or terminating the Forbearance Plan.*

*When a mortgage has been modified after forbearance, the Borrower must have made at least 6 consecutive monthly payments under the Modification Agreement to be eligible for a COVID-19 No-Cash Out Refinance.*

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**Cash-Out  
Refinance After  
COVID-19  
Forbearance**

Borrowers impacted by COVID-19 who have completed or terminated a COVID-19 Forbearance and are seeking a Cash-Out Refinance must comply with Cash-Out Refinance requirements of this DLL, with the following additional requirements in italics.

*Where a mortgage reflects payments under a Forbearance Plan within the 12 months prior to case number assignment, the Borrower must have:*

- *completed or terminated the Forbearance Plan on the subject property, and*
- *made at least 12 consecutive mortgage payments within the month due on the mortgage since completing or terminating the Forbearance Plan.*

*When a mortgage has been modified after forbearance, the Borrower must have made at least 12 consecutive monthly mortgage payments under the Modification Agreement to be eligible for a Cash-Out Refinance.*

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**Streamline  
Refinances  
After COVID-  
19 Forbearance**

Borrowers impacted by COVID-19 who have completed or terminated a COVID-19 Forbearance plan and are seeking a Streamline Refinance must comply with Streamline Refinance requirements of this DLL, with the exception of Payment History; the revised Payment History standard for these Borrowers is as follows in italics:

**Payment History** - The Direct Guarantee Underwriter must examine a Borrower's Payment History for 12 months prior to case assignment. To be eligible for a Streamline Refinance, *the Borrower must have made all mortgage payments within the month due for the six months immediately prior to case number assignment and have no more than one 30-day late payment during the preceding six-month period.*

*A Borrower who was granted Forbearance must have:*

- *met seasoning requirements of 6 consecutive monthly mortgage payments on the subject property prior to forbearance;*
- *completed or terminated a Forbearance Plan on the subject property; and*
- *made at least three consecutive mortgage payments within the month due on the mortgage since completing or terminating the Forbearance Plan.*

*When a mortgage has been modified after forbearance, the Borrower must have made at least 3 consecutive monthly mortgage payments under the Modification Agreement to be eligible for a Streamline Refinance.*

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**Purchase  
Transactions  
After COVID-  
19 Forbearance  
Acceptable  
Payment  
History**

Borrowers impacted by COVID-19 who have completed or terminated a COVID-19 Forbearance plan and are seeking to purchase a new home must qualify for Section 184 in accordance with PIH 2014-22, except for Item 7: Determining Ability to Repay “Payment History on previous mortgage or rental/residence” and for Section 184A in accordance with Section 184A Guidelines, except for Section 5.7 Determining Ability to Pay. The revised standard for these Borrowers is as follows in italics:

*Payment History - The Direct Guarantee Underwriter must examine a Borrower’s Payment History for 24 months prior to case assignment. The Borrower must have made all payments on their housing expense within the month due for the six months immediately prior to case number assignment and have no more than one 30-day late payment during the preceding six-month period. A Borrower’s housing expense is considered late if not paid within the month due.*

*A Borrower who was granted a COVID-19 Forbearance must have:*

- *completed or terminated a Forbearance Plan on their current residence; and*
- *made at least 3 consecutive mortgage payments within the month due since completing or terminating the Forbearance.*

*Where a mortgage has been modified after Forbearance, the Borrower must have made at least 6 consecutive monthly mortgage payments under the Modification Agreement to be eligible for a Purchase transaction.*

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**Purchase Transactions After COVID-19 Forbearance Required Documentation**

This DLL provides additional clarification for PIH Notice 2014-22 and Section 184A Guidelines on the acceptable sources to determine a Borrower's Payment History.

The Direct Guarantee Underwriter must determine the Borrower's mortgage or rental Payment History through:

- a credit report;
- verification of rent received directly from the landlord (for landlords with no Identity of Interest with the Borrower);
- verification of monthly mortgage payments received directly from the Lender or
- a review of canceled checks that cover the most recent 24-month period.

For Borrowers who indicate they are living rent-free the Lender must obtain verification from the property owner where they are residing that the Borrower has been living rent-free and the amount of time the Borrower has been living rent free.

Where a mortgage Payment History reflects payments under a Forbearance Plan, rental forbearance and/or Modification Agreement within the 12 months prior to case number assignment, the Lender must obtain:

- a copy of the Forbearance Plan, and rental forbearance agreement or Modification Agreement; and
- evidence of the payment amount and dates of payments during, Forbearance Plan, rental forbearance or Modification Agreement.

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**Acceptable Payment History for Tribes or TDHEs with a COVID-19 Forbearance**

Borrowers that are tribes or TDHEs and have been granted COVID-19 Forbearance, are eligible for a new Section 184 Guaranteed Loan under the same provisions established in this DLL for No Cash-Out Refinance, Cash-Out Refinance Streamline Refinance, or Purchase transactions. However, Tribal or TDHE Borrowers are not required to meet the associated post COVID-19 Forbearance Payment History requirements for No Cash-Out Refinance, Streamline Refinance or Purchase transactions.. All other requirements apply.

**Required Documentation**

The Lender must obtain a signed and dated statement from an authorized official from the tribe or TDHE, indicating the entity has returned to post forbearance income levels.

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**Financing  
Suspended  
Mortgage  
Payments due  
to Forbearance**

The interest, taxes and any escrow shortages, unpaid due to COVID-19 Forbearance may be included as part of the unpaid principal balance of a Refinance transaction, provided the base loan amount for the applicable loan type is not exceeded. If these amounts were already included in a COVID-19 Loss Mitigation Advance, they would be excluded from inclusion.

Any COVID-19 Loss Mitigation Advance payoff may be included in the refinance mortgage, provided the base loan amount for the applicable loan type is not exceeded. A COVID-19 Loss Mitigation Advance balance must be paid in full at closing through the refinance process or cash payment.

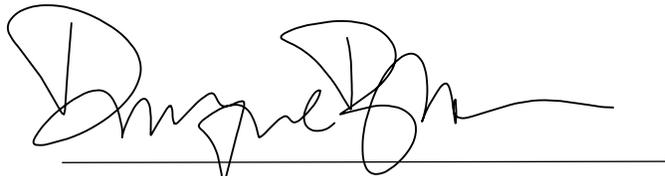
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**Questions**

Any questions regarding this DLL may be directed to  
[Krisa.M.Johnson@hud.gov](mailto:Krisa.M.Johnson@hud.gov)

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**Signature**



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Dominique Blom  
General Deputy Assistant Secretary  
for Public and Indian Housing