



## **Temporary Policies Related to the COVID-19 Pandemic**

Our company finds itself in an unprecedented situation with the global COVID-19 pandemic. The health and safety of our employees, clients and their families is our top priority. We have implemented our company's Business Recovery Plan to mitigate the impact on our operations. The following is intended to communicate the temporary policies we have in place as we navigate our new circumstances. Management will communicate to all staff once we return to normal operating procedures.

### **Office Re-Opening**

As of Monday June 1, 2020, Essex Mortgage will reopen the corporate office. Please note, employees are not required to return to the office at this time. Per California state guidelines, we encourage all employees to continue to work from home if possible but will allow those who are unable to telework to come in.

To comply with CDC guidelines, we are encouraging all employees to continue to social distance and stay 6 feet apart. Employees are to wear face covering where social distancing is not possible and you are within 6 feet from one another. We encourage all employees to maintain a clean and sanitized workspace and make sure to wash your hands often. Please do not come into the office if you are sick or have severe underlying health conditions that may make you prone to other illnesses like COVID-19.

Our Property Management has also prepared the building to ensure all employees and guests are provided with a safe and healthy environment. Signage has been posted throughout the building and extra cleaning measures have been implemented. Hand sanitizer stations have also been placed in both elevator lobby floors.

Branch offices may reopen at the branch manager's discretion, based on local health agency guidance.

### **Telecommuting**

Employees that will continue working remotely at this time must continue to follow all telecommuting policies as stated below.

All employees are expected to manage their normal pipelines as necessary. The following mechanisms must be in place in order to support employees' job duties while telecommuting:

- A computer workstation that allows access only by a secure individual password

- System capability to access our secure network, Google Business Suite and Encompass as required by position
- Antivirus and anti-malware software with all current updates and patches (please contact IT for assistance as needed.)
- Access to a printer or scanner, as needed by position
- A phone to receive business calls. Our phone system provides the ability to forward office phone lines to the employee's number. Employees may opt to change their cell phone number to "No Caller ID" in their phone settings to avoid sharing personal numbers.
- Out-of-office messages must still be placed on phones and email in the event of a vacation or sick day.

All employees and managers must maintain open lines of communication. Department managers shall communicate regarding pipeline status, important updates, and any other critical items as needed. All meetings shall be held via video or telephone conferencing.

Loan origination staff shall be permitted to work from their residences at the branch manager's discretion, as the states have granted temporary permission to work outside their licensed locations. However, in order to work remotely, loan originators must adhere to the data security requirements listed below. Under no circumstances must they receive borrowers at their homes, and must not hold their residences out as their place of business via advertising or other means unless their residence is properly licensed as a branch location. The physical branch addresses must still be used for this purpose. Branch managers are still responsible for the necessary level of oversight over their loan originators and their activity per our current policies.

### **Consumer Support**

Our company's commitment to excellent customer service and communication is all the more critical during this time, as our clients may be experiencing higher uncertainty and financial hardship.

All efforts should be made to stay in contact with clients via phone, text, e-mail and video conferencing as necessary. Face-to-face meetings should be avoided at this time.

Borrowers who have questions or concerns regarding their payments to Essex may visit the [Loan Servicing Center](#) on our website for more information. They may also call 855-748-2722 (1st mortgages) or 888-892-0881 (2nds) for assistance.

If we are no longer servicing the borrower's loan, they should be directed to their current servicer for questions or concerns. This information is also posted on our [website](#).

## Operations

We are following current agency guidelines, as outlined in the links below:

- FHA: [ML 2020-05](#) , [ML-2020-24](#), [ML 2020-37](#), [ML-2020-47](#), [ML 2021-06](#), [ML 2021-07](#) and [FAQ](#)
- VA: [Circular 26-20-10 \(Guidance\)](#), [Circular 26-20-11 \(Valuations\)](#), and [Circular 26-20-25 \(CARES Act Forbearance\)](#)
- Fannie Mae: [LL-2021-03 \(Origination\)](#), [LL 2021-04 \(Appraisals\)](#), [LL-2021-02 \(Servicing\)](#) and [FAQs](#). **Please note: Fannie Mae temporary flexibilities in LL-2021-03 for verbal VOEs and POA expired on April 30, 2021.**
- Freddie Mac: [2020-05](#) and [2020-08](#) (Selling), [2020-27](#) (Update), [2021-28](#) (Update) and [FAQs](#)

COVID-19 has impacted operations procedures as follows:

- Reception
  - The front office reception desk has re-opened as of June 1, 2020.
  - If branch offices remain closed, they must post a notice in their front window identifying that the office has been closed until further notice due to COVID-19. The notice must provide both a phone number and email address for customers to contact for assistance.
- Appraisal Ordering
  - Please note, the agencies have ended their respective temporary appraisal flexibilities as of June 30, 2021. Please refer to the normal agency guidelines for appraisal requirements.
- Recording and Title
  - We are confirming county-specific information for recording offices prior to funding. We are not accepting any COVID-19 exceptions on final title policies at this time. We may accept gap coverage if certain criteria is met, but each policy is subject to management review.
- Tax Transcripts
  - Essex will now resume obtaining normal transcripts..1040 and business transcripts will be prior to funding conditions. W2 transcripts can be made prior to purchase conditions.
- Income and Employment
  - Fannie Mae and Freddie Mac:
    - All income and asset documentation must be no more than 120 days old as of the date of the note.
    - FNMA has suspended employment validation associated with Day 1 Certainty for DU files created on or after 5/4/20. A Work Number or Veritax verification should be submitted to underwriting with these files if available. If this is not available, a verbal VOE must be completed by the processor.

- **For wage earners:** A verbal or written verification employment is required no more than 10 days prior to the note date. Employment must be verified by the owner, human resources, or the borrower's supervisor. If the employer cannot be contacted, the most recent pay stub (no more than 15 days old) can be obtained as an alternative. The doc drawer will confirm that the verification has been completed within the 10 calendar day period. For wholesale transactions, this verification will be obtained by our Quality Control department.
- **For self- employed borrowers:**
  - For applications **prior to June 11, 2020**: We will require evidence of current work (executed contracts or signed invoices) AND business bank statements dated within 10 days of closing showing recent business deposits to ensure business is fully operational. We will not be re-verifying employment at the time of funding.
  - For applications **prior to December 14, 2020**, we will require one of the following:
    - an audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; **or**
    - an unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and two business depository account(s) statements no older than the latest two months represented on the year-to-date profit and loss statement.
    - Example: the business depository account statements can be no older than Apr. and May for a year-to-date profit and loss statement dated through May 31, 2020.
    - The lender must review the two most recent depository account statements to support and/or not conflict with the information presented in the current year-to-date profit and loss statement. Otherwise, the lender must obtain additional statements or other documentation to support the information from the current year-to-date profit and loss statement.
  - For applications **on or after December 14, 2020**, we will require one of the following:
    - an audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; **or**

- an unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and **three** business depository account(s) statements no older than the latest three months represented on the year-to-date profit and loss statement.
  - For example, the business depository account statements can be no older than Aug, Sep, Oct. for a year-to-date profit and loss statement dated through Oct. 31.
- The lender must review the three most recent depository account statements to support the level of business revenue reported in the current year-to-date profit and loss statement. Otherwise, the lender must obtain additional statements or other documentation to support the on-going nature of business revenue reported in the current year to-date profit and loss statement.

The year-to-date profit and loss statement must be no older than 60 days old as of the note date. This documentation is subject to review by the underwriter and additional documentation may be required to complete the income analysis. For in-depth guidelines, please refer to the updated [FNMA LL-2020-03](#).

- **FHA (Case Numbers issued on or after 8/12/20)**
  - When self-employment income is used to qualify the borrower, the Mortgagee must verify and document that the income derived from self-employment is stable with a reasonable explanation that it will continue. The Mortgagee must obtain one of the following to verify and confirm that the business is open and operating:
    - Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment);
    - Evidence of current business receipts within 10 days of the note date (payment for services performed);
    - Lender certification that the business is open and operating (lender confirmed through a phone call or other means); or
    - Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).
  - Rental Income Guidelines
    - In addition to the requirements in SF Handbook 4000.1 Sections II.A.4.c.xii(I) and II.A.5.b.xii(I) Rental Income (TOTAL and Manual) and Section 3.50 through Section 3.55 of the HECM Financial Assessment and Property Charge Guide where a borrower is qualifying utilizing rental

income, for each property generating rental income the Mortgagee must either:

- Reduce the effective income associated with the calculation of rental income by 25%, or
  - Verify 6 months PITI reserves (this option is applicable to Forward only), or
  - Verify the borrower has received the previous 2 months rental payments as evidenced by borrower's bank statements showing the deposit. (This option is applicable only for borrowers with a history of rental income from the property).
- FHA Streamline Refinances/VA IRRRLs:
    - Wholesale: if the loan is currently in our servicing portfolio we will waive the minimum FICO requirement. If not, the loan will require a minimum FICO score of **640**.
      - The broker will indicate that the loan is a portfolio streamline on the submission form. Submissions should check for previous loans for the particular borrower and determine in Data Mortgage is the investor on the loan being paid off. If so, mark the Essex to Essex refinance box and advance the loan to underwriting.
  - Statements of Denial and Disclosures
    - Statements of denial and disclosures may be sent electronically via Encompass if the borrower has given their eConsent.
    - The statement of denial or disclosures must be mailed by the person issuing them if we do not have eConsent on file. Please include the corporate office as the return address. Contact compliance if you are in need of assistance or mailing supplies.
  - Waivers of Closing Disclosure waiting periods or rescission rights are still not permitted at this time
  - As there is greater potential for fraud during this situation, we remind all staff to be aware of the red flags and our policies as identified in our [Red Flags/Identity Theft Plan Policy Manual](#).
    - [FHFA- Coronavirus Fraud Prevention Tips and Resources](#)

## **Consumer Privacy and Data Security**

We must ensure that our borrowers' data is safeguarded with the same level of confidentiality as when we are working within the office.

- Do not print borrower data or store loan documents on remote computers. Our systems allow the ability to view and manage documents within Encompass.

- Ensure that computers are secure and can be locked with a password. Employees who walk away from their computers must lock their workstations just as they would while in the office.
- Don't leave a laptop in the car or otherwise unattended.
- In addition to maintaining social distance and local stay-at-home/shelter-in-place orders, it is important to refrain from working in public spaces or using public Wi-fi at any time as that presents additional security risks.
- Be aware of the high risk of scam attempts, including phishing. Do not open suspicious looking emails, and check the email address that the email is coming from (not just the name). Originators should advise their clients to be vigilant and confirm the validity of any attempts to retrieve financial or personal information.
  - [Coronavirus Scams: What the FTC is Doing](#)
  - [FTC - Mortgage Relief Scams](#)
- If any employee suspects a data breach or scam attempt at any time, immediately inform IT and compliance.

## **Changes**

We recognize that this is a rapidly evolving situation. Agency guidelines and our internal policies are subject to change. Management is responsible for monitoring announcements from the CDC, federal and state entities, agencies and third-party vendors. Any changes in policy will be reflected in this document and communicated to staff. We appreciate everyone's commitment and flexibility during these trying times and remain here to support one another in any way possible.