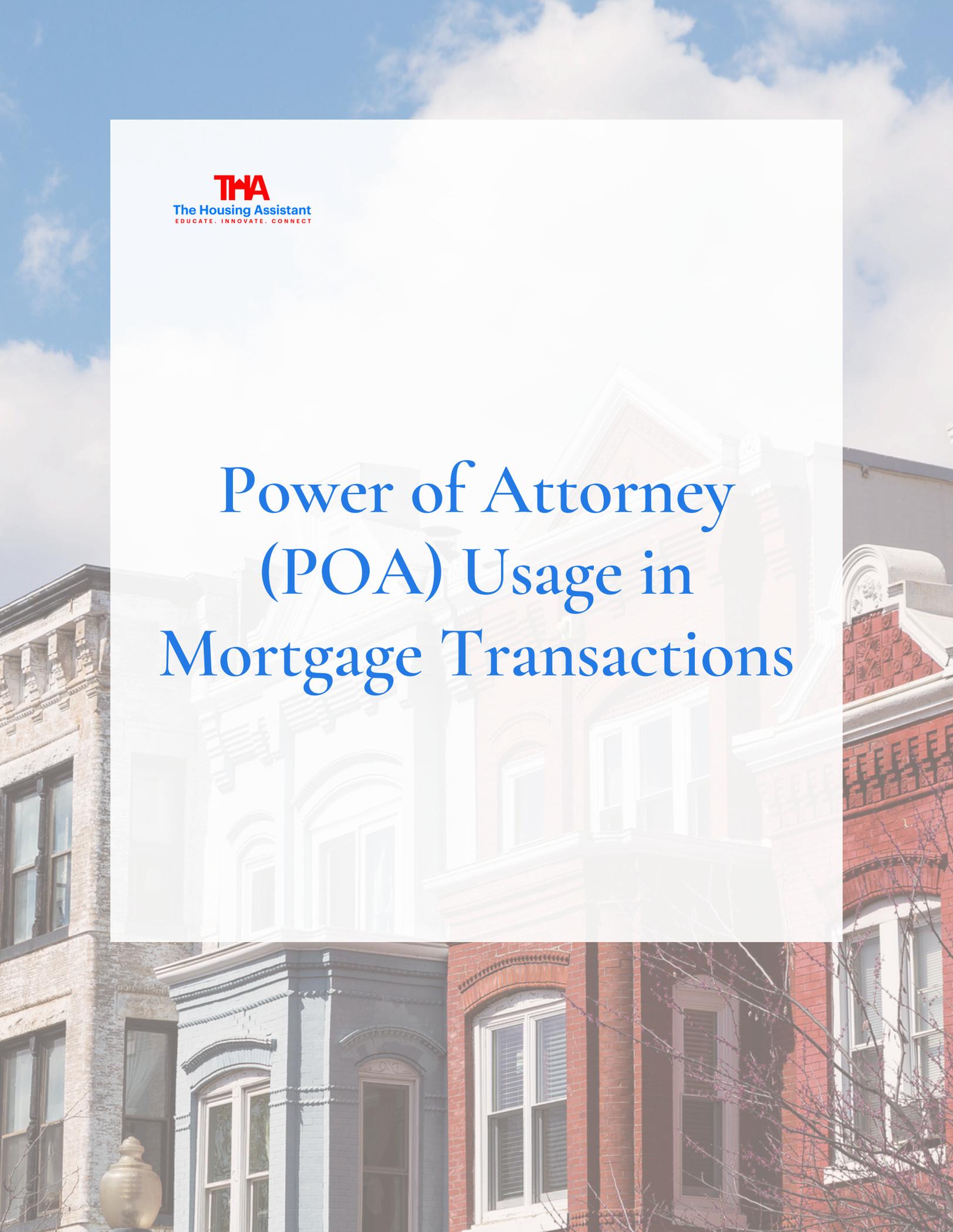


Power of Attorney (POA) Usage in Mortgage Transactions



Power of Attorney (POA) Guide

A Comprehensive Guide by The Housing Assistant



Power of Attorney (POA) Usage in Mortgage Transactions

Introduction

What is a POA in Mortgage Lending?

A Power of Attorney (POA) is a legal document that gives someone else (the agent or attorney-in-fact) the authority to act on behalf of a borrower (the principal). In a mortgage transaction, it allows the agent to sign loan documents if the borrower cannot be physically present at closing.

When is it Appropriate to Use a POA?

POAs are typically used when a borrower is unavailable due to military service, hospitalization, travel abroad, or serious illness. It's important that the use of a POA is appropriate, fully disclosed, and follows agency-specific guidelines.

General POA Requirements Across Agencies

Signature Authorization: The POA must clearly grant the authority to execute mortgage documents, including the Note and Security Instrument. Vague or general language is not acceptable.

Borrower Competency: The borrower must be legally competent at the time the POA is signed. A POA signed after incompetence, or under duress, is invalid.

Specificity of Powers: The POA must specifically empower the agent to engage in real estate financing activities. Broad 'general purpose' POAs may be rejected by lenders.

Agency-Specific POA Rules

Agency	Is Recording the POA Required?	Key Requirements
USDA	Yes - Must be recorded	Must be specific to the transaction and approved by lender.
FHA	Not required (unless by law)	POA must be notarized and explicitly allow mortgage execution.
VA	Recommended but not always required	Borrower must be alive at closing; specific language preferred.
FHLMC (Freddie Mac)	Yes - Must be recorded	Must be dated before Note date and specific to transaction.
FNMA (Fannie Mae)	Depends on state law	Properly notarized and borrower must consent before closing.

Best Practices When Handling a POA

- Always verify that the borrower intends to proceed with the loan.
- Ensure the POA is properly executed, notarized, and specific to the transaction.
- Confirm that the POA is valid at closing (has not been revoked).
- Check for any local or state recording requirements.
- Retain a complete copy of the POA in the loan file for compliance audits.

THA Tip:

Review the POA early in the loan process to avoid last-minute closing delays. Confirm agent authority and ensure the POA complies with both lender and investor requirements.