COVID-19 Servicing:
Guidance for Helping Impacted Borrowers

Updated May 1, 2021
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Introduction

The impact of COVID-19, also known as the novel coronavirus, is far-reaching, affecting the businesses of Sellers and Servicers across the nation. As the situation around COVID-19 evolves and the challenges ahead become clear, Freddie Mac is committed to fulfilling our mission though our business continuity plans. These plans ensure that we can continue the hard work of providing liquidity, stability and affordability in the housing market – in good times and in bad.

We recently announced the various policies available to help Servicers better assist borrowers experiencing financial hardship.

Learn more about these requirements in recent updates to the Single-Family Seller/Servicer Guide.

We’re Committed to Helping You

We are here to respond to your needs, and we’re listening. We’re thinking outside the box to bring you up-to-the-minute resources to ensure you’re equipped during this tumultuous time.

...And Helping You Help Borrowers

We’re here to help families who are impacted by COVID-19 – developing solutions for those who are experiencing a lapse in income or who are not able to maintain regular payments.

Share resources with your borrowers. Visit the Freddie Mac MyHome® website.
SECTION 01

Outreach, Collection and Quality Right
Party Contact
Outreach and Collection Methods

It is important to be aware of the outreach and collection method for servicing delinquent loans, as the process must be facilitated through personal contact. Outreach attempts must start no later than 30 days prior to the end of a borrower’s COVID-19-related forbearance.

A Servicer’s collection methods should include one or more or the following:

- Telephone contact or face-to-face interviews (apply safe social distancing practices)
- Written communications such as notices and letters

Other responsible collection techniques include:

- Email
- Text messaging
- Voice response unit technology
- A Servicer’s web portal

What is Quality Right Party Contact (QRPC)?

QRPC occurs when you establish contact with the borrower, co-borrower or trusted advisor (such as a housing counselor) and discuss the most appropriate options for delinquency resolution.

Find out more about outreach and collection techniques
So long as you comply with applicable law, you’re considered to be in compliance with the Guide.

Once QRPC has been established, work with the borrower to apply an appropriate solution, including a forbearance plan.

Servicers should educate the borrower and set payment expectations around the alternatives to foreclosure, as appropriate.

**Quality Right Party Contact**

In order to establish QRPC, the Servicer must gather certain information to:

- **determine the reason for and level of permanence of the delinquency** and the borrower’s ability to repay the debt;

- **set payment expectations and educate the borrower** on possible foreclosure alternatives, as appropriate; and

- **obtain a commitment from the borrower to address the delinquency and/or hardship** via traditional methods (i.e. reinstatement) or an alternative to foreclosure.

If you are unable to achieve QRPC per the above requirements, **you must still offer a forbearance plan to a COVID-19 impacted borrower** who requests one:

So long as you comply with applicable law, you’re considered to be in compliance with the Guide.

Once QRPC has been established, work with the borrower to apply an appropriate solution, including a forbearance plan.

Servicers should educate the borrower and set payment expectations around the alternatives to foreclosure, as appropriate.

**VIEW THE COVID-19 REFERENCE GUIDE**

**Did You Know?**

Servicers must report activity for any borrower impacted by the COVID-19, in accordance with the Fair Credit Reporting Act and the CARES Act.
SECTION 02 Forbearance
Forbearance: What to Know

A COVID-19-related hardship is considered an eligible forbearance hardship under Freddie Mac Guide requirements. In addition, Freddie Mac is now authorizing Servicers to approve forbearance plans for borrowers experiencing a COVID-19-related hardship, regardless of property type. Review recent Guide Bulletins for the latest guidance.

1. Once a borrower reaches a cumulative term of 12 months of forbearance, the plan may be extended for up to 3 months, provided the term does not exceed 18 months of total delinquency.

2. Servicers must notify Freddie Mac of any borrowers that have COVID-19-related hardship resulting in delinquent mortgage.

**TAKE ACTION:** Report through Electronic Default Reporting (EDR) default reason code 032 in addition to the status code 09 for loans in forbearance.

3. You may offer the borrower forbearance for a period of one to six months, and, if necessary, extended forbearance plan period, provided the total forbearance term does not exceed 18 months.

4. The length of the term must be appropriate (up to 180 days) based on the borrower’s individual circumstances (subject to applicable law) and nature of the hardship and must be agreed upon with or requested by the borrower.

5. Don’t forget to reassess each borrower on a regular basis during the forbearance period to determine if you should extend the forbearance or if the hardship has been resolved.
Post-Forbearance Hierarchy

Ready, Set, Evaluate
After forbearance ends, the evaluation hierarchy changes specifically for COVID-19 related hardships.

HIERARCHY SUMMARY:

- Reinstatement
- Repayment Plan
- COVID-19 Payment Deferral
- Flex Modification

TRANSITION SMOOTHLY AFTER FORBEARANCE.

View the Job Aid

9
The borrower may have the option to spread out their past due amount on their mortgage over a set time frame (e.g., 3, 6, 9 or up to 18 months) and added to their existing mortgage payments. Upon completion of their repayment plan, the borrower can continue to pay their mortgage under the original agreed-upon terms (prior to forbearance).

A borrower may have the option of reinstating their loan which simply means catching up on all the missed payments at once in a single lump-sum payment. After the loan is reinstated, the borrower can continue to pay their mortgage under the original agreed-upon terms (prior to forbearance).

A COVID-19 Payment Deferral is a more affordable relief option for a borrower who has resolved their hardship when a reinstatement or repayment plan are not viable options. A borrower may have the option to defer delinquent amounts to create a non-interest-bearing balance that will become due at the earlier of the mortgage maturity date, payoff date, or upon transfer or sale of the mortgaged premises.
SECTION 03

Loan Modification Option
The Flex Modification may be available to borrowers that have a COVID-19-related hardship and have been current or less than 31 days delinquent (i.e. must not have missed more than one monthly payment) as of the date of the COVID-19 National Emergency declaration (i.e., March 1, 2020).

**Freddie Mac Flex Modification**
(Flex Mod)

**What is the program?**
The Flex Mod program is intended for borrowers who are unable to resume making their pre-forbearance payment by targeting a payment reduction by capitalizing arrearages, extending the term and potentially lowering the interest rate.

**How does it work?**
Adds unpaid balances from a forbearance period, including unpaid interest that accrued during the forbearance period, and any taxes and insurance amounts a Servicer paid on the borrower’s behalf during that time, to the unpaid loan balance, and then extending the loan term to 40 years. The interest rate is also lowered to market-level, and some of the borrower’s principal balance may be converted to be non-interest bearing.

[>> Loan Modification: A Deeper Dive]
Liquidation Options

When home retention is not an option, there are alternatives to foreclosure.

**SHORT SALE**

- **What is it?**
  A short sale is the sale of the property for less than the balance remaining on a borrower’s loan.

- **Who is it for?**
  For borrowers that may not qualify for a loan modification but are struggling to keep their home, a short sale may help the borrower avoid foreclosure and eliminate their mortgage debt.

  ![VISIT GUIDE CHAPTER 9208 FOR MORE DETAILS.](image-url)

**DEED-IN-LIEU OF FORECLOSURE**

- **What is it?**
  Allows borrowers to voluntarily transfer clear and marketable title of their property (i.e., the house and the land) to the owner of their mortgage in exchange for the discharge of their mortgage debt.

- **Who is it for?**
  When a home retention option or short sale are not workable solutions for at-risk borrowers, a deed-in-lieu offers them another opportunity to avoid foreclosure.

  ![VISIT GUIDE CHAPTER 9208 FOR MORE DETAILS.](image-url)
SECTION 04

Resources and Education
Learn more about requirements in the *Single-Family Seller/Servicer Guide* and other valuable resources and training.

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**Resources and Support**

- SINGLE-FAMILY COVID-19 RESOURCES
- COVID-19 SERVICING FAQs
- SERVICING GUIDE BULLETINS

**Tools and Education**

- COVID-19 HARDSHIP REFERENCE GUIDE
- FORBEARANCE DESK REFERENCE
- TRAINING AND WEBINARS
- FORBEARANCE CALL SCRIPTS FOR SERVICERS
- LIMITED ENGLISH PROFICIENCY RESOURCES
- FHFA’S MORTGAGE TRANSLATION CLEARINGHOUSE

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**QUESTIONS?**

CONTACT YOUR FREDDIE MAC REPRESENTATIVE OR CALL 1-800-FREDDIE.
Your Business and Borrowers in Today’s COVID-19 Environment

Help Starts Here – With Freddie Mac.

“We are committed to helping families affected by the virus and we are instructing Servicers to work with borrowers who are unable to make their mortgage payments to ensure they are evaluated for a forbearance plan or other appropriate assistance.

Kevin Palmer, Senior Vice President
Single-Family Portfolio Management at Freddie Mac

#HelpsStartsHere