Updated October 19, 2020

Frequently Asked Questions: COVID-19 Servicing-related

Freddie Mac is committed to providing guidance for Servicers in response to homeowners' challenges resulting from the impact of COVID-19. Below are answers to some of the most frequently asked questions we've received from Servicers. Refer to this resource regularly as well as our Single-Family COVID-19 web page for announcements and resources you can use to assist a homeowner with a COVID-19-related hardship.

The following FAQs are divided among the following categories: General, Forbearance, Post-Forbearance Options, COVID-19 Payment Deferral and Reporting.

General

Q1: What is Freddie Mac doing to help ensure homeowners can remain in their homes during this critical time?

As stated in our COVID-19 Response, we're taking action to assist Servicers in helping homeowners in a variety of ways, including:

- Providing mortgage forbearance for up to 12 months,
- Waiving assessments of penalties and late fees,
- Suspending all foreclosure activities until December 31, 2020
- Offering loss mitigation options that lower payments or reinstate the mortgage to "current" status while keeping payments the same after the forbearance period.

Q2: Do Freddie Mac's existing disaster policies in the *Single-Family Seller/Servicer Guide* (Guide) apply to the COVID-19 pandemic?

While we have repurposed certain aspects of our disaster policies to apply to COVID-19, our policies related to disasters do not directly apply to loans impacted by COVID-19. Any guidance specific to COVID-19 will be communicated through Bulletins and FAQ documents such as this.

Q3: [Updated 10/19/20] Does COVID-19 meet Freddie Mac's Guide requirements for an "Eligible Disaster"?

No. While we are aware the Federal Emergency Management Agency (FEMA) has made certain declarations that would potentially lead this national emergency to also be considered an "Eligible Disaster' in certain areas, we have created specific requirements related to servicing mortgages impacted by COVID-19. Servicers must follow those specific requirements in Guide Bulletins 2020-4, 2020-6, 2020-7, 2020-10, 2020-15, 2020-16 and 2020-34.

Q4: What do we do if a customer (homeowner) becomes ill with COVID-19?

Any financial hardship that impacts the homeowner's ability to make mortgage payments as a result of COVID-19, including illness to the homeowner or a dependent, is an eligible hardship that would qualify them for forbearance and/or consideration for other Freddie Mac loss mitigation offerings.

Q5: Do I still need to send interest payments for homeowners impacted by COVID-19?

Servicers must complete their normal remittance requirements, including advancing of scheduled interest payments until the loan becomes inactivated.

Q6: Are there any COVID-19-related servicing measures available to assist homeowners who may be facing hardships due to the pandemic?

As announced in the Guide Bulletin 2020-4, and as updated in Bulletins 2020-7, 2020-10, 2020-15 and 2020-16, under direction of the Federal Housing Finance Agency (FHFA) and in alignment with Fannie Mae, the following temporary servicing measures will be available to support you in your efforts to assist impacted homeowners:

- Credit reporting requirements
- Forbearance plans
- COVID-19 Payment Deferral (Extend Mod and Cap & Extend Mod prior to July 1, 2020)
- Loan modifications
- Foreclosure moratorium
- Acceptable outreach methods/requirements for establishment of quality right party contact (QRPC)
- Bankruptcy motions for relief from automatic stay.

This includes both homeowners who have and have not contracted COVID-19, provided their ability to make timely Mortgage payments has been negatively affected as a result of COVID-19 ("COVID-19 related hardship").

Q7: Will there be any relief for property inspections during the COVID-19 national emergency?

As communicated in Guide Bulletin 2020-16, we announced that Servicers must not complete property inspections on a Mortgaged Premises where the Borrower is experiencing a hardship related to COVID-19 unless as of the National Emergency declaration effective date (March 13, 2020):

- The mortgage was delinquent, and
- The property was confirmed to be vacant or abandoned.

For a mortgaged premises where the mortgage was delinquent and the property was confirmed to be vacant or abandoned, the Servicer must complete delinquent property inspections in accordance with Bulletin 2020-7.

Q8: Will Freddie Mac suspend foreclosures for borrowers impacted by COVID-19?

Freddie Mac is now requiring that the Servicer suspend foreclosure-related activities on properties that are not vacant or abandoned in accordance with the requirements in Guide Bulletins 2020-16 and 2020-34.

Q9: How should a Servicer handle a request for a broker price opinion (BPO) for borrower-requested cancellation of mortgage insurance (MI) based on upon the current value of the property?

Servicers must continue to submit requests for BPOs in accordance with Guide sections 8203.2 and 8203.3 when the borrower requests cancellation of MI based on the current value of the property. If Freddie Mac is unable to fulfill the BPO order, we will inform the Servicer so they can respond to the borrower.

Reminder: If the MI cancellation request is borrower-requested based on the original value (as per Guide sections 8203.2 and 8203.3) or is based upon the automatic cancellation provision of Guide section 8203.4, the Servicer does not need to obtain a new BPO and must cancel the MI in accordance with the requirements of the applicable Guide section.

Q10: [Updated 10/19/20] If the mortgage loan transfers to a new Servicer after the previous Servicer has received the full $1,000 in incentives under the cumulative incentive fee cap for retention workout options as set forth in Guide Bulletin 2020-28, is the new Servicer eligible to receive any incentives for completed repayment plans, Payment Deferrals or Flex Modifications?

No, the transferee Servicer is not eligible to receive any incentives for these retention workout options if the cumulative incentive cap has already been met due to workout options completed by the transferor Servicer. Incentives are tied to the mortgage loan, not to the individual Servicer.

Q11: Is limited QRPC applicable for all evaluations for post-forbearance home retention options, including COVID-19 Payment Deferral?

Yes, limited QRPC is allowed for all post forbearance options (reinstatement, repayment plan, COVID-19 Payment Deferral and the Flex Modification).

Note: In some cases, a complete BRP may be required to complete the evaluation (e.g. repayment plan for a Borrower who is greater than 90 days delinquent).

Forbearance

Q1: What is a forbearance plan?

A forbearance plan is when the borrower's monthly payment is reduced or suspended for an agreed upon time period, usually between one and six months. Freddie Mac provides up to 12 months of forbearance for borrowers with a COVID-19-related hardship, in increments of up to six months. It is important to note that the suspended payments become due at the end of the forbearance period and can be resolved by a reinstatement, repayment plan, COVID-19 Payment Deferral, or loan modification**.**

Q2: What is the difference between a forbearance plan and a COVID-19 Payment Deferral?

A forbearance plan (as stated above) is the reduction or suspension of the payment for a certain period of time for when a borrower is not able to make their scheduled mortgage payment. A COVID-19 Payment Deferral is applicable post forbearance when the borrower is able to resume making their mortgage payments. It is a relief program that reinstates the mortgage by "deferring" those missed payments into a non-interest bearing balloon.

Note: Evaluations for COVID-19 Payment Deferral is mandatory as of July 1, 2020.

Q3: What steps must the Servicer take to contact borrowers?

Per the Guide (Bulletins 2020-4 and 2020-10), the Servicer must make good faith efforts to establish QRPC with the borrower in order to evaluate the borrower for a forbearance plan, and the length of each forbearance plan term must be for an appropriate length, based on the borrower's individual circumstances and nature of the hardship, and must be agreed upon with or requested by the borrower. In the event the Servicer and borrower cannot agree on an appropriate forbearance length, or further communication with the borrower is not possible under the circumstances, the Servicer must provide the term requested by the borrower, not to exceed 180 days.

The Servicer must begin attempts to contact the borrower no later than 30 days prior to the expiration of any forbearance plan term and must continue outreach attempts until either limited QRPC is achieved (as outlined in Bulletin 2020-10) or the forbearance plan term has expired.

It is important that the borrower go into the forbearance plan understanding that at the end of the forbearance period the forborne payments must be accounted for. Borrowers should not be left with the impression that the missed payment are forgiven.

Q4: [Updated 10/19/20] How long should the initial COVID-19 forbearance period be?

Freddie Mac's COVID-19 forbearance is available for up to six months initially (in increments if needed), and up to 12 months in total. The Servicer should discuss with the borrower the nature of the hardship and let that inform the decision of how long the forbearance should last, to the extent possible under applicable law. In the event that either a six-month term is what is agreed upon between the Servicer and borrower, or the borrower directly requests a six-month term, then the Servicer must offer a six-month term.

Q5: [Updated 10/19/20] How is a COVID-19 hardship be verified?

To offer a forbearance plan in conjunction with a COVID-19-related hardship, the Servicer must make good faith efforts to establish QRPC with the borrower in order to evaluate the borrower for a forbearance plan, including the verification of the borrower's hardship. However, we acknowledge that there may be scenarios where the Servicer is unable to establish QRPC and must offer a forbearance plan in compliance with applicable law without full QRPC. The Servicer is considered to be in compliance with our Guide when bypassing requirements in order to adhere to applicable laws and regulations.

For all other loss mitigation evaluations, a COVID-19-related hardship can be verified via the "limited QRPC" requirements described in Bulletin 2020-10. Such hardships, as stated in Bulletin 2020-4, include situations where the homeowners' ability to make timely mortgage payments has been negatively impacted as a result of COVID-19, which could include any of the eligible hardship reasons described in Guide Section 9202.2. Specific examples may include long-term or permanent disability/serious illness, reduction in income, death or other eligible hardship reasons.

Q6: In terms of verifying a hardship, is Form 710 (Mortgage Assistance Application) currently required for putting a homeowner on a forbearance plan?

Forbearance plans do not require any documentation from the homeowner, whether it relates to COVID-19 or otherwise.

Q7: If a borrower has previously been approved for a forbearance, repayment plan or loan modification, are they eligible for a COVID-19-related forbearance?

Forbearance plans, whether for a COVID-19-related hardship or otherwise, do not restrict borrowers from eligibility based on previous hardships or corresponding loss mitigation solutions.

Q8: Is a borrower with a COVID-19-related hardship ineligible for a forbearance plan because they were already delinquent?

No, previous delinquency does not impact forbearance plan eligibility for a borrower with a COVID-19-related hardship.

Q9: What documentation is needed to prove a COVID-19-related hardship?

Forbearance plans do not require any documentation from the borrower, whether it relates to COVID-19 or otherwise.

Q10: Will those choosing to enter into a forbearance plan have their payment due in one lump sum?

A borrower does become increasingly delinquent on their mortgage as they miss payments on a forbearance plan, and while the delinquency needs to be resolved following the forbearance plan, there are several options for reinstating, including reinstatement, repayment plans, COVID-19 Payment Deferral, Flex Modifications and other alternatives.

Q11: Does forbearance also apply to non-owner-occupied mortgages?

Yes, for a borrower with a COVID-19-related hardship, forbearance is available for all property types.

Q12: If a borrower already has a pending loss mitigation application, can they still be reviewed for the pending application as well as a forbearance? How will a COVID-19 issue be weighed for anyone that is already in a loss mitigation trial period? And for those that are already in a modification?

An eligible borrower may transition directly from an active Trial Period Plan to a forbearance plan, and at the conclusion of the forbearance plan, that borrower may be evaluated for a new Trial Period Plan without the previous one being considered as "failed." Borrowers subject to other active loss mitigation options must communicate to the servicer that they would prefer the forbearance plan, and the alternative option may be canceled by the servicer in favor of the forbearance plan. A borrower must not be subject to multiple active loss mitigation solutions at one time (note: a previously completed modification is not considered an "active" loss mitigation option, as the loan is permanently modified at settlement).

Q13: Does making a payment during the forbearance period eradicate the forbearance?

No, a borrower may make payments during the forbearance period. The forbearance plan will continue to term and the payment must be applied as usual in accordance with Guide Section 8103.4.

Q14: Can a Servicer evaluate a borrower for a forbearance plan without obtaining a complete borrower response package?

Yes, borrowers impacted by COVID-19 must be offered forbearance under the information required by the CARES Act and Bulletin 2020-10, which do not require a borrower response package.

Q15: When the borrower is on a forbearance plan, is the Servicer required to advance escrow? What if the mortgage loan is not escrowed?

When the mortgage loan has an escrow account, the servicer must ensure the timely payment of all escrow and related charges in accordance with applicable law.

However, regardless of whether the mortgage has an escrow account, the servicer must protect Freddie Mac's first lien position and the property securing the mortgage by monitoring the status of all escrow and related charges; this includes advancing escrow to protect Freddie Mac's first lien position.

Q16: During a suspended payment forbearance plan, what happens to the interest on the mortgage loan?

During a forbearance plan, interest is not paid but still accrues.

Q17: If a Servicer provides a COVID-19 related forbearance plan with an incremental period shorter than 180 days, and the Servicer is unable to achieve QRPC prior to the expiration of such incremental period, can the Servicer automatically extend the forbearance period?

Servicers are responsible for complying with the requirements of Guide Bulletins 2020-4, 2020-10 and 2020-21 and applicable law, including the CARES Act, when providing borrowers with an initial or extended forbearance plan.

Q18: [NEW 10/19/20] If a borrower who is making payments under a Trial Period Plan converts to a forbearance plan due to a COVID-related hardship, will they still be eligible to receive a Freddie Mac Flex Modification once the forbearance plan is complete and their hardship is resolved?

If a borrower was in a Trial Period Plan prior to entering into a forbearance plan, they may be re-evaluated for a new Trial Period Plan within 30 days prior to or upon completion of the forbearance plan. The Servicer must not resume or restart the terms of the previous Trial Period Plan prior to the start of the forbearance plan. Instead, the Servicer must evaluate the borrower based on the status of the mortgage at the time of the new evaluation. If the borrower meets all eligibility requirements upon completion of the forbearance plan and accepts a new Trial Period Plan offer, the borrower will be required to start a new Trial Period Plan.

For any subsequent modification submissions, the Trial Period Plan prior to the start of the forbearance plan will not be considered a failed Trial Period Plan for a Flex Modification evaluation.

COVID-19 Payment Deferral

Q1: Some borrowers may have experienced a hardship prior to the COVID-19 pandemic but resolved their delinquency related to that hardship in a way that leaves them ineligible per policy for a COVID-19 Payment Deferral. For instance, a borrower may have successfully completed a modification Trial Period Plan in March and been brought current in April, but then was impacted by COVID-19 in May. Can the Servicer consider that borrower "current" as of March 1, 2020 so that he or she meets the delinquency eligibility requirements for a COVID-19 Payment Deferral or post-forbearance mortgage loan modification?

No, the borrower was delinquent due to a non-COVID-19 related hardship as of March 1, 2020 and would not meet the COVID-19 Payment Deferral eligibility criteria. Servicers are not delegated to approve a COVID-19 Payment Deferral in these instances and must submit a request to Freddie Mac for review and approval.

Q2: The Payment Deferral (and certain other requirements) requires that the borrower must be current or less than 31 days delinquent as of the effective date of the National Emergency declaration. Does this mean that as of March 1, 2020, the borrower can be due for their February 1, 2020 payment?

Yes, the borrower may be due for their February 1, 2020 payment (with a DDLPI of January 1, 2020).

Q3: After receiving a COVID-19 Payment Deferral, can the borrower make additional principal payments (i.e., a curtailment) to lower or pay off the deferred non-interest-bearing balance prior to paying off the interest-bearing UPB?

If the curtailment being applied is less than the interest-bearing UPB, the Servicer must apply such curtailment to the interest-bearing UPB. If the principal curtailment is greater than or equal to the interest-bearing UPB, then the Servicer must apply such curtailment in the following order:

1. to the non-interest-bearing balance, if any; and
2. to the interest-bearing UPB.

See Guide Section 8303.4(c) and Guide Bulletin 2020-15 Freddie Mac Payment Deferral for additional information.

Reporting

Q1: How do I report a COVID-19 impacted loan?

To report COVID-19-impacted loans please use the repurposed reason for default code 032 (previously used for "contaminated drywall") in conjunction with reporting other loss mitigation activity like 09 for a forbearance. Freddie Mac is in the process of updating default code 032 so that it denotes "National Emergency declaration" instead of "contaminated drywall" but servicers must report the code 032 in EDR, regardless of how it is labeled in our system.

Q2: Will credit reporting be suppressed for borrowers that are impacted by COVID-19?

As announced in Bulletin 2020-10, the Servicer is required to follow the requirements of the CARES Act and the Fair Credit Reporting Act to be in compliance with Freddie Mac's requirements related to credit reporting for a borrower impacted by COVID-19.

Q3: If a borrower has a COVID-19-related hardship (i.e., Servicer reported code 032 in EDR) and made their monthly payment late and paid the late charge fee, can the Servicer apply the late charge fee as a curtailment?

No, the Servicer would need to obtain the borrower's consent before applying a late charge fee as a curtailment. However, if the loan is delinquent the late charge fee cannot be applied as a curtailment unless the loan is current (DDLPI = Current Cycle). If the loan is past due and the borrower wants the late charge fee to be applied as a curtailment, the Servicer can place the funds in suspense until the loan becomes current.