

Freddie Mac is committed to providing payment relief and other assistance to borrowers when they encounter a financial hardship. This includes those that have been impacted by the outbreak and spread of the coronavirus disease (COVID-19).

With [Single Family Seller/Service Guide \(Guide\) Bulletin 2020-15](#), Freddie Mac introduced the COVID-19 Payment Deferral, which is tailored to borrowers with a COVID-19 related hardship. Prior to receiving a COVID-19 Payment Deferral, a borrower may be placed on a forbearance plan for a period of one to twelve months dependent on individual circumstances and the nature of the hardship.

This quick reference outlines the requirements that will help you effectively manage escrow for loans on a COVID-19 forbearance plan or COVID-19 Payment Deferral.

Specifically, this quick reference:

- Provides an overview of Freddie Mac's [COVID-19 forbearance](#) and [Payment Deferral](#) offerings
- Provides [key terminology](#) related to escrow management
- Outlines the [requirements](#) for managing the escrow account during a COVID-19 related hardship
- Includes a month-by-month [example](#) of managing escrow before, during, and after a COVID-19 forbearance
- Lists [additional resources](#) for escrow and COVID-19 relief options

If you have any questions after reviewing this quick reference, refer to [Guide Chapter 8201](#) or contact our Customer Support Contact Center (800-FREDDIE).

## COVID-19 Forbearance Plan

A forbearance plan is a written agreement between you and the borrower that reflects the terms of the forbearance, including whether the borrower may make either reduced or no monthly payments for a specific period of time. The length of each forbearance plan term must be for an appropriate length of time, based on the borrower's individual circumstances and nature of the hardship and must be agreed upon with or requested by the borrower.

An eligible borrower may be given an initial forbearance plan up to six months. If necessary, the length of the forbearance plan can be extended six additional months provided the total forbearance term does not exceed 12 months. Borrowers who qualify to be evaluated for a COVID-19 Payment Deferral will typically be transitioning from a COVID-19 forbearance. However, forbearance is not a prerequisite for eligibility.

For additional information about Freddie Mac's forbearance requirements, refer to [Guide Sections 9203.12](#) through [9203.21](#) and [Guide Bulletin 2020-4](#).



## COVID-19 Payment Deferral

The Freddie Mac COVID-19 Payment Deferral is an offering available to assist borrowers who were current or less than 31 days delinquent (i.e., have not missed more than one monthly mortgage payment) as of March 1, 2020, which is the effective date of the National Emergency Declaration related to COVID-19.

The COVID-19 Payment Deferral does not permit capitalization of arrearages into the interest-bearing UPB and instead, permits an eligible borrower to bring the mortgage current by deferring the capitalized arrears into a non-interest-bearing principal balance that will become due at the earlier of the maturity date, payoff date, or upon transfer or sale of the mortgaged premises. The remaining Mortgage term, interest rate schedule (i.e., whether a fixed-rate Mortgage, an ARM or Step-Rate Mortgage) and maturity date of the Mortgage will all remain unchanged. For additional information, refer to [Guide Bulletin 2020-15](#).

## Escrow Terminology and Requirements

Refer to the following table to ensure you are familiar with the following escrow terms and requirements:

| Escrow Term                     | Requirement   |
|---------------------------------|---|
| <b>Escrow Custodial Account</b> | <p>Freddie Mac requires that you establish a separate escrow custodial account for each Seller/Servicer number, even if you do not currently collect or plan to collect escrow money. You must open an escrow account for unplanned events such as partial payments or insurance claim proceeds.</p> <p>You must deposit into the escrow custodial account all funds collected on the borrower's behalf. These funds are used to make payments for the borrower for items such as taxes and insurance. The escrow custodial account balance should never go below zero, even if allowed by the institution housing the custodial account.</p> |
| <b>Escrow Advances</b>          | <p>Escrow advances are amounts paid by the Servicer to satisfy payments due for taxes, insurance, or other expenses when the escrow account is not sufficiently funded to cover the full payment amounts.</p> <p>If there is a deficit, you are required to advance funds to the escrow custodial account <u>prior</u> to remitting the amount due.</p> <p>You must include any escrow advances disbursed during the forbearance period in the deferred unpaid principal balance of the loan when calculating the terms for a COVID-19 Payment Deferral.</p>  |



|                             |   |
|-----------------------------|---|
| <b>Escrow Analysis</b>      | <p>When evaluating a borrower for a COVID-19 Payment Deferral, Servicers must perform an escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, state or local law, as announced in <a href="#">Guide Bulletin 2021-35</a>.</p> <p><a href="#">Guide Bulletin 2022-26</a> further clarifies that for a COVID-19 Payment Deferral, the initial escrow analysis may be an estimate.</p> <p>Upon completion of a COVID-19 Payment Deferral, the Servicer must still perform an escrow analysis in accordance with RESPA and any applicable federal, state, or local law.</p> <p>If the mortgage has an escrow account, then at least annually, you must compute the required escrow payment based on reasonable estimates of assessments and bills to determine that enough funds are being collected to meet all escrow payments.</p> |
| <b>Escrow Disbursements</b> | <p>All funds held on behalf of the borrower are considered to be escrow funds. Escrow funds are categorized according to their source and purpose. County taxes and hazard insurance are two of the most common types of escrow funds.</p> <p>Generally, insurance premiums are due and disbursed yearly while tax disbursements can occur twice throughout the calendar year.</p>  |
| <b>Escrow Shortage</b>      | <p>The amount by which a current escrow account balance falls short of the target balance at the time of the escrow analysis.</p> <p>Any Escrow account shortage that is identified at the time of the Payment Deferral must not be capitalized and the Servicer is not required to fund any existing Escrow account shortage.</p>  |
| <b>Escrow Deficiency</b>    | <p>The amount of a negative balance in an escrow account resulting from the Servicer advancing and disbursing funds for payment of escrow items.</p>  |



| Escrow Term                  | Requirement  |
|------------------------------|--|
| <b>Escrow Repayment Plan</b> | <p>A repayment plan that you set up with the borrower to recoup the escrow shortage.</p> <p>At the time of an escrow analysis, you can either collect the shortage amount in a lump sum from the borrower along with their next scheduled mortgage payment or spread the escrow shortage repayment amount equally over a period not to exceed 60 months.</p> <p>If the borrower is already on an escrow repayment plan, and a future escrow analysis identifies a subsequent escrow shortage, then you must combine the remaining amount due from the initial escrow shortage with the amount due as a result of the new escrow analysis. The repayment term for the newly combined balance can be extended to a period up to 60 months.</p> <p>For more details, refer to <a href="#">Guide Section 9206.15</a>.</p>  |
| <b>Escrow Account Waiver</b> | <p>You may waive or discontinue collecting escrow per the borrower's request if the requirements outlined in <a href="#">Guide Section 8201.1(b)(ii)</a> have been met. Effective February 1, 2021, you must have a written policy in place governing the circumstances under which an escrow account may be waived.</p> <p>If a borrower does not have an escrow account and you discover non-payment of any charge otherwise payable from escrow, and the borrower is not able to provide proof of payment within 30 days, then, when allowed by applicable law, you must begin to collect escrow for future bills.</p> <p>If, based upon the borrower's individual circumstances and history, and taking into consideration the requirements in <a href="#">Guide Section 8201.1(c)</a>, you do not believe a force-placed escrow account is warranted, then you may submit an exception request via Workout Prospector® to Freddie Mac for review subject to Servicing Guide requirements and applicable law.</p> <p>Please see <a href="#">Guide Section 8201</a> and <a href="#">Guide Bulletins 2020-39</a> and <a href="#">2020-46</a> for the requirements around waiving escrow, non-payment of escrow charges, and submitting an exception request.</p> |



# Example: Managing Escrow Before, During, and After a COVID-19 Forbearance

Let's take a closer look at how escrow is managed when the borrower is placed on a COVID-19 forbearance plan and then accepts a Freddie Mac COVID-19 Payment Deferral. The following example provides a month over month view of the fluctuations occurring in the escrow account before, during and after the forbearance period.

## Overview

The borrower has experienced a COVID-19 hardship and has contacted you for assistance. The borrower is placed on a six-month forbearance plan. According to the terms of the forbearance agreement, the borrower is not required to make a monthly payment.

At the end of the forbearance plan, you determined the borrower was eligible for a Freddie Mac COVID-19 Payment Deferral.

Contractual Monthly Mortgage Payment = \$1,000

\$700 – *Principal & Interest (P&I) portion*

\$300 – *Taxes & Insurance (T&I) portion*

Annual Tax and Insurance Amounts Due = \$3,590

\$2,990 – *Total Tax Amount Due*

\$600 – *Total Insurance Amount Due*

## April 2020

The loan is current as of April 2020. The borrower sends the contractual monthly mortgage payment of \$1,000 of which \$300 is applied to escrow.

The borrower has experienced a COVID-19 hardship and has contacted you for assistance. The borrower is placed on a six-month forbearance plan beginning in May 2020.

|  | <b>April</b><br>DDLPI: 4/1 |
|--|----------------------------|
| <b>Beginning Escrow Account Balance</b>      | \$900                      |
| <b>(+) Borrower's Monthly Escrow Payment</b> | \$300                      |
| <b>(-) Tax Disbursement</b>                  | \$0                        |
| <b>(-) Insurance Disbursement</b>            | \$0                        |
| <b>Ending Escrow Account Balance</b>         | \$1,200                    |

### Escrow Account Activity

\$300 deposited into account

\$0 withdrawn for tax and insurance disbursements.

Ending balance is \$1,200



### May 2020

This is month one of the borrower's forbearance plans. The borrower did not send a payment.

#### Escrow Account Activity

\$0 deposited into account  
\$0 withdrawn for tax and insurance disbursements.  
Ending balance is \$1,200

|                                       | Forbearance Plan    |                   |
|---------------------------------------|---------------------|-------------------|
|                                       | April<br>DDLPI: 4/1 | May<br>DDLPI: 4/1 |
| Beginning Escrow Account Balance      | \$900               | \$1,200           |
| (+) Borrower's Monthly Escrow Payment | \$300               | \$0               |
| (-) Tax Disbursement                  | \$0                 | \$0               |
| (-) Insurance Disbursement            | \$0                 | \$0               |
| Ending Escrow Account Balance         | \$1,200             | \$1,200           |

### June 2020

This is month two of the borrower's forbearance plan. The borrower did not send a payment.

The first installment of the yearly tax bill is due. The escrow account balance of \$1,200 is not enough to cover the \$1,500 tax bill. You advance \$300 of corporate funds to the escrow custodial account to pay the tax bill.

#### Escrow Account Activity

\$0 deposited into account  
\$1,500 withdrawn for tax disbursement  
Ending balance is (\$300)

|                                       | Forbearance Plan    |                   |                    |
|---------------------------------------|---------------------|-------------------|--------------------|
|                                       | April<br>DDLPI: 4/1 | May<br>DDLPI: 4/1 | June<br>DDLPI: 4/1 |
| Beginning Escrow Account Balance      | \$900               | \$1,200           | \$1,200            |
| (+) Borrower's Monthly Escrow Payment | \$300               | \$0               | \$0                |
| (-) Tax Disbursement                  | \$0                 | \$0               | \$1,500            |
| (-) Insurance Disbursement            | \$0                 | \$0               | \$0                |
| Ending Escrow Account Balance         | \$1,200             | \$1,200           | (\$300)            |

**Total Escrow  
Advanced Amount:  
\$300**



### July 2020

This is month three of the borrower's forbearance plan. The borrower did not send a payment.

#### Escrow Account Activity

\$0 deposited into account  
 \$0 withdrawn for tax and insurance disbursements  
 Ending balance is **(\$300)**

|                                       | Forbearance Plan    |                   |                    |                    |
|---------------------------------------|---------------------|-------------------|--------------------|--------------------|
|                                       | April<br>DDLPI: 4/1 | May<br>DDLPI: 4/1 | June<br>DDLPI: 4/1 | July<br>DDLPI: 4/1 |
| Beginning Escrow Account Balance      | \$900               | \$1,200           | \$1,200            | <b>(\$300)</b>     |
| (+) Borrower's Monthly Escrow Payment | \$300               | \$0               | \$0                | \$0                |
| (-) Tax Disbursement                  | \$0                 | \$0               | \$1,500            | \$0                |
| (-) Insurance Disbursement            | \$0                 | \$0               | \$0                | \$0                |
| Ending Escrow Account Balance         | \$1,200             | \$1,200           | <b>(\$300)</b>     | <b>(\$300)</b>     |

**Total Escrow Advanced Amount:**  
\$300

### August 2020

This is month four of the borrower's forbearance plan. The borrower did not send a payment.

The annual homeowner's insurance premium is due. You advance \$600 to the escrow account to pay the insurance bill. The total amount that you have advanced during the forbearance plan is \$900.

|                                       | Forbearance Plan    |                   |                    |                    |                      |
|---------------------------------------|---------------------|-------------------|--------------------|--------------------|----------------------|
|                                       | April<br>DDLPI: 4/1 | May<br>DDLPI: 4/1 | June<br>DDLPI: 4/1 | July<br>DDLPI: 4/1 | August<br>DDLPI: 4/1 |
| Beginning Escrow Account Balance      | \$900               | \$1,200           | \$1,200            | <b>(\$300)</b>     | <b>(\$300)</b>       |
| (+) Borrower's Monthly Escrow Payment | \$300               | \$0               | \$0                | \$0                | \$0                  |
| (-) Tax Disbursement                  | \$0                 | \$0               | \$1,500            | \$0                | \$0                  |
| (-) Insurance Disbursement            | \$0                 | \$0               | \$0                | \$0                | \$600                |
| Ending Escrow Account Balance         | \$1,200             | \$1,200           | <b>(\$300)</b>     | <b>(\$300)</b>     | <b>(\$900)</b>       |

#### Escrow Account Activity

\$0 deposited into account  
 \$600 withdrawn for tax and insurance disbursements  
 Ending balance is **(\$900)**

**Total Escrow Advanced Amount:** \$900

\$300 (June)  
 + \$600 (August)  
 \$900



### September 2020

This is month five of the borrower's forbearance plan. The borrower did not send a payment.

|                                       | Forbearance Plan    |                   |                    |                    |                      |                         |
|---------------------------------------|---------------------|-------------------|--------------------|--------------------|----------------------|-------------------------|
|                                       | April<br>DDLPI: 4/1 | May<br>DDLPI: 4/1 | June<br>DDLPI: 4/1 | July<br>DDLPI: 4/1 | August<br>DDLPI: 4/1 | September<br>DDLPI: 4/1 |
| Beginning Escrow Account Balance      | \$900               | \$1,200           | \$1,200            | (\$300)            | (\$300)              | (\$900)                 |
| (+) Borrower's Monthly Escrow Payment | \$300               | \$0               | \$0                | \$0                | \$0                  | \$0                     |
| (-) Tax Disbursement                  | \$0                 | \$0               | \$1,500            | \$0                | \$0                  | \$0                     |
| (-) Insurance Disbursement            | \$0                 | \$0               | \$0                | \$0                | \$600                | \$0                     |
| Ending Escrow Account Balance         | \$1,200             | \$1,200           | (\$300)            | (\$300)            | (\$900)              | (\$900)                 |

#### Escrow Account Activity

\$0 deposited into account  
 \$0 withdrawn for tax and insurance disbursements  
 Ending balance is **(\$900)**

**Total Escrow Advanced Amount: \$900**

\$300 (June)  
 + \$600 (August)  
 \$900

### October 2020

This is month six of the borrower's forbearance plan. The borrower did not send a payment.

During October, you determined the borrower was eligible for a Freddie Mac COVID-19 Payment Deferral with the first payment due in November 2020.

You must perform an escrow analysis during evaluation of a borrower and upon completion of a COVID-19 Payment Deferral in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, state, or local law. The initial escrow analysis may be an estimate.

Per the requirements of the COVID-19 Payment Deferral, the \$900 that you have advanced during the six-month forbearance period will be capitalized and included in the non-interest-bearing deferred principal balance on the loan. As such, the October escrow account ending balance is \$0.

|                                       | Forbearance Plan    |                   |                    |                    |                      |                         |                       |
|---------------------------------------|---------------------|-------------------|--------------------|--------------------|----------------------|-------------------------|-----------------------|
|                                       | April<br>DDLPI: 4/1 | May<br>DDLPI: 4/1 | June<br>DDLPI: 4/1 | July<br>DDLPI: 4/1 | August<br>DDLPI: 4/1 | September<br>DDLPI: 4/1 | October<br>DDLPI: 4/1 |
| Beginning Escrow Account Balance      | \$900               | \$1,200           | \$1,200            | (\$300)            | (\$300)              | (\$900)                 | (\$900)               |
| (+) Borrower's Monthly Escrow Payment | \$300               | \$0               | \$0                | \$0                | \$0                  | \$0                     | \$0                   |
| (-) Tax Disbursement                  | \$0                 | \$0               | \$1,500            | \$0                | \$0                  | \$0                     | \$0                   |
| (-) Insurance Disbursement            | \$0                 | \$0               | \$0                | \$0                | \$600                | \$0                     | \$0                   |
| Ending Escrow Account Balance         | \$1,200             | \$1,200           | (\$300)            | (\$300)            | (\$900)              | (\$900)                 | \$0                   |

#### Escrow Account Activity

\$0 deposited into account  
 \$0 withdrawn for tax and insurance disbursements  
 Ending balance is \$0

**Total Escrow Advanced Amount to be Deferred: \$900**





### **November 2020**

The COVID-19 Payment Deferral begins. The loan is current as of November 2020. The borrower sends the contractual monthly mortgage payment of \$1,000 of which \$300 is applied to the escrow custodial account.

|                                       | Forbearance Plan    |                   |                    |                    |                      |                         |                       |                         |
|---------------------------------------|---------------------|-------------------|--------------------|--------------------|----------------------|-------------------------|-----------------------|-------------------------|
|                                       | April<br>DDLPI: 4/1 | May<br>DDLPI: 4/1 | June<br>DDLPI: 4/1 | July<br>DDLPI: 4/1 | August<br>DDLPI: 4/1 | September<br>DDLPI: 4/1 | October<br>DDLPI: 4/1 | November<br>DDLPI: 11/1 |
| Beginning Escrow Account Balance      | \$900               | \$1,200           | \$1,200            | (\$300)            | (\$300)              | (\$900)                 | (\$900)               | \$0                     |
| (+) Borrower's Monthly Escrow Payment | \$300               | \$0               | \$0                | \$0                | \$0                  | \$0                     | \$0                   | \$300                   |
| (-) Tax Disbursement                  | \$0                 | \$0               | \$1,500            | \$0                | \$0                  | \$0                     | \$0                   | \$0                     |
| (-) Insurance Disbursement            | \$0                 | \$0               | \$0                | \$0                | \$600                | \$0                     | \$0                   | \$0                     |
| Ending Escrow Account Balance         | \$1,200             | \$1,200           | (\$300)            | (\$300)            | (\$900)              | (\$900)                 | \$0                   | \$300                   |

#### **Escrow Account Activity**

- \$300 deposited into account
- \$0 withdrawn for tax and insurance disbursements
- Ending balance is \$300

### **December 2020**

The loan is current as of December 2020. The borrower sends the contractual monthly mortgage payment of \$1,000 of which \$300 is applied to the escrow custodial account.

The second installment of the yearly tax bill is due. The escrow account balance of \$600 is not enough to cover the \$1,490 tax bill. You advance \$890 to the escrow account to pay the tax bill.

Advances that occur after the COVID-19 Payment Deferral is settled cannot be deferred into the non-interest-bearing balance of the loan.

You will work out a repayment plan with the borrower to recoup the \$890 in missed escrow installments over 60 months.

You may continue to perform the escrow analysis as regularly scheduled. In this example, the next escrow analysis for this loan is scheduled for March 2021.

If you determine in March that there will be a projected escrow shortage for the next 12 months, due to an anticipated increase in taxes and/or hazard insurance, then you must combine the remaining amount due from the escrow repayment plan with the escrow shortage resulting from the new escrow analysis. The repayment term for the newly combined balance can be extended for a period up to 60 months. If the borrower is unable to afford a COVID-19 Payment Deferral based on the increased monthly payment resulting from an escrow shortage repayment, the Servicer must evaluate the borrower for a Flex Modification.

Note: Any escrow account shortage that is identified at the time of the Payment Deferral must not be capitalized and the Servicer is not required to fund any existing escrow account shortage.



|                                       | Forbearance Plan    |                   |                    |                    |                      |                         |                       |                         |                         |  |
|---------------------------------------|---------------------|-------------------|--------------------|--------------------|----------------------|-------------------------|-----------------------|-------------------------|-------------------------|--|
|                                       | April<br>DDLPI: 4/1 | May<br>DDLPI: 4/1 | June<br>DDLPI: 4/1 | July<br>DDLPI: 4/1 | August<br>DDLPI: 4/1 | September<br>DDLPI: 4/1 | October<br>DDLPI: 4/1 | November<br>DDLPI: 11/1 | December<br>DDLPI: 12/1 |  |
| Beginning Escrow Account Balance      | \$900               | \$1,200           | \$1,200            | (\$300)            | (\$300)              | (\$900)                 | (\$900)               | \$0                     | \$300                   |  |
| (+) Borrower's Monthly Escrow Payment | \$300               | \$0               | \$0                | \$0                | \$0                  | \$0                     | \$0                   | \$300                   | \$300                   |  |
| (-) Tax Disbursement                  | \$0                 | \$0               | \$1,500            | \$0                | \$0                  | \$0                     | \$0                   | \$0                     | \$1,490                 |  |
| (-) Insurance Disbursement            | \$0                 | \$0               | \$0                | \$0                | \$600                | \$0                     | \$0                   | \$0                     | \$0                     |  |
| Ending Escrow Account Balance         | \$1,200             | \$1,200           | (\$300)            | (\$300)            | (\$900)              | (\$900)                 | \$0                   | \$300                   | (\$890)                 |  |

### Escrow Account Activity

\$300 deposited into account

\$1,490 withdrawn for tax and insurance disbursements

Ending balance is **(\$890)**

**Total Escrow  
Advanced Amount:  
\$890**

### Borrower Repayment Plan

Escrow Shortage Payment:  
**(\$890)**

Months for Payment Plan: 60

Borrower Monthly Payment  
\$14.83

## Additional Resources

In addition to this reference guide, the following COVID-19 and escrow-related resources are also available:

- [COVID-19 Relief: Delinquency Resolution through COVID-19 Payment Deferral and Flex Modification Webinar](#)
- [Forbearance Plan: COVID-19 Relief](#)
- [COVID-19 Training Resources](#)
- [Single-Family web page on COVID-19](#)
- [Recent Guide Bulletins](#)
- [Understanding Custodial Accounts Reference Guide](#)
- [Servicing for COVID-19 Related Hardships Reference Guide](#)

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