Servicing for COVID-19 Related Hardships Reference Guide

January 2023

Freddie Mac SINGLE-FAMILY | Learning

Introduction

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).

This reference guide outlines temporary measures that will help you assist borrowers who have and have not contracted COVID-19, if their ability to make timely mortgage payments has been negatively affected as a result of COVID-19 ("COVID-19 related hardship").

Freddie Mac will continue to monitor the situation and may revise or revoke this temporary guidance at any time, as appropriate. If you have any questions after reviewing this quick reference, please contact the Customer Support Contact Center at 800-FREDDIE.

COVID-19 Related Hardship

A COVID-19 related hardship could be any of the eligible hardships under Guide Section 9202.2, provided the borrower's ability to make timely mortgage payments has been negatively affected by COVID-19. A COVID-19 related hardship may include long-term or permanent disability, serious illness of a borrower, co-borrower or dependent family member, reduction in income, death or other eligible hardship reasons. You will determine what constitutes a COVID-19 related hardship and must treat all borrowers equally when making this determination. No documentation is required from the borrower in order to verify the hardship.

Reporting to Credit Repositories

For any borrower impacted by COVID-19, you must provide a "full file" status report describing the status of the mortgage to each of the four major credit repositories in accordance with the credit bureau standards as provided by the Consumer Data Industry Association, and subject to applicable law (e.g., the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and the Fair Credit Reporting Act.

Late Charges

You must not assess late charges while the borrower is on a forbearance plan or paying as agreed on a repayment plan. Late charges may accrue during a trial period subject to the requirements in Guide Section 9102.2. However, all accrued and unpaid late charges must be waived if the mortgage is modified. Additionally, you must waive all accrued and unpaid late charges upon completion of a COVID-19 Payment Deferral.

Foreclosure Moratorium

You must suspend all foreclosure actions, including foreclosure sales, through July 31, 2021. This includes initiation of any judicial or non-judicial foreclosure process, move for foreclosure judgment or order of sale. This foreclosure suspension does not apply to mortgages on properties that are vacant or abandoned. A waiver of the moratorium is available if a foreclosure case is at risk of dismissal or other negative events due to the delay. You can email foreclosures@freddiemac.com to request a waiver.

Property Valuations for Standard Short Sales and Deeds-in-Lieu of Foreclosure

Due to the COVID-19 pandemic, we are temporarily using external property valuations in some cases in lieu of the interior property valuations that we require, as described in Guide Sections 9208.5(a) and 9209.5(a). In these instances, you must use the valuation we provide, even if it is not an internal valuation.

Bankruptcy: Filing Motions for Relief from Automatic Stay

Guide Sections 9401.6 and 9401.7 require you to file a motion for relief from automatic stay upon certain milestones based on the length of delinquency or post-petition payments. Due to the CARES Act and other impacts resulting from the COVID-19 National Emergency, we are temporarily relieving you of your responsibility to meet these timelines. You must continue to work with your bankruptcy counsel to determine the appropriate time to file such a motion.

Outreach and Collection Efforts

As a reminder, servicing of a delinquent mortgage must be based upon personal contact via the methods listed below. Form letters and notices, while having a place in any servicing program, generally are not as effective as personal contact and must not be used exclusively.

Collection techniques must include the use of:

- Telephone contacts or face-to-face interviews.
- Written communications such as email, notices and letters.
- Other responsible collection techniques as permitted under applicable law including, but not limited to, e-mail, text messaging, voice response unit (VRU) technology or a Servicer's web portal.

If you discover that the borrower's contact information (phone number or mailing address) is invalid, then you should initiate skip trace activities to obtain alternate phone numbers or mailing addresses.

Quality Right Party Contact

Per Guide Section 9102.3(b), quality right party contact (QRPC) occurs when you establish contact with the borrower and discuss with the borrower, co-borrower or trusted advisor, such as a housing counselor, the most appropriate options for delinquency resolution. QRPC is still applicable when working with borrowers impacted by COVID-19 to ensure that you understand their circumstances and determine the best possible outcome for resolving the borrower's delinquency. However, if you are unable to achieve full QRPC and offer a forbearance plan to a COVID-19 impacted borrower in compliance with applicable law, you are considered to be in compliance with the Guide.

Forbearance

When a borrower is impacted by a COVID-19 related hardship, you must make good faith efforts to establish QRPC with the borrower in order to evaluate him or her for a forbearance plan. However, if you are not able to establish full QRPC, you may place the borrower into a forbearance plan, in compliance with applicable law, and be considered to be in compliance with the Guide.

You are not required to obtain a complete Borrower Response Package, and may offer the borrower:

- Forbearance for a period of one to six months, and, if necessary,
- One or more successive forbearance plan periods of one to six months provided the total forbearance term does not exceed 12 months. **Note:** Borrowers who are on an active forbearance plan for a COVID-19 hardship as of February 28, 2021, can be granted additional forbearance plan term extensions provided the total forbearance term does not

exceed 18 months of total delinquency. You can refer to the *Extending COVID-19 Forbearance Plans Beyond 12 Months* section for the temporary requirements to extend a COVID-19 forbearance plan beyond 12 months.

Each forbearance plan term must be for an appropriate duration, based on the borrower's individual circumstances and nature of the hardship. It must be agreed upon with or requested by the borrower. If you and the borrower cannot agree on an appropriate forbearance length, or further communication with the borrower is not possible under the circumstances, you must provide the term requested by the borrower, not to exceed 180 days.

Extending COVID-19 Forbearance Plans Beyond 12 Months

To assist borrowers who enrolled in the COVID-19 forbearance plan in early 2020 and have reached the end of their 12-month term without having resolved their hardship and who may need additional forbearance of their monthly mortgage payments, we are extending the allowable term of the COVID-19 forbearance for borrowers who:

- Have a COVID-19 related hardship; and
- Are on an active forbearance plan for a COVID-19 hardship as of February 28, 2021.

Refer to the table below for the temporary requirements to extend a COVID-19 forbearance plan beyond 12 months.

Extending COVID-19 Forbearance Plans Beyond 12 Months	
Forbearance Term	Once an eligible borrower reaches a cumulative term of 12 months of forbearance, you are authorized to grant a forbearance term extension of up to three months and thereafter one or more forbearance plan term extensions of no more than three months each, provided the forbearance term does not exceed the shorter of: ▪ 18 months of total delinquency, or ▪ A cumulative term of 18 months
Quality Right Party Contact (QRPC)	At least 30 days before the end of the initial 12-month cumulative COVID-19 forbearance period, or at least 30 days prior to the end of any subsequent forbearance plan term extension, you must begin attempts to establish QRPC with the borrower following the requirements in Guide Section 9102.3(b) to evaluate the borrower for a forbearance plan extension, if applicable. If you are unable to achieve full QRPC and offer a forbearance plan extension to a COVID-19 impacted borrower in compliance with applicable law, you are considered to be in compliance with the Guide.
These requirements apply only to evaluations for COVID-19 forbearance plan extensions that result in a cumulative forbearance plan term greater than 12 months. You must continue to adhere to the requirements outlined in Guide Bulletins 2020-4 and 2020-10 when evaluating: ▪ A borrower who has not previously been on an active COVID-19 forbearance plan, or ▪ Extending a borrower's existing or previous COVID-19 forbearance plan that results in a cumulative forbearance plan term of 12 months or less.	

After you determine the terms of the forbearance plan, you must send the borrower the forbearance plan agreement, in accordance with Guide Section 9203.13(c). You may use the template provided in Guide Exhibit 93, appropriately modified to reflect the terms of the COVID-19 forbearance.

When offering a forbearance plan due to a COVID-19 related hardship, the mortgage may be secured by a primary residence, second home or investment property.

You must 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.

For additional information about Freddie Mac's forbearance requirements, refer to Guide Sections 9203.12 through 9203.21.

During an active forbearance plan, you are not required to send a late notice/reminder letter to the borrower, regardless of whether the monthly payment is reduced or suspended.

Home Affordable Modification Program℠ (HAMP®) Mortgages in Good Standing

Borrowers Entering into a COVID-19 Forbearance Plan

If a mortgage was previously modified under HAMP and the borrower is in "good standing" when they enter into a COVID-19 forbearance plan, the borrower will not lose good standing while on the active forbearance plan, even if they become more than 90 days delinquent.

Additionally, a borrower will remain in good standing if they transition directly from a COVID-19 forbearance plan to one of the following:

- A reinstatement
- An active repayment plan
- A settled COVID-19 Payment Deferral

A borrower will remain in good standing while the relief option is active and upon completion of the relief option when the mortgage becomes current. However, if the COVID-19 forbearance plan expires without transitioning to one of the relief options noted above, or if the borrower does not successfully reinstate the mortgage as a result of one of these relief options, the borrower will no longer be considered in good standing.

Borrowers Who Did Not Enter into a COVID-19 Forbearance Plan

Borrowers with a COVID-19 related hardship who were not on a forbearance plan, are less than 90 days delinquent, and are still in good standing when they enter into a COVID-19 Payment Deferral, will remain in good standing.

Transitioning after Forbearance for a COVID-19 Related Hardship

No less than 30 days prior to the conclusion of the forbearance period for a COVID-19 related hardship, you must make good faith efforts to establish limited QRPC, in lieu of the full requirements of Guide Section 9102.3(b).

Limited QRPC includes the following:

- Determining the reason for the delinquency and whether the reason is temporary or permanent in nature
- Determining the borrower's ability to repay the debt
- Setting payment expectations and educating the borrower on the availability of alternatives to foreclosure, as appropriate
- Obtaining a commitment from the borrower to resolve the delinquency through traditional methods (paying the total delinquent amount) or engaging in an alternative to foreclosure solution

You must attempt to contact the borrower until QRPC has been established or until the forbearance plan has expired. If the hardship has been resolved and the borrower is ready to transition to a permanent solution, you must evaluate the borrower for the most appropriate workout option to cure the delinquency. If the hardship has not been resolved, then you must evaluate the borrower's eligibility for extended forbearance.

When You are Able to Establish Quality Right Party Contact

Refer to the following table to determine how to proceed when you are able to establish QRPC.

<table>
<tr><th>If the borrower was:</th><th colspan="2">Then:</th></tr>
<tr><td rowspan="4">Current or less than 31 days delinquent (had not missed more than one monthly mortgage payment) as of the effective date of the National Emergency declaration (March 1, 2020)

(Due for February 1, 2020)</td><td colspan="2">Determine if the borrower is able to resolve the delinquency through a reinstatement or repayment plan.</td></tr>
<tr><th>If:</th><th>Then:</th></tr>
<tr><td>The borrower is able to resolve the delinquency through a reinstatement or repayment plan</td><td>Accept a reinstatement and/or enter into a repayment plan with the borrower in accordance with Guide Chapter 9203.</td></tr>
<tr><td>The borrower is not able to resolve the delinquency through a reinstatement or repayment plan</td><td>Evaluate the borrower in accordance with the following COVID-19 related evaluation hierarchy:
1. COVID-19 Payment Deferral*
2. Freddie Mac Flex Modification® (in accordance with the requirements outlined in Guide Bulletin 2020-7, if applicable)
Refer to Guide Chapter 9206 and the Freddie Mac Flex Modification Reference Guide for additional information.
3. Freddie Mac Standard Short Sale
Refer to Guide Chapter 9208 for additional information.
4. Freddie Mac Standard Deed-in-Lieu of Foreclosure
Refer to Guide Chapter 9209 for additional information.

*Note: Freddie Mac has expanded eligibility for the COVID-19 Payment Deferral to include mortgages originated after the effective date of the National Emergency declaration (March 1, 2020), as long as the borrower meets all of the eligibility requirements for a COVID-19 payment deferral as described in Guide Bulletin 2020-15.</td></tr>
<tr><td>31 days or more delinquent (had missed more than one monthly mortgage payment) as of the effective date of the National Emergency declaration (March 1, 2020)

(Due for January 1, 2020 or prior)</td><td colspan="2">You must evaluate the borrower in accordance with the loss mitigation evaluation hierarchy in Guide Section 9201.2.

Note: If the borrower had a COVID-19 related hardship but was 31 or more days delinquent as of the effective date of the National Emergency declaration (March 1, 2020), and you determine the borrower can maintain the existing monthly contractual payment, you must transmit an exception request for a COVID-19 Payment Deferral via Workout Prospector® to Freddie Mac.</td></tr>
</table>

If the borrower was:	Then:
Performing in accordance with the terms of a Trial Period Plan at the time he or she was placed on forbearance as a result the National Emergency declaration	Determine if the borrower is eligible for a new Flex Modification Trial Period Plan under streamlined terms.

When You are Not Able to Establish Limited Quality Right Party Contact

If you are not able to establish limited QRPC during the COVID-19 forbearance plan, you must proactively solicit the borrower and offer a COVID-19 Payment Deferral within 15 days after the expiration of the forbearance plan under the following circumstances:

- The borrower was current or less than one month delinquent (i.e., must not have missed more than one monthly payment) as of the effective date of the National Emergency declaration related to COVID-19 (i.e., March 1, 2020), and
- The mortgage does not meet any of the eligibility exclusions for a COVID-19 Payment Deferral.

You can refer to the *Proactively Soliciting Borrowers for a COVID-19 Payment Deferral* section for additional information.

Proactively Soliciting Borrowers for a COVID-19 Payment Deferral

To proactively solicit a borrower for a COVID-19 Payment Deferral, you must send a solicitation letter and a COVID-19 Payment Deferral Agreement (Guide Bulletin 2020-21 – Attachment A). We have provided Guide Bulletin 2020-15 – Attachment B as a solicitation letter template, which you may use at your discretion. However, the solicitation letter you send to the borrower must, at a minimum, provide the details of the COVID-19 Payment Deferral and instructions on how to accept the offer. The solicitation letter must also include language that additional forbearance options are available, as applicable, if the borrower's hardship is ongoing, or a Flex Modification may be available if the borrower needs payment relief.

A borrower may accept the COVID-19 Payment Deferral offer by:

- Contacting you, the Servicer, directly in accordance with any acceptable outreach and communication method as described in Bulletin 2020-7, or
- Returning an executed COVID-19 Payment Deferral Agreement, if applicable, or
- Any other method evidencing the borrower's acceptance, in compliance with applicable law (e.g., making the monthly payment due under the terms of the COVID-19 Payment Deferral offer). **Note:** If you are permitting payment to constitute acceptance of the COVID-19 Payment Deferral offer, you must require the borrower's payment to be submitted so that you receive it in the same month as the Payment Deferral offer is sent. This requirement must be described in the solicitation letter, if applicable.

Soliciting a Borrower for a Streamlined Offer for a Flex Modification

If the borrower is ineligible for a solicitation for a COVID-19 Payment Deferral or the borrower was eligible for a COVID-19 Payment Deferral but declined the offer, you must determine if the borrower is eligible for a streamlined offer for a Flex Modification. The borrower may be eligible if, as of the evaluation date, they are at least 90 days delinquent or at least 60 days delinquent and they have a step-rate mortgage.

<table>
<tr><th>If the borrower:</th><th>Then:</th></tr>
<tr><td>Was current or less than 31 days delinquent as of March 1, 2020</td><td>In lieu of the Flex Modification eligibility requirements described in Guide Sections 9206.5 and 9206.6, you must exclude the following mortgages from eligibility:

FHA, VA or Guaranteed Rural Housing mortgages
Mortgages subject to recourse
Mortgages currently performing under another forbearance plan, Trial Period Plan or repayment plan
Mortgages subject to an approved short sale or deed-in-lieu of foreclosure
Mortgages currently subject to an unexpired offer to the borrower for another modification or other foreclosure prevention alternative, such as a forbearance plan or repayment plan

If you were not collecting escrow funds on the existing mortgage, the borrower is not required to establish an escrow account as a condition of the modification unless otherwise required by applicable law, or you confirm that the taxes and insurance premiums have not been paid and are past due.

If a mortgage originated after March 1, 2020 and otherwise meets the reduced criteria to receive a Flex Modification, you must evaluate the borrower for a Flex Modification and offer it if they are eligible.

At your discretion, you may continue to proactively solicit the borrower for a Flex Modification based on the reduced eligibility criteria described above. However, you must not solicit a borrower for a Flex Modification based on the reduced eligibility criteria if the mortgaged premises has a scheduled foreclosure sale date:

Within 60 days of the evaluation date if in a judicial State, or
Within 30 days of the evaluation date if in a non-judicial State.
</td></tr>
<tr><td>Was 31 days or more delinquent as of March 1, 2020</td><td>You must evaluate the borrower in accordance with our standard requirements outlined in Guide Section 9206.5.</td></tr>
</table>

If the borrower is eligible for a streamlined offer for a Flex Modification, you must send the borrower the Flex Modification Solicitation Offer – Not Based on an Evaluation of a BRP, amended as set forth in Guide Exhibit 93 for Eligible Disasters, and *Exhibit 1191A, Freddie Mac Flex Modification® Post-Disaster Forbearance Solicitation Cover Letter*. You must amend the Trial Period Plan Notice and Exhibit 1191A, as applicable, to conform to the Flex Modification program terms for borrowers impacted by COVID-19.

When to Send to Streamlined Offer for a Flex Modification

If the borrower:	Then send the streamlined offer for a Flex Modification:
Was ineligible for a solicitation for a COVID-19 Payment Deferral	Within 15 days of the expiration of the forbearance plan.
Declined an offer for a COVID-19 Payment Deferral	Within 15 days of the expiration of the COVID-19 Payment Deferral offer.

Freddie Mac 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 the effective date of the National Emergency declaration related to COVID-19, March 1, 2020. **Note:** As announced in Guide Bulletin 2020-39, Freddie Mac has expanded the eligibility for the COVID-19 Payment Deferral to include mortgages originated after March 1, 2020, that meet all of the eligibility requirements to qualify for a COVID-19 Payment Deferral.

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 in order to be eligible.

The COVID-19 Payment Deferral does not permit capitalization of arrearages and instead permits an eligible borrower to bring the mortgage current by deferring delinquent amounts to create a non-interest-bearing balance that will become due at the earlier of the maturity date, payoff date, or upon transfer or sale of the mortgaged premises.

If the mortgage is subject to mortgage insurance, and the mortgage insurance company is not included on our list of delegated mortgage insurance companies for mortgage modifications, you must obtain delegation of authority from the MI or seek approval from the MI to complete the COVID-19 Payment Deferral. For additional information, refer to Guide Bulletin 2020-15.

Eligibility Requirements for COVID-19 Payment Deferrals

The following table highlights the borrower, property and mortgage eligibility requirements for a COVID-19 Payment Deferral.

COVID-19 Payment Deferral Eligibility Requirements	
Prior COVID-19 Payment Deferral	There is no limit on the number of COVID-19 Payment Deferrals a borrower may receive; however no more than 18 missed payments can be deferred as a result of COVID-19 Payment Deferrals for the life of the loan.
Borrower	You must achieve limited quality right-party contact and confirm that the borrower: ▪ Has a resolved COVID-19 related hardship. ▪ Can resume making the existing contractual monthly payment on the mortgage. ▪ Is unable to afford a repayment plan or fully reinstate the mortgage. **Note:** The borrower is not required to make consecutive payments immediately prior to executing a COVID-19 Payment Deferral (i.e., there is no rolling delinquency requirement).
Property	▪ The existing mortgaged property must be a primary residence, second home or investment property, and may be vacant or condemned.

<table>
<tr><th colspan="2">COVID-19 Payment Deferral Eligibility Requirements</th></tr>
<tr><td>Mortgage</td><td>

The mortgage must be a conventional first-lien mortgage currently owned or guaranteed by Freddie Mac.
The mortgage may be a fixed-rate, adjustable-rate or step-rate mortgage.
The mortgage must have been equal to or greater than one month/payment delinquent but less than or equal to 18 months/payments delinquent as of the date you evaluated the borrower for the COVID-19 Payment Deferral.
The mortgage must have been current or less than two months delinquent (i.e., must not have missed more than one monthly payment) as of March 1, 2020, the effective date of the National Emergency declaration related to COVID-19. Note: Borrowers with a COVID-19 related hardship may still be eligible for a COVID-19 Payment Deferral in the following scenarios:
<table>
<tr><th>If the Mortgage:</th><th>And:</th><th>Then:</th></tr>
<tr><td>Originated after March 1, 2020</td><td>Meets all other eligibility criteria to receive a COVID-19 Payment Deferral</td><td>You must evaluate the borrower for a COVID-19 Payment Deferral and offer it if they are eligible.
You must submit an exception request via Workout Prospector to Freddie Mac.</td></tr>
<tr><td>Was 31 or more days delinquent as of March 1, 2020</td><td>You determine the borrower can maintain the existing monthly contractual payment</td><td>You must submit an exception request via Workout Prospector® to Freddie Mac.
Document the rationale for your exception request on the Comments screen before you send the request to Freddie Mac for review.</td></tr>
</table>

If the mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the borrower a Trial Period Plan.

</td></tr>
</table>

COVID-19 Payment Deferral Eligibility Requirements	
Mortgage, continued	▪ If the mortgage is subject to an indemnification agreement, and is otherwise eligible under the COVID-19 Payment Deferral requirements outlined in Guide Bulletin 2020-15, you have discretion to approve the COVID-19 Payment Deferral provided the following conditions are met: – The mortgage receiving the COVID-19 Payment Deferral retains its credit enhancement. – If you are not the credit enhancement provider, you must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a COVID-19 Payment Deferral that complies with the requirements in Guide Bulletin 2020-15; and – You remit to Freddie Mac an annual payment for the amount of COVID-19 Payment Deferral related costs (e.g., interest rate shortfall) as calculated by Freddie Mac in accordance with Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified mortgage. If the mortgage is subject to a partial indemnification, each year you will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Freddie Mac will determine the Modification Loss Amounts in accordance with a process described in Guide Bulletins 2016-5 and 2017-1. **Note:** You are not eligible to receive an incentive for completing a COVID-19 Payment Deferral on a mortgage that is subject to an indemnification agreement. ▪ If the mortgage is a Texas Equity Section 50(a)(6) mortgage and you receive borrower notification classifying the COVID-19 Payment Deferral as a modification and claiming that the terms of the modification agreement do not comply with the provisions of Article XVI Section 50(a)(6) of the Texas Constitution, you must notify us within seven business days of receipt of such objection or complaint to Freddie Mac at Distressed_Property@FreddieMac.com. Include the following in your email: – Freddie Mac loan number – Servicer loan number – Transaction type (e.g., Texas Home Equity modification) – Accounting cycle in which Freddie Mac settled the workout – Servicer's analysis (e.g., a borrower complaint received related to a provision) When you receive our instructions, ensure that you comply with any required response timeframes to claims of defects and any other complaint in accordance with Guide Section 8104.1 and the Texas Constitution.

Mortgages that are Ineligible for a COVID-19 Payment Deferral

Mortgages ineligible for a COVID-19 Payment Deferral include:

- FHA/VA and Guaranteed Rural Housing loans.
- Mortgages subject to recourse.
- Mortgages subject to an approved short sale or deed-in-lieu of foreclosure.
- Borrowers who are currently performing under another Trial Period Plan, forbearance plan or repayment plan, including:
  - With the exception of a streamlined offer, mortgages that are currently subject to an unexpired offer to the borrower for another modification or other alternative to foreclosure, such as a forbearance or repayment plan.
  - With the exception of a COVID-19 related forbearance plan, mortgages that are currently performing under another forbearance plan or repayment plan.

Documentation Requirements for COVID-19 Payment Deferrals

The borrower is not required to provide a Borrower Response Package to be considered for and offered a COVID-19 Payment Deferral, if you have evaluated the borrower in accordance with all requirements described in Guide Bulletin 2020-15, and the eligibility criteria has been satisfied.

How to Determine the Terms for a COVID-19 Payment Deferral

Complete the steps outlined below to determine the terms for a COVID-19 Payment Deferral.

1. Determine the amount that will be deferred. Amounts that may be deferred include delinquent P&I (up to a maximum of 18 monthly payments) and any other expenses or amounts due that are permitted to be capitalized under Flex Modification capitalization rules as described in Guide Section 9206.15(b). Create a new non-interest bearing UPB (deferred UPB) or add the amount to be deferred to an existing non-interest bearing UPB, if applicable.

   The aggregate deferred UPB is due on the earlier of the following:

   - Maturity date
   - Payoff date (e.g., refinance or payoff of the interest-bearing UPB
   - Upon transfer or sale of the mortgaged premises
2. Advance the due date of the last paid installment (DDLPI) to bring the mortgage current.
3. Ensure all other terms of the existing mortgage remain unchanged, including, but not limited to the following:
   - Remaining amortization schedule
   - Monthly P&I portion of the existing contractual monthly mortgage payment
   - Interest rate (Ensure the existing rate adjustment schedule is maintained for ARM and step-rate mortgages.)
   - Maturity date

> Ensure that the payment schedule associated with the interest-bearing UPB remains unchanged from the mortgage's pre-COVID-19 Payment Deferral payment schedule.

Escrow Analysis

Guide Bulletin 2021-35 announced that when **evaluating** a Borrower for either a COVID-19 or Disaster 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.

> **Note**: Guide Bulletin 2022-26 specified, for a COVID-19 or Disaster Payment Deferral, the initial Escrow analysis may be an estimate.

Upon **completion** of a COVID-19 or Disaster Payment Deferral, the Servicer must still perform an Escrow analysis in accordance with RESPA and any applicable federal, State, or local law.

Escrow Shortage

Any escrow shortage that you identify at the time of the COVID-19 Payment Deferral cannot be capitalized, and you will not be required to fund any existing shortage. If you identify an escrow shortage as part of a COVID-19 Payment Deferral, then you must spread the repayment of the escrow shortage amount in equal monthly payments over a period of up to 60 months.

Escrow Advances

You must include any escrow advances in the deferred balance. Escrow advances are amounts paid by the Servicer to satisfy payments due for taxes or insurance when the escrow account is not sufficiently funded to cover the full payment amounts.

Additionally, you are not required to revoke any escrow account waiver.

Calculation Example for a COVID-19 Payment Deferral

Below is an example of how to calculate the terms for a COVID-19 Payment Deferral. The steps identified in the example below correspond to the specific steps outlined in the procedure on page 9 in this reference guide.

- Interest-bearing UPB: $300,000
- Existing Non-interest bearing UPB: $5,000
- Current P&I Payment: $1,732.86*
- Primary Residence
- Escrow Advance: $800
- Fixed-rate Mortgage
- Current Interest Rate: 4.5 percent
- Number of payments missed during COVID-19 forbearance period: 6
- DDLPI prior to Payment Deferral: 03/01/2020
- Maturity date: 03/01/2040

*Per the CARES Act, you must calculate the interest due during the forbearance period based on a declining UPB, so that no interest is charged beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage.

Step 1: Determine the amount that will be deferred.

In this example, the following will be amounts will be deferred:

- Six months of delinquent P&I payments: $1,732.86 x 6 = $10,397.16
- Escrow advance: $800.00

Delinquent P&I: $10,397.16

+ Escrow Advance: $800.00

Amount to be Deferred:...........................$11,197.16

There was an existing non-interest bearing UPB prior to the COVID-19 Payment Deferral, therefore we will add the deferred amount resulting from the COVID-19 forbearance to the existing non-interest bearing UPB:

Amount to be Deferred due to
COVID-19 forbearance $11,197.16

+ Non-Interest Bearing UPB Prior to
COVID-19 Payment Deferral: $5,000.00

New Non-Interest Bearing UPB: $16,197.16

Step 2: Advance the due date of the last paid installment (DDLPI) to bring the mortgage to a current status.

In this example, the total number of payments missed during the COVID-19 forbearance period is six and the DDLPI prior to the COVID-19 Payment Deferral is 03/01/2020. Therefore, we will advance the DDLPI six months, to 09/01/2020, to bring the mortgage to a current status.

Step 3: Ensure all of terms of the mortgage remain unchanged including, but not limited to, the following:

- **Remaining amortization schedule**
- **Monthly P&I portion of the existing contractual monthly mortgage payment**
- **Interest rate (this includes maintaining the existing rate adjustment schedule for an ARM or a step-rate mortgage); and**
- **Maturity date**

In this example:

- The amortization schedule remains unchanged.
- The monthly P&I portion of the existing contractual monthly mortgage payment remains unchanged at $1,732.86.
- The mortgage will continue to be a fixed-rate mortgage with an interest rate of 4.5 percent.
- The maturity date remains unchanged and is March 1, 2040.

Completing the COVID-19 Payment Deferral

You must send a COVID-19 Payment Deferral Agreement to the borrower no later than five business days after you complete (i.e., close or settle) the COVID-19 Payment Deferral. You may use Guide Bulletin 2020-21 – Attachment A or your organization's customized equivalent of the COVID-19 Payment Deferral Agreement. Note that Guide Bulletin 2020-21 – Attachment A is optional; however, it reflects the minimum level of information that you must communicate. If you choose to use your organization's customized equivalent of the COVID-19 Payment Deferral Agreement, ensure that it contains the same level of specificity.

You may require the borrower to sign and return the COVID-19 Payment Deferral Agreement to you. If you do, you must receive the fully executed agreement prior to the COVID-19 Payment Deferral settlement date.

> You must enter the COVID-19 Payment Deferral into Workout Prospector® before you send the COVID-19 Payment Deferral Agreement to the borrower. For additional information, refer to Workout Prospector in this reference guide and the *Workout Prospector Users' Guide*.

When to Complete the COVID-19 Payment Deferral

You must complete the COVID-19 Payment Deferral in the same month you determine the borrower is eligible. If you are unable to complete the COVID-19 Payment Deferral within this timeframe, you may choose to use an additional month to allow for sufficient processing time ("processing month"). The criteria for when a processing month is required must be the same for all borrowers, as evidenced by a written policy.

As reminder, you are not permitted to defer more than 18 months of payments as part of a COVID-19 Payment Deferral. As such, you must require a borrower to make a payment during the processing month if, as of the date of the evaluation for a COVID-19 Payment Deferral:

- The mortgage is 18 months delinquent; or

- The COVID-19 Payment Deferral would cause the mortgage to exceed 18 months of cumulative deferred past-due payments P&I payments

In these circumstances, you must complete the COVID-19 Payment Deferral within the processing month after receipt of the borrower's full monthly contractual payment due during that month. Otherwise, the borrower is not required to submit a payment during the processing month.

The following table highlights some of the key requirements for processing a COVID-19 Payment Deferral.

<table>
<tr><td>Recordation</td><td colspan="2">You must:
▪ Ensure that the mortgage retains its first lien position and continues to be fully enforceable in accordance with its terms at the time of completion of the COVID-19 Payment Deferral, throughout the term of the mortgage, and during any bankruptcy or foreclosure proceeding involving the mortgage.
▪ Record the COVID-19 Payment Deferral Agreement only when it is necessary to ensure its compliance with first lien retention and the COVID-19 Payment Deferral enforcement requirement.</td></tr>
<tr><td>Title Endorsement</td><td colspan="2">You must:
▪ Ensure that the mortgage subject to the COVID19 Payment Deferral complies with applicable law, retains Freddie Mac's first lien position, and is enforceable against the borrower(s) in accordance with its terms.
▪ Obtain a title endorsement or similar title insurance product issued by a title insurance company if the COVID-19 Payment Deferral Agreement will be recorded.</td></tr>
<tr><td rowspan="4">Document Custodian</td><td>If the COVID-19 Payment Deferral Agreement:</td><td>Then:</td></tr>
<tr><td>Does not have to be signed by the borrower</td><td>You must send a copy of the Servicer-executed COVID-19 Payment Deferral Agreement to the document custodian within 25 days of the effective date of the COVID-19 Payment Deferral.</td></tr>
<tr><td>Must be recorded</td><td>You must:
▪ Send a certified copy of the fully executed COVID-19 Payment Deferral Agreement to the document custodian within 25 days of the effective date of the COVID-19 Payment Deferral; and
▪ Send the original COVID-19 Payment Deferral Agreement, when returned from the recorder's office, to the document custodian within five business days of receipt.</td></tr>
<tr><td>Must be signed by the borrower but not recorded</td><td>You must send the fully executed original COVID-19 Payment Deferral Agreement to the document custodian within 25 days of the effective date of the COVID-19 Payment Deferral.</td></tr>
</table>

Flex Modification Evaluations for Failed COVID-19 Payment Deferrals

If a borrower becomes 60 days delinquent within six months of the COVID-19 Payment Deferral effective date, you must evaluate the borrower for a Flex Modification, excluding only the following mortgages from eligibility, no later than the 75th day of delinquency:

- FHA, VA or Guaranteed Rural Housing mortgages
- Mortgages subject to recourse
- Mortgages currently performing under another forbearance plan, Trial Period Plan or repayment plan
- Mortgages subject to an approved short sale or deed-in-lieu of foreclosure
- Mortgages currently subject to an unexpired offer to the borrower for another modification or other foreclosure prevention alternative, such as a forbearance plan or repayment plan

If you were not collecting escrow funds on the existing mortgage, the borrower is not required to establish an escrow account as a condition of the modification unless otherwise required by applicable law, or you confirm that the taxes and insurance premiums have not been paid and are past due.

You are not required to first establish quality right-party contact or obtain a complete Borrower Response Package.

Workout Prospector®

You must use Workout Prospector to process COVID-19 Payment Deferrals unless otherwise directed by Freddie Mac.

All COVID-19 Payment Deferrals must be submitted to Freddie Mac via the Payment Deferral path in Workout Prospector. When processing COVID-19 Payment Deferrals in Workout Prospector, ensure that you take the following actions as you enter data:

Reminder:

You must enter the COVID-19 Payment Deferral into Workout Prospector before you send the COVID-19 Payment Deferral Agreement to the borrower.

- Select **Payment Deferral** from the Modification Type pick list.
- Complete the Mortgage Attributes, Modeling Attributes, and Modification Solution screens, as applicable.
  - Ensure that you select **National Emergency Declaration** as the hardship reason on the Modeling Attributes screen.
  - Ensure that you review and adjust the value displayed in the Delinquent Interest field on the Modeling Attributes screen to ensure compliance with the CARES Act.
- Click the **Comments** link on the To Do List to access the Comments screen. Provide any comments relevant to the COVID-19 Payment Deferral.
- After entering all applicable data, select Modification Program – Approve from the Modification Status pick list on the Modification Solution screen.
- Click **Save Solution**.
- Access the Loan Modification Settlement screen and settle the COVID-19 Payment Deferral.

Review the *Workout Prospector Users' Guide* for additional information.

Future Evaluations

If the borrower is being evaluated for:	Then:
A future Flex Modification	The COVID-19 Payment Deferral will not count toward the eligibility cap on previous modifications (i.e., mortgages previously modified three or more times are not eligible for a Flex Modification).
A future (non-COVID-19) Payment Deferral in accordance with Bulletin 2020-6	The COVID-19 Payment Deferral will not cause the borrower to be ineligible.

Reimbursement of Expenses

Use the PAID (Payments Automated Intelligent and Dynamic) tool to request reimbursement for the following fees associated with COVID-19 Payment Deferrals in accordance with Guide Section 9203.25:

- Recordation fees
- Title costs
- Notary fees

For additional information about requesting reimbursement of expenses, refer to the PAID online help.

Borrower-Requested Cancellation of Borrower-Paid Mortgage Insurance

For borrowers who request to cancel borrower-paid mortgage insurance post-COVID-19 related hardship after the mortgage has been returned to current status, the borrower's payment history must meet the following requirements:

- No payment 30 days or more past due in the preceding 12 months except when the delinquency is a direct result of the mortgage being subject to a COVID-19-related hardship (including mortgages on COVID-19 forbearance plans), and, following the COVID-19-related hardship, the borrower has transitioned to a relief or workout option to cure the delinquency (e.g., repayment plan or Trial Period Plan); and
- No payment 60 days or more past due in the preceding 24 months except when the delinquency is a direct result of the mortgage being subject to a COVID-19 related hardship (including mortgages on COVID-19 forbearance plans), and, following the COVID-19 related hardship, the borrower has transitioned to a relief or workout option to cure the delinquency (e.g., repayment plan or Trial Period Plan)
- For mortgages restored to current status under the COVID-19 Payment Deferral, the borrower must make three consecutive payments following the settlement of the COVID-19 Payment Deferral to meet this qualification requirement.

Reminder:

These qualification requirements apply regardless of whether the request to cancel borrower-paid mortgage insurance is based on the original or current value of the property.

For additional information about borrower-requested cancellation of borrower-paid mortgage insurance, please reference the requirements outlined in Guide Bulletin 2020-46.

Electronic Default Reporting (EDR)

It is important that you report your default activity accurately and timely via EDR. Accurate and timely reporting in accordance with the requirements outlined in the Guide is essential to many servicing-related activities, including, but not limited to, eligibility for workout compensation and effective foreclosure timeline management. Exhibit 82, *EDR Transmission Code List*, includes default action codes.

For additional information, refer to the *EDR Quick Reference Guide*.

Mortgages Affected by a COVID-19 Related Hardship

You must report all mortgages affected by a COVID-19 related hardship and placed on a forbearance plan, even if they are current, via EDR within the first three business days of the month following the month you learned of the hardship. To do this, report default reason code 032 (National Emergency Declaration). Although a COVID-19 related hardship must be the result of one of Freddie Mac's eligible hardship reasons described in Guide Section 9202.2 (e.g., illness, unemployment, curtailment of income, etc.), you must report all COVID-19 related hardships using default reason code 032 instead of reporting the code of the more specific hardship reason.

Note: You must continue to report default reason code 032 (National Emergency Declaration) for any borrower with an ongoing COVID-19 related hardship that has not yet been resolved, even if that borrower is subsequently impacted by an Eligible Disaster. In these cases, do not report default reason code 034 (Eligible Disaster Area), but continue to report default reason code 032 until the COVID-19 hardship is resolved. If a borrower has resolved their COVID-19 related hardship and at a later date becomes impacted by an Eligible Disaster, then you must report default reason code 034 (Eligible Disaster Area) as that is the borrower's sole hardship reason at that time.

Quality Right Party Contact

EDR Code	Name	Report when:	Report the code and the following date:
AW	Date of First Quality Right Party Contact with Delinquent Borrower	You achieve quality right party contact for the first time.	Report the code one time, in the month following the month in which you first achieved QRPC.
AX	Date of Last Quality Right Party Contact with Delinquent Borrower	You last achieved quality right party contact with the borrower.	Report the code one time, in the month following the month in which you last achieved quality right party contact. **Note:** If you work with the borrower for several months to attempt to resolve the delinquency, you will report code AX with the date of last quality right party contact for each month you speak with the borrower.

Forbearance and Repayment Plans

You must report all mortgages that are subject to a repayment plan or a forbearance plan resulting from a COVID-19 related hardship via EDR, even if the loan is not delinquent. Additionally, you must include the reason for default when reporting a forbearance via EDR, regardless of delinquency status or length. Use the table below to identify what default action codes you are required to report by the third business day of each month for the previous month's activity.

EDR Code	Name	Report when:	Report the code and the following date:

09	Forbearance	You entered into a forbearance plan with the borrower.	The due date of the first payment due under the forbearance plan, within the first three business days of the month following the month the event took place. For mortgages with due dates other than the first day of the month, you must report the default action date as the first day of the month in which the payment is due. Report the code each month until the mortgage is fully reinstated or the forbearance period ends. **Note:** Proper servicing and default management reporting is critical to ensure that you receive the representation and warranty framework relief for which you are eligible with respect to delinquencies related to a forbearance plan.
12	Repayment Plan	You entered into a repayment plan with the borrower.	Date you entered into the repayment plan, within the first three business days of the month following the month the event took place. Report the code each month until the mortgage is fully reinstated or the repayment plan ends.

Payment Deferral Offer

You must report default action code H6, *Payment Deferral Offer*, to notify us that a mortgage is subject to an active COVID-19 Payment Deferral offer in the following instances:

- The forbearance period ends prior to settlement of an accepted COVID-19 Payment Deferral (e.g., you elected to use a processing month and the forbearance plan expires), or
- You made a proactive offer for a COVID-19 Payment Deferral following the expiration of a forbearance plan

Continue to report default action code H6 each month until the offer has expired or the COVID-19 Payment Deferral has been completed.

Flex Modifications

You must report default action code HD (Modification in Review) when you are evaluating or have sent an offer for a streamlined offer for a Flex Modification to a borrower, within the first three business days of the month following the month the event took place. Report the date you began evaluating the borrower for the streamlined offer. Report the code each month until the streamlined offer expires, or the borrower enters into a Trial Period Plan. Refer to the Freddie Mac Flex Modification Reference Guide for additional information.

Servicer Incentives

The following table identifies the incentives you will receive for Payment Deferrals and COVID-19 Payment Deferrals, and temporary updates to incentives for repayment plans and Flex Modifications.

Servicer Incentive Payments		
Repayment Plans	$500 For all repayment plans with a first payment due date under the repayment plan on or after July 1, 2020.	As of the effective dates listed in this table, Servicer incentives will be capped at $1,000 per mortgage in aggregate for all repayment plans, Payment Deferrals, COVID-19 Payment Deferrals, and Flex Modifications that are completed. Workout and relief options already completed
Payment Deferrals and COVID-19 Payment Deferrals	$500 For all Payment Deferrals and COVID-19 Payment Deferrals. **Note:** Payment Deferral evaluations do not begin until July 1, 2020.	

Flex Modifications	$1,000 For all Flex Modifications completed with a Trial Period Plan effective date on or after July 1, 2020.	or started prior to the effective dates are not subject to the incentive cap. Incentive amounts for liquidations remain unchanged, and will not be subject to the incentive cap.

Property Inspections: Temporary Requirement Relief

As announced in Guide Bulletin 2020-7, Freddie Mac is temporarily relieving you of your responsibility to:

- Complete final property inspections related to the insurance loss settlement process outlined in Guide Section 8202.11
- Adhere to the property preservation requirements for abandoned properties in Guide Section 8403.1

Please note that we are not changing or permanently eliminating the requirements associated with these processes. Instead, if you are unable to complete these activities due to COVID-19 related concerns, you must document the reason in the mortgage file and we will consider you to be in compliance with our requirements.

Property Inspections for Delinquent Mortgages

Refer to the following table to determine if you must complete property inspections for a delinquent mortgage.

If, as of the National Emergency Declaration effective date (March 1, 2020), the mortgage:	Then you:
Was delinquent and the property was not vacant or abandoned	Must not complete property inspections for delinquent mortgages as described in Guide Section 9202.12.
Was delinquent and the property was vacant or abandoned	Must complete property inspections for delinquent mortgages as described in Guide Section 9202.12.

We will notify you when this temporary requirement relief will be discontinued.

Disbursing Insurance Loss Proceeds

You must disburse insurance loss proceeds as outlined in the following table if the borrower has a COVID-19 related hardship and meets the following criteria:

- The borrower was current or less than 31 days delinquent as of the National Emergency Declaration effective date (March 1, 2020), and
- The borrower became delinquent or further delinquent as a result of being on a COVID-19 forbearance, and
- The borrower was on a COVID-19 forbearance plan at the time of the loss event, or the borrower transitioned directly from forbearance to a repayment plan or Trial Period Plan, and the repayment plan or Trial Period Plan was active at the time of the loss event.

Initial Loss Disbursement	You may release insurance proceeds up to the greater of: ▪ $40,000, or ▪ 33% of insurance proceeds, or ▪ The amount by which the release funds exceed the sum of the UPB, accrued interest and advances on the mortgage
Additional Loss Drafts	You may distribute remaining funds based on the repair plan you have reviewed and approved. You must inspect repairs prior to the release of any remaining funds. To do this, you may conduct physical/onsite inspections or remote inspections to confirm the progress or completion of repairs. If you choose to conduct a remote inspection, you may do this via: ▪ Borrower-submitted photos and/or video, or ▪ Servicer-directed video calls with the borrower. When conducting remote inspections: ▪ Determine the documented repairs are from the location of the property. ▪ Authenticate when any borrower-submitted photos or video were taken and that such photos or video were not altered in any way, and ▪ Clearly identify the repairs that are being documented and confirm the repairs were: – Completed in accordance with the insurance adjuster’s itemized estimate and the repair plan, and – Do not affect the safety, soundness or structural integrity of the property or the ability to obtain an occupancy permit. If you conduct a remote inspection by video call with the borrower, you must also retain video or photo records of the call that clearly document your compliance with the above requirements.
Funds Payable	You may issue insurance proceeds payable only to the borrower.

Additional Resources

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

- Managing Escrow during a COVID-19 Related Hardship
- COVID-19 Relief: Delinquency Resolution through COVID-19 Payment Deferral and Flex Modification
- Forbearance Plan: COVID-19 Relief
- COVID-19 Training Resources
- Single-Family web page on COVID-19
- Recent Guide Bulletins

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