

Partially Reinstating Mortgages in Foreclosure and Establishing Repayment Plans

Freddie Mac's alternatives to foreclosure hierarchy includes reinstatement and relief options. This quick reference outlines Freddie Mac's requirements for reinstating mortgages in foreclosure and establishing and reporting repayment plans.

What would you like to learn about:

- [Partial reinstatements](#)
 - For additional information on partial reinstatements for mortgages in foreclosure, refer to *Single-Family Seller/Servicer Guide* (Guide) Sections 9203.5 through 9203.7
- [Repayment Plans](#)
 - For additional information on repayment plans, refer to Guide Sections 9203.8 through 9203.11.

If you have any questions about partial reinstatements of mortgages in foreclosure or repayment plans, contact the Customer Support Contact Center (800-FREDDIE).

Partial Reinstatement from Foreclosure

A partial reinstatement occurs when the borrower makes a payment (at minimum, at least one full monthly principal payment and delinquent interest, if applicable) on a delinquent mortgage, but doesn't bring the mortgage current, or restores a mortgage in foreclosure to current status by:

- Paying all outstanding fees and related expenses in amounts not to exceed the expense limits outlined in [Guide Exhibit 57](#), *1-4 Unit Property Approved Expense Amounts*. (Accrued late charges, inspection fees and broker price opinion (BPO) expenses may be collected at the end of the repayment plan.)
- Paying an amount equal to, at a minimum, the first payment due under the repayment plan.
- Completing the repayment plan.

Requirements for Partial Reinstatements

The borrower must pay the following in cash or certified funds:

- All outstanding legal fees and related expenses in amounts not to exceed the expense limits outlined in Guide [Exhibit 57A](#), *Approve Attorney Fees and Title Expenses* (Accrued late charges, inspection fees, and BPO expense may be collected at the end of the repayment plan.)
- At a minimum, the first payment due under the terms of the repayment plan

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- Submit information demonstrating his or her financial ability to afford the following:
 - Partial reinstatement payment
 - Repayment plan payments (including the scheduled monthly payment) on a monthly basis
 - Monthly payments at the end of the repayment plan

A partial reinstatement should be coupled with a repayment plan to restore a delinquent mortgage to a current status, but doing so is not mandatory.

If you choose not to pair a partial reinstatement with a repayment plan, you must continue to attempt to resolve the delinquency and remain responsible for adhering to foreclosure timeline requirements.

The partial reinstatement and its corresponding repayment plan must:

- Lead to full reinstatement or payoff at the conclusion of the repayment plan.
- Be in writing if the plan exceeds three months.
- Include a stipulation agreement that allows you to recommence foreclosure at the point the foreclosure was suspended if the borrower defaults on the repayment plan.
- Not exceed 12 months from the date you receive the partial reinstatement funds if there is an escrow account for taxes on the mortgage.
- Not exceed 18 months from the date you receive the partial reinstatement funds if there is no escrow account for taxes on the mortgage. (If there is no escrow account for taxes and the repayment period exceeds three months, you must establish an escrow account unless prohibited by law.)

Reporting Partial Reinstatements with Repayment Plans

1. Notify Freddie Mac of the partial reinstatement and corresponding repayment plan through EDR within the first three business days of the month following the month you accepted the partial reinstatement of a mortgage that had been reported to us as 30 or more days delinquent or in foreclosure in the previous month and places the borrower on a repayment plan.

Take the following actions when you report through EDR:

- Report the following information to Freddie Mac:
 - Default action code 12 (Repayment Plan)
 - Date you received the initial repayment plan payment from the borrower
 - Report default action code 20 (Reinstatement (Partial)) and the date you received the partial reinstatement funds from the borrower, *only if the mortgage is moving from foreclosure to delinquency status.*
 - Occupancy Status code, Property Condition code and Reason for Default code are also required if the loan is 90 days or more delinquent.
2. Continue to report default action code 12 (Repayment Plan), and the due date of last paid installment (DDLPI) through EDR each month until the mortgage is fully reinstated, paid off, a foreclosure sale is held, or a workout is completed.



Include the following information in the EDR transmission:

- Default action code 12, Repayment Plan
- Date you received the initial repayment plan payment from the borrower

Don't report default action code 12 (Repayment Plan) in the last month of the repayment period.

Repayment Plans

A repayment plan is an agreement between you and the borrower that gives the borrower a defined period of time to bring the mortgage current by paying regular monthly payments plus an additional agreed upon amount in repayment of the delinquency. A repayment plan may stand alone as a relief option or be entered into in conjunction with a partial reinstatement.

Requirements for Repayment Plans

A repayment plan must:

- Lead to full reinstatement or payoff at the conclusion of the repayment plan.
- State the amount of the partial reinstatement payment if applicable.
- Be in writing.
- Contain the following information:
 - Total amount to be repaid
 - Beginning and end dates of the repayment period
 - Exact amount of the repayment plan payment that will be added to the borrower's regular monthly payment
 - A stipulation that the borrower must pay all scheduled monthly payments during the period of the repayment plan
 - A stipulation that the borrower must continue monthly payments according to the terms of the note at the end of the plan
 - A stipulation that the borrower agrees that the foreclosure proceedings are suspended during the repayment plan and that you are entitled to recommence foreclosure at the point the foreclosure was suspended if applicable, if he or she defaults on the repayment plan unless inclusion of such a stipulation or recommencement of foreclosure at the same point is prohibited by applicable law.
- Be sent to the borrower
The agreement doesn't have to be signed by the borrower or returned to you as a condition of the repayment plan. However, the borrower must make the first payment by its due date in order to accept the terms of the plan.



If the borrower is paying as specified in the agreement, you must not accrue or collect late charges from the borrower during the repayment plan. However, if there are accrued late charges at the time the plan is established, the Servicer has two options:

Collect late charges and other applicable fees as part of the plan	Collect lates charges and other applicable fees when the plan ends
<p>The repayment plan may include any accrued late charges due from the borrower at the time you enter into the repayment plan with the borrower. The payment must not include reimbursement for costs you incurred if state law prohibits collection of those costs from the borrower.</p>	<p>At the conclusion of the plan, you may make arrangements with the borrower to collect accrued late charges, inspection fees and the cost of the BPO, if applicable. The payment must not include reimbursement for costs you incurred if state law prohibits collection of those costs from the borrower.</p>

If the borrower defaults on the terms of the repayment plan, late charge accrual may recommence from the date the borrower defaulted on the plan subject to applicable law.

[Guide Exhibit 93, Evaluation Notices](#), includes a model repayment plan that you may use and amend as necessary to comply with the above requirements and applicable law.

If a borrower does not meet Freddie Mac’s requirements, but you believe a variation in the plan would result in the reinstatement of the mortgage, submit the proposed plan to Freddie Mac for approval. Complete [Form 105, Multipurpose Loan Servicing Transmittal](#), and e-mail it to NPL_File_Prep@FreddieMac.com.

You must also retain the following information as part of the mortgage record or file:

- The repayment plan (don’t send Freddie Mac a copy.)
- The terms of the repayment plan and the date you negotiated it with the borrower
- The date you sent it to the borrower, if the repayment plan exceeds three months
- The Servicer’s justification for approving the repayment plan

Servicer Approval Authority

You are delegated to approve a repayment plan that has a term greater than one month and less than or equal to 12 months without obtaining Freddie Mac’s approval as outlined below.

All repayment plans must meet all the following requirements:

- The monthly repayment plan payment amount must not exceed 150 percent of the contractual mortgage payment (including taxes and insurance if you are collecting escrow for such expenses).
- The borrower may make a payment that is applied prior to your repayment plan evaluation (i.e., the borrower may make a payment that may have a favorable impact on the terms of the repayment plan).



In addition, if:	Then:
<ul style="list-style-type: none">▪ The mortgage is less than or equal to 90 days delinquent; <u>and</u>▪ The repayment plan term doesn't exceed six months.	<ul style="list-style-type: none">▪ A Borrower Response Package (BRP) isn't required.▪ Quality Right Party Contact (QRPC) is required to verify that the borrower has the financial capacity bring the mortgage current and cure the delinquency as a result of the repayment plan.
<ul style="list-style-type: none">▪ The mortgage is greater than 90 days delinquent; <u>or</u>▪ The repayment plan term exceeds six months.	<ul style="list-style-type: none">▪ A BRP is required.▪ Repayment plan terms that exceed 12 months must be submitted to Freddie Mac for review and approval.▪ You must evaluate the borrower for a streamlined offer for a Flex Modification® if the mortgage is greater than 90 days delinquent. However, if you have established QRPC and verified that the borrower has the financial capacity to bring the mortgage current and cure the delinquency as a result of a repayment plan, then you must offer the borrower a repayment plan.

You must obtain Freddie Mac's approval for repayment plans that exceed 12 months in duration, unless the repayment plan includes repayment of delinquent taxes.

To obtain our approval, submit Form 105, *Multipurpose Loan Servicing Transmittal*, and a complete BRP to NPL_File_Prep@FreddieMac.com. for taxes, and taxes are not current, or the borrower hasn't entered into a repayment plan with the taxing jurisdiction, then you may approve a repayment plan of up to 18 months under the following conditions:

- You must pay the delinquent taxes; and
- You must set up an escrow account for future taxes if the repayment period exceeds three months. In this case only, you may extend the repayment period to no more than 18 months.

Ensure that you document your reasons for approving the repayment plan in the mortgage file.

Reporting Repayment Plans

1. Notify Freddie Mac of the repayment plan through EDR within the first three business days of the month following the month you received the initial repayment plan payment from the borrower.

Report the following through EDR:

- Default action code 12 (Repayment Plan)
- Date you received the initial repayment plan payment from the borrower.



Occupancy status, property condition, and reason for default codes are also required if the loan is 90 days or more delinquent.

- Continue to report default action code 12 (Repayment Plan), through EDR each month, except for the last month of the repayment period.

Include the following in the EDR transmission:

- Default action code 12 (Repayment Plan)
- Date you received the initial repayment plan payment from the borrower (This must be equal to the date you reported when you initially reported default action code 12 (Repayment Plan), in step 1.)

Occupancy status, property condition, and reason for default codes are also required if the loan is 90 days or more delinquent. For additional information about EDR, refer to Guide Section 9102.7 and our [EDR Quick Reference Guide](#).

If the Borrower Defaults on the Repayment Plan

To promote a seamless transition between a failed repayment plan and a loss mitigation option, the below table provides solicitation requirements for proactive payment deferral and Flex Modification offers following an unsuccessful repayment plan:

Failed Repayment Plan—Payment Deferral		
If...	Then...	Per...
The borrower accepts an offer for a repayment plan but doesn't make the total monthly repayment plan payment by the end of the month in which it is due ("fails a repayment plan"), and the Servicer is unable to establish QRPC	The Servicer must evaluate the borrower for a proactive offer for a payment deferral and determine eligibility through Resolve®. If eligible, the Servicer must send the borrower a proactive offer for a payment deferral by the 15th day of the following month (i.e., the 15th day of the month following the month borrower fails a repayment plan).	Guide Section 9301.9(b)
Failed Repayment Plan—Flex Modification		
If...	Then...	Per...
<ul style="list-style-type: none"> The borrower fails a repayment plan; and The Servicer hasn't established QRPC; and The borrower is ineligible for a proactive offer for a payment deferral or declines an offer for a payment deferral 	The Servicer must evaluate the borrower for a proactive offer for a Flex Modification and determine eligibility through Resolve. If eligible, the Servicer must send the borrower a proactive offer for a Flex Modification by the 15th day of the following month (i.e., the 15th day of the month following the month the borrower fails a repayment plan).	Guide Section 9301.9(b)



Reporting a failed repayment plan

1. Notify Freddie Mac through EDR within the first three business days of the month following the month the borrower defaulted on the repayment plan.

Take the following actions when you report through EDR:

- Discontinue reporting default action code 12 (Repayment Plan).
 - Report the appropriate default action code based on your actions taken since the borrower defaulted on the repayment plan.
2. Continue to report the appropriate default action code(s) through EDR each month until the mortgage is fully reinstated, paid off, a foreclosure sale is held, or a workout is completed.

For Mortgages in Foreclosure

Refer the loan to the foreclosure attorney/trustee to resume foreclosure when the pro-active solicitation offers for a payment deferral or a Flex Modification have expired without borrower acceptance, if applicable.

1. Notify Freddie Mac through EDR within the first three business days of the month following the month the borrower defaulted on the repayment plan.
 - Discontinue reporting default action code 12 (Repayment Plan).
 - Report the following:
 - Default action (status) code 43 (Referred to Foreclosure)
 - Date the loan was referred to foreclosure

If the DDLPI:	Then date the loan was referred to foreclosure:
Has advanced during the repayment plan	Must equal the date you instructed the attorney to resume foreclosure
Has not advanced during the repayment plan	Must equal the date reported when the loan was originally referred to foreclosure

Occupancy status, property condition and reason for default codes are also required if the loan is 90 days or more delinquent.

2. Continue to report the appropriate default action code(s) based on your actions taken since the borrower defaulted on the repayment plan.

Compensation for Repayment Plans

Servicers may receive an incentive for eligible repayment plans. The incentive for a repayment plan is \$500. However, 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



To qualify for the repayment plan incentive, you must meet the following conditions:

- The mortgage must have been 60 or more days delinquent at the time the borrower entered into the repayment plan.
- The borrower must completely reinstate or pay off the mortgage.
- You must have reported the repayment plan to Freddie Mac via EDR in accordance with [Guide Section 9203.11](#).

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