

**MPF Announcement:**

2021-63

**Date:**

September 7, 2021

**Alert:**

Clarification  
**New Policy**  
Policy Update  
Reminder  
Training Information

**Audience:**

Compliance/Legal  
Program Management  
Origination  
Quality Control  
**Servicing**  
Underwriting

**Product:**

MPF Direct  
MPF Government MBS  
MPF Traditional  
**MPF Xtra<sup>®</sup>**

**Effective Date:**

**Immediately** (unless otherwise noted)

## Clarification on Escrow Advances and Shortages for MPF Xtra<sup>®</sup> Mortgage Loans

The MPF Program is reminding Servicers how to address escrow advances and shortages when processing a MPF Xtra COVID-19 payment deferral.

As a reminder, according to Fannie Mae Lender Letter LL-2021-07, Servicers may defer the following as a non-interest bearing balance, due and payable at maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB:

- no more than 18 months of past-due P&I payments cumulatively deferred as a result of a COVID-19 forbearance;
- out-of-pocket escrow advances resulting from a delinquency and paid to third parties, provided they are paid prior to the effective date of the COVID-19 payment deferral,\* and
- servicing advances resulting from a delinquency, paid to third parties in the ordinary course of business, and not retained by the Servicer, provided they are paid prior to the effective date of the COVID-19 payment deferral, if allowed by state law.

\*Servicers should report any escrow advances that were paid prior to the effective date of the COVID-19 payment deferral that will be included in the deferred amount.

Servicers must submit requests for reimbursement via eMAQCS<sup>®</sup>plus for any advances made for property taxes, insurance premiums, applicable HOA dues, and other out of pocket expenses.

### Reference

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

Visit the [MPF Website](#) to review and register for upcoming complimentary [MPF Webinars](#).

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When handling MPF Xtra COVID-19 loan deferral with effective dates that are prior to the date the plan is submitted to the MPF Provider, Servicers are required to verify that funds are available in suspense and/or confirm with the Borrower that they have available funds to cover all payments that were due between the deferral plan effective date and the date the plan is submitted to MPF Provider.

For reference if a deferral plan is submitted to the MPF Provider on July 30, 2021 and the effective date of the plan is May 1, 2021, the Servicer must provide a printout confirmation (i.e., payment history) that there are available funds in the suspense account that will be applied to the May, June, and July monthly past-due payments.

- **If there are sufficient funds**, the Servicer must submit the evaluation request via eMAQCSplus for final review. MPF Default Management will notify the Servicer when the request is closed within Fannie Mae's SMDU application and system changes can be made to bring the loan to current status.
- **If there are insufficient funds and there are less than 18 months of payments being deferred**; and granting an extension of the forbearance plan to no more than 18 months would result in no outstanding payments due or in sufficient funds being available to address the payments due, then, the Servicer must submit a request to MPF Provider to extend the forbearance plan up to 18 months. Once the request is granted, Servicer can then proceed to submit the deferral plan for approval.
- **If there are insufficient funds and 18 months of payments have already been deferred**, then the Servicer must evaluate the Borrowers according to the evaluation hierarchy described in Fannie Mae Lender Letter LL-2021-07 and consider other loss mitigation options that are available to the Borrower.

As a reminder, Servicers must follow the most recent relief policies and guidance issued guidance by Fannie Mae. The following resources are available through Fannie Mae for additional clarification:

- [Fannie Mae Lender Letter LL-2021-07](#): COVID-19 Payment Deferral and Fannie Mae Flex Modification for COVID-19 Impacted Borrowers
- [COVID-19 payment deferral: Escrow Account common inquiries](#)
- [Payment Deferrals Matrix](#)

For assistance, please contact the MPF Service Center via email ([MPF-Help@fhlbc.com](mailto:MPF-Help@fhlbc.com)) or call (877) 345-2673 (selecting call option #3 – Default Management) with any questions.