

**MPF Announcement:**

2020-18

**Date:**

April 13, 2020

**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*)

## Impact of COVID-19 on MPF Xtra Servicing

On April 8, 2020, Fannie Mae issued an update to Lender Letter LL-2020-02, communicating updates to temporary policies previously announced, to enable servicers to better assist borrowers impacted by COVID-19. The policies in this Lender Letter are effective immediately and are effective until Fannie Mae provides further notice, unless otherwise stated.

### Reference

[Fannie Mae Lender Letter LL-2020-02](#)

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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### Updates to Fannie Mae Lender Letter 2020-02:

- In response to the Coronavirus Aid, Relief, and Economic Security Act (CARES), updated certain servicing requirements and reminding Servicers of their responsibility to comply with law.
- Clarified the Servicers responsibilities related to achieving QRPC for a borrower impacted by COVID-19 for a forbearance plan.
- Expanded forbearance plan terms for borrowers impacted by COVID-19.
- Updated requirements, when evaluating the borrower for a payment deferral or mortgage loan modification after a forbearance plan.
- Clarified that Servicers must servicer comply with the requirements of the Fair Credit Reporting Act ("FCRA"), as amended by the CARES Act for borrowers impacted by COVID-19.
- Clarified that Servicers must suspend foreclosure-related activities in accordance with the requirements of the CARES Act.

As a reminder, PFIs and Servicers originating, delivering or servicing:

- MPF Traditional (Conventional) loans must follow the policies and guidance recently issued by the MPF Program. Please visit the [MPF Website](#) to view recently published [MPF Announcements](#).

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- MPF Government loans and MPF Government MBS loans, must follow policies and guidance issued by the applicable Government Agencies.
- MPF Direct loans, must follow policies and guidance issued by the product's investor, Redwood Trust.

To gain a full understanding of these topics, Servicers should review the entire Fannie Mae Lender Letter plus any applicable Fannie Mae Servicing Guide chapters, forms, or exhibits noted in the announcement.



# Lender Letter (LL-2020-02)

Updated Apr. 8, 2020

Mar. 25, 2020

Mar. 18, 2020

## To: All Fannie Mae Single-Family Servicers Impact of COVID-19 on Servicing

We are actively monitoring reports about the spread of COVID-19 (coronavirus) in the United States and understand that there may be concerns about its potential impact on borrowers. At the direction of the Federal Housing Finance Agency (FHFA) and in alignment with Freddie Mac, we are communicating temporary policies in this Lender Letter to enable servicers to better assist borrowers impacted by COVID-19. The policies in this Lender Letter are effective immediately and are effective until Fannie Mae provides further notice, unless otherwise stated.

**We are releasing information to our servicers as quickly as possible and will update and republish this Lender Letter as new guidance becomes available.**

Additions to Lender Letter on Apr. 8, 2020

- [Complying with law](#): In response to the recent enactment of the Coronavirus Aid, Relief, and Economic Security Act on Mar. 27, 2020 (“CARES Act”), we are updating certain servicing requirements and reminding servicers of their responsibility to comply with law.

Additions to Lender Letter on Mar. 25, 2020, updated Apr. 8, 2020

- [Attempting to establish QRPC](#): Reminding servicers of acceptable methods in attempting to achieve quality right party contact (QRPC). **UPDATED Apr. 8, 2020** in response to the CARES Act to clarify the servicers responsibilities related to achieving QRPC for a borrower impacted by COVID-19 for a forbearance plan.
- [Reporting a reason for delinquency code](#): Providing a specific “reason for delinquency” code for use in reporting a delinquent mortgage loan associated with a borrower impacted by COVID-19 to Fannie Mae.
- [Property inspections and preservation](#): Providing flexibility with regard to inspections and preservation in light of COVID-19 concerns.
- [Submission of financial statements and reports](#): Extending the deadline for submission of financial statements and Form 582 to Apr. 30, 2020.

Lender Letter content published Mar. 18, 2020, updated Apr. 8, 2020

- [Forbearance plan terms](#): Expanding eligibility for a forbearance plan for borrowers impacted by COVID-19. **UPDATED Apr. 8, 2020** in response to the CARES Act to clarify the servicers responsibilities related to providing a forbearance plan to a borrower impacted by COVID-19.
- [Evaluating the borrower for a payment deferral or mortgage loan modification after a forbearance plan](#): Clarifying the mortgage loan modifications that must be considered near the conclusion of a forbearance plan term. **UPDATED Mar. 25, 2020** to require that a borrower be evaluated for payment deferral prior to these mortgage loan modifications. **UPDATED Apr. 8, 2020** to eliminate the requirement that the servicer determine the occupancy status of the property when achieving QRPC and evaluating a borrower impacted by COVID-19 for a workout option prior to expiration of the forbearance plan.



- [Credit bureau reporting](#): Clarifying that servicers must suspend credit reporting when the hardship is related to COVID-19. **UPDATED Apr. 8, 2020** to require that the servicer comply with the requirements of the Fair Credit Reporting Act (“FCRA”), as amended by the CARES Act for borrowers affected by the COVID-19 pandemic.
- [Suspension of foreclosure activities and certain bankruptcy requirements](#): Instructing servicers to not allow any foreclosure sales within the next 60 days. **UPDATED Apr. 8, 2020** to require that the servicer suspend foreclosure-related activities in accordance with the requirements of the CARES Act and suspend the requirement that servicers file motions for relief from the automatic stay in bankruptcy cases.

Additionally, we are providing information about our [Disaster Response Network](#) as a reference for Fannie Mae borrowers.

## Complying with law

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In response to the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), Fannie Mae is updating requirements relating to forbearance plans, achieving QRPC with a borrower in regards to a forbearance plan, credit bureau reporting, and suspension of foreclosure activities and certain bankruptcy requirements. Servicers are reminded that in accordance with *Servicing Guide* [A2-1-08, Compliance with Requirements and Laws](#), they must comply with applicable law even where a provision of the *Servicing Guide* may conflict with applicable law.

## The following content was published Mar. 25, 2020.

### Attempting to establish QRPC **UPDATED Apr. 8, 2020**

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As described in *Servicing Guide* [D2-2-01, Achieving Quality Right Party Contact with a Borrower](#), QRPC is a uniform standard for communicating with the borrower, co-borrower, or a trusted advisor (collectively referred to as “borrower”) about resolution of the mortgage loan delinquency. We reaffirm the applicability of QRPC when working with a borrower impacted by COVID-19 to ensure the servicer understands the borrower’s circumstances and determines the best possible workout option for resolving the borrower’s delinquency. In the event that the servicer is unable to achieve full QRPC and offers a forbearance plan to a borrower impacted by COVID-19 in compliance with the CARES Act, the servicer is considered to be in compliance with our *Servicing Guide*.

In response to servicer inquiries and in accordance with *Servicing Guide* [A4-2.1-04, Establishing Contact with the Borrower](#), among other requirements, the servicer is authorized to use various outreach methods to contact the borrower as permitted by applicable law, including, but not limited to:

- mail,
- email,
- texting, and
- voice response unit technology.

## Reporting a reason for delinquency code

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The servicer must report delinquency status information to Fannie Mae through Fannie Mae’s servicing solutions system in accordance with *Servicing Guide* [D2-4-01, Reporting a Delinquent Mortgage Loan to Fannie Mae](#). For all mortgage loans that are greater than 30 days delinquent, the servicer must advise us of the action it plans to take or has taken until the mortgage loan becomes current (or liquidated) by reporting, among other information, the reason for delinquency.

In an effort to enable us to identify mortgage loans where the borrower has experienced a hardship associated with COVID-19 while not resulting in a systems impact for us or you, the servicer must report reason for delinquency code 022, Energy-Environment Costs, when reporting the delinquency status of such mortgage loans to us. For mortgage loans where the servicer would have reported reason for delinquency code 022, Energy-Environment Costs, the servicer must now use reason for delinquency code 007, Excessive Obligations.



## Property inspections and preservation

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As a result of the impact of COVID-19, we are temporarily providing flexibility with respect to the completion of property inspections, including:

- inspections for properties securing a delinquent mortgage loan as described in *Servicing Guide* [D2-2-10, Requirements for Performing Property Inspections](#);
- inspections related to hazard loss repairs as described in *Servicing Guide* [B-5-01, Insured Loss Events](#); and
- property preservation activities as described in *Servicing Guide* [E-3.2-12, Performing Property Preservation During Foreclosure Proceedings](#).

If the servicer is unable to complete a property inspection or property preservation activity in accordance with the *Servicing Guide*, it must document their efforts and the reason for any exception in the mortgage loan file.

**NOTE:** *The servicer's inability to complete property inspections due to COVID-19 related impacts must not impact the servicer's disbursement of insurance loss proceeds.*

As a reminder, *Servicing Guide* [D2-2-10, Requirements for Performing Property Inspections](#) authorizes a curbside (drive-by) inspection if there is potential danger to the inspector. Additionally, the *Property Preservation Matrix and Reference Guide* authorizes servicers to utilize alternative data or other means available to determine occupancy status when inspection results are unknown due to lack of access.

For additional questions, contact

- [Property\\_Preservation@fanniemae.com](mailto:Property_Preservation@fanniemae.com) regarding property inspections for delinquent mortgage loans
- [Hazard\\_Loss@fanniemae.com](mailto:Hazard_Loss@fanniemae.com) regarding hazard loss inspections

## Submission of financial statements and reports

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Per *Selling Guide* [A4-2-01](#), sellers/servicers must submit financial statements and the *Lender Record Information (Form 582)* within 90 days after the end of their fiscal year. While we encourage submission of this information in a timely manner and by the Mar. 31, 2020 deadline (for those with a Dec. 31 fiscal-year end), we are extending the due date to Apr. 30, 2020.

## The following content was published Mar. 18, 2020.

### Forbearance plan terms **UPDATED Apr. 8, 2020**

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With the Mar. 18, 2020 Lender Letter, we communicated that servicers must achieve QRPC with the borrower prior to offering a forbearance plan, that the property securing the mortgage loan may be either a principal residence, a second home, or an investment property, and that the servicer must otherwise follow the requirements in *Servicing Guide* [D2-3.2-01, Forbearance Plan](#). In response to the CARES Act, the servicer must approve forbearance plans for borrowers impacted by COVID-19 in accordance with the CARES Act.

The CARES Act states that a forbearance plan must be provided to any borrower who requests a forbearance with an attestation of the financial hardship caused by the COVID-19 emergency; and no additional documentation other than the borrower's attestation to a financial hardship caused by the COVID-19 emergency is required. Such a borrower must be provided an initial forbearance plan for a period up to 180 days, and that forbearance period may be extended for up to an additional 180 days at the request of the borrower. In accordance with the *Servicing Guide* [D2-3.2-01, Forbearance Plan](#), the servicer may provide an initial forbearance period, and any extended forbearance period, in separate, shorter increments. If the borrower's COVID-19 related hardship has not been resolved during an incremental forbearance period, the servicer must extend the borrower's forbearance period, not to exceed 12 months total. For a borrower impacted by COVID-19, we are temporarily eliminating the requirement that the servicer must receive our prior written approval for a forbearance plan that would result in the mortgage loan becoming greater than 12



months delinquent.

As a reminder, servicers must inform the borrower that the payments which are the subject of a forbearance plan have only been delayed or reduced, not forgiven, and that once the forbearance plan is complete, one of the following must occur:

- the mortgage loan must be brought current through a reinstatement,
- the borrower is approved for another workout option,
- the mortgage loan is paid in full, or
- the servicer refers the mortgage loan to foreclosure in accordance with applicable law.

The servicer must also inform the borrower that he or she may shorten a forbearance plan term at any time to reduce the amount of payments which are being delayed or reduced.

As stated in the *Servicing Guide* [D2-3.2-01, Forbearance Plan](#), the forbearance plan terms must be provided to the borrower using the appropriate Evaluation Notice, which must be revised in accordance with applicable law. In addition, the servicer must document in the individual mortgage loan file the borrower's request for forbearance and attestation as to a financial hardship caused by the COVID-19 emergency, and the terms of the initial and any extended forbearance, including the duration of the forbearance period.

## **Evaluating the borrower for a payment deferral or mortgage loan modification after a forbearance plan [UPDATED Apr. 8, 2020](#)**

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For borrowers who have received a forbearance plan in response to COVID-19, the servicer must begin attempts to contact the borrower no later than 30 days prior to the expiration of the forbearance plan term, must continue outreach attempts until either QRPC is achieved or the forbearance plan term has expired. When evaluating the borrower for a workout option prior to expiration of the forbearance plan, we are providing flexibility with regard to achieving QRPC. We are eliminating the requirement that the servicer determine the occupancy status of the property and will consider the servicer obtaining the following as achieving QRPC for purposes of evaluating a borrower who has experienced a hardship resulting from COVID-19:

- determining the reason for the delinquency and whether it is temporary or permanent in nature;
- determining whether or not the borrower has the ability to repay the mortgage loan debt;
- educating the borrower on the availability of workout options, as appropriate; and
- obtaining a commitment from the borrower to resolve the delinquency.

With [LL-2017-09R](#) we introduced the Fannie Mae Extend Modification for Disaster Relief (Extend Mod), a temporary post-disaster forbearance mortgage loan modification, as well as the order of evaluation for Extend Mod and other post-forbearance mortgage loan modifications when the property securing the mortgage loan or the borrower's place of employment is located in a FEMA-Declared Disaster Area eligible for Individual Assistance. While COVID-19 is not a disaster as defined in the *Servicing Guide*, with this Lender Letter, we are extending the availability of these post-disaster forbearance mortgage loan modifications to borrowers impacted by COVID-19. The servicer must analyze each case carefully in accordance with the requirements in the following table before determining which mortgage loan modification is most appropriate for the borrower.



If the servicer is...	And...	Then the servicer must evaluate the borrower for...
able to establish QRPC with the borrower during the forbearance plan	determines that the borrower is capable of maintaining the current contractual monthly PITI payment, including any escrow amounts disbursed by the servicer during the forbearance plan term and escrow shortage needed to pay future escrow that is required to be repaid by the borrower over the 60-month escrow repayment period	an Extend Mod; and if eligible, offer the borrower the Extend Mod. The servicer must disclose how the escrow analysis was determined, and that disbursed escrow amounts will not be capitalized but will be added to the escrow shortage needed to pay future escrow amounts resulting in an increase of the borrower's current contractual monthly PITI payment over the 60-month escrow repayment period.
	determines that the borrower can maintain the current contractual monthly PITI payment, but cannot manage the additional escrow repayment obligation to cover amounts disbursed by the servicer during the forbearance plan term	a Fannie Mae Cap and Extend Modification for Disaster Relief; and if eligible, offer the borrower a Fannie Mae Cap and Extend Modification for Disaster Relief (see <a href="#">D2-3.2-05, Fannie Mae Cap and Extend Modification for Disaster Relief</a> ).
	determines that the borrower is not capable of maintaining the current contractual monthly PITI payment	a Fannie Mae Flex Modification based on the <i>Unique Requirements for a Borrower Impacted by a Disaster Event</i> (see <a href="#">D2-3.2-06, Fannie Mae Flex Modification</a> ); and if eligible, offer a Fannie Mae Flex Modification.
not able to establish QRPC during the forbearance plan	the mortgage loan is 90 or more days delinquent	a Fannie Mae Flex Modification based on the <i>Unique Requirements for a Borrower Impacted by a Disaster Event</i> (see <a href="#">D2-3.2-06, Fannie Mae Flex Modification</a> ); and if eligible, solicit the borrower for a Fannie Mae Flex Modification.

For these mortgage loan modifications, the following changes to the eligibility criteria apply:

Current Requirement	Requirement for Borrowers Impacted by COVID-19
The property securing the mortgage loan or the borrower's place of employment must be located in a FEMA-Declared Disaster Area eligible for Individual Assistance.	<p>The borrower must have experienced a hardship resulting from COVID-19 (for example, unemployment, reduction in regular work hours, or illness of a borrower/co-borrower or dependent family member), which has impacted their ability to make their monthly mortgage loan payment.</p> <p><b>NOTE:</b> <i>The servicer is not required to obtain documentation of the borrower's hardship.</i></p>
The mortgage loan must have been current or less than 31 days delinquent when the disaster occurred	The mortgage loan must have been current or less than 31 days delinquent as of Mar. 13, 2020, the date of the National Emergency declaration related to COVID-19.

**NOTE:** *The servicer must make appropriate changes to the Flex Modification Solicitation Cover Letter and Evaluation Notices, including the applicable Frequently Asked Questions, when using for a borrower impacted by COVID-19.*



In Lender Letter [LL-2020-05, Payment Deferral](#) we introduced payment deferral, a new home retention workout option jointly developed with Freddie Mac at the direction of FHFA. Once the servicer implements payment deferral, it must evaluate borrowers impacted by COVID-19 for a payment deferral in accordance with the eligibility requirements and workout option hierarchy described in Lender Letter [LL-2020-05, Payment Deferral](#); and if the borrower is not eligible for a payment deferral, the servicer must then evaluate the borrower for a post-forbearance mortgage loan modification as described above.

## **Credit bureau reporting [UPDATED Apr. 8, 2020](#)**

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In response to the CARES Act, we are acknowledging that the servicer must report the status of the mortgage loan to the credit bureaus in accordance with the FCRA, including as amended by the CARES Act, for borrowers affected by the COVID-19 emergency. This supersedes our guidance on Mar. 18, 2020, which instructed servicers to suspend reporting the status of a mortgage loan to credit bureaus during an active forbearance plan, or a repayment plan or Trial Period Plan where the borrower is making the required payments as agreed, even though payments are past due, as long as the delinquency is related to a hardship resulting from COVID-19.

## **Suspension of foreclosure activities and certain bankruptcy requirements [UPDATED Apr. 8, 2020](#)**

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On Mar. 18, 2020, we instructed servicers that they must suspend all foreclosure sales for the next 60 days, unless the property securing the mortgage loan had been determined to be vacant or abandoned.

In response to the CARES Act, we are acknowledging that the servicer must now suspend foreclosure-related activities in accordance with the requirements of the CARES Act, which provides: “Except with respect to a vacant or abandoned property, a servicer of a Federally backed mortgage loan may not initiate any judicial or non-judicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale for not less than the 60-day period beginning on Mar. 18, 2020.”

Fannie Mae generally requires servicers to file motions for relief from the automatic stay in bankruptcy cases upon certain milestones. In light of the CARES Act and other impacts resulting from the COVID 19 National Emergency, Fannie Mae is temporarily relieving servicers of the obligation to meet these timelines. This temporary suspension shall be in effect for not less than the 60-day period beginning on Mar. 18, 2020. Servicers must continue to work with their bankruptcy counsel to determine the appropriate time to file such motions.

## **Use of Fannie Mae’s Disaster Response Network**

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Our Disaster Response Network (DRN) is operational and can be used to assist borrowers who are financially impacted by COVID-19. The DRN has trained financial counselors who will work with borrowers to create a workable budget based upon the borrower’s present financial situation and assist in explaining options including obtaining unemployment benefits and any new special assistance. We encourage servicers to refer Fannie Mae borrowers to our Disaster Response Network at 1-877-542-9723.

We will continue to monitor the situation and alert you of any additional policy updates. Servicers who have questions about this Announcement should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae’s Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643).