MPF® Announcement

MPF Announcement:
2020-26

Date:
April 30, 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®

Effective Date:

Immediately (unless otherwise noted)

COVID-19 Related Servicing Guidance for MPF Traditional (Conventional) Loans

In order to help Servicers understand the available servicing related accommodations available for **MPF Traditional (Conventional)** loans affected by COVID-19 and understand their obligations when assisting such borrower, the MPF Program is issuing this guidance which supersedes any conflicting current Guide provisions or recent COVID-19 announcements.

Changes since MPF Announcement 2020-23:

- UPDATED - COVID-19 related servicing policies have been updated to reflect the transition of certain servicing related functions from the Master Servicer to the MPF Provider. The "Post-initial 90 day forbearance plan" section below has been updated with redline to reflect the updated verbiage.

- NEW - Incorporated a Workout options hierarchy, providing Servicers guidance on order of evaluation for available workout options for a MPF Traditional (Conventional) loans.

PFIs and Servicers originating, delivering, or servicing:

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

In addition, PFIs and Servicers are expected to abide by any/all federal or state laws or proclamations that may affect borrowers or loans affected by COVID-19.

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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To assist borrowers who 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, the Servicer should evaluate the borrower for a forbearance plan as provided for in this Announcement.

The Servicer must achieve quality right party contact (QRPC) with the borrower prior to offering a forbearance plan. Servicers must obtain mortgage insurance company's approval (if applicable) prior to granting any forbearance plan, and must obtain prior approval through the MPF Provider before granting relief that exceeds the guidance or timeframes provided for in this announcement.

Servicers under the Scheduled/Scheduled remittance option are expected to continue making monthly payments to the mortgage loans' investor as required under Applicable Agreements.

Taxes, Insurance, MI payments and other advances

All Servicers (regardless of remittance type) are required to make any and all advances necessary to preserve the lien and the property (including taxes, insurance, MI payments), as is currently required under the MPF Guides, regardless of loan status at time of granting the forbearance or of escrow status of the loan, for the duration of the forbearance plan. Servicers will want to ensure the agreed upon method of repayment of the forbearance plan takes into account repayment of these advances, as permitted under Applicable Laws, the Note, and the Security Instrument.

Effective: April 23, 2020

Initial 90 day forbearance period:

When a borrower has requested a forbearance based on COVID-19 related difficulties, Servicers may grant a forbearance of up to 90 day regardless of the status of the loan at the time of the request, and without obtaining any documentation of borrower hardship. No prior approval is needed from the MPF Bank or MPF Provider~~. or Master Servicer.~~ However, Servicers are required to ensure the granting of the forbearance is acceptable to any applicable MI company.

The forbearance plan may be verbally agreed upon by the borrower, but the terms of the plan should be provided to the borrower in writing, as soon after granting the plan as possible, and should include a description of what the borrower should expect during the plan period, that the payments which are the subject of the forbearance plan have only been delayed or reduced, not forgiven, and that once the forbearance plan is complete, the borrower will be responsible for bringing the loan current, through a reinstatement, paying the loan in full or pursuant to a subsequent loss mitigation plan to be agreed to prior to the expiration of the forbearance plan.

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.

Borrower's acknowledgment or signature is not required.

Effective: March 19, 2020 (Updated April 23, 2020)

Post-initial 90 day forbearance plan (UPDATED)

Servicers are expected to begin attempts to contact the borrowers who have received an initial 90 day forbearance plan in response to COVID-19 no later than 30 days prior to the expiration of the forbearance plan term, to complete an assessment of each Mortgage Loan to determine the appropriate workout alternative that best fits the Borrower's circumstances and determine what loss mitigation option is appropriate.

Loss mitigation options available post initial 90 day forbearance, to borrowers affected by COVID-19, include:

- extending the forbearance plan
  - Where the hardship appears not to be resolved, Servicer may extend forbearance to Borrower in separate, shorter incremental periods, with total forbearance period (including the initial 90 day forbearance period) not to exceed 12 months
  - Servicers must complete an assessment of each borrower to determine that an extension of the forbearance plan period is the appropriate workout alternative that best fits the Borrower's circumstances
  - Servicer's must submit the following to the MPF Provider to obtain prior approval~~: Master Servicer's prior approval required to be obtained by submitting:~~
    - Workout Worksheet (Form SG354) and all required supporting documentation as indicated on the Workout Worksheet;
    - A copy of the proposed Forbearance Plan; and
    - Borrower Hardship Certification (Form SG402)
  - ensure the granting of the extended forbearance is acceptable to any applicable MI company – proof must be retained in the Mortgage File.
  - Servicer must ensure priority of the lien of the Mortgage Loan remains in effect and is not adversely affected.
  - plan must be in a written agreement, must meet all Applicable Law requirements, and must be executed by both the Borrower and the Servicer – no form required but must include "Failure to abide by the terms of the agreement will result in the termination of the Forbearance Plan and all missed payments being due immediately."
  - prior to the expiration of a forbearance extension, Servicer must complete an assessment to determine the appropriate workout alternative that best fits the Borrower's circumstances.
- repayment plans (see MPF Traditional Servicing Guide 8.5.4):
  - Where the hardship appears to have been resolved, Servicer may allow borrower to make payments in excess of the regular monthly payments over a period not to exceed 12 months to cover full amount of arrears resulting from a COVD-19 forbearance plan (including principal, interest and advances as described in the "Taxes, Insurance, MI payments and other advances" section above) as permitted by Applicable Law and loan documents.
    - If repayment period of up to 3 months:
      - no prior approval needed from MPF Bank or MPF Provider.~~ Or Master Servicer~~
    - If repayment period of over 3 months without exceeding 12 months:
      - Servicer's must submit the following to the MPF Provider to obtain prior approval: ~~Master Servicer's prior approval required to be obtained by submitting:~~
        - Workout Worksheet (Form SG354)
        - Borrower Hardship Certification (Form SG402).
      - plan must be in a written agreement, must meet all Applicable Law requirements and must be executed by both the Borrower and the Servicer
    - If repayment period of more than 12 months is required, Servicers must receive prior approval by submitting request to the MPF Provider ~~from Master Servicer is required~~ or Servicer may consider a Loan Modification (See below)
  - MI approval is required (where applicable) – proof must be retained in the Mortgage File
  - Servicer must ensure priority of the lien of the Mortgage Loan remains in effect and is not adversely affected.
- loan modification (see MPF Traditional Servicing Guide Chapter 9)
  - Where the hardship appears to have been resolved, and repayment plan term is not feasible, Servicer may consider granting Borrower a loan Modification pursuant to provisions in MPF Traditional Servicing Guide Chapter 9.

Interest should continue accruing at the Note rate during the forbearance period, but should not be compounded on the missed payments after the forbearance period(s) concludes. In addition, no late fees, administrative fees or other such fees should be applied to any of the payments that were part of a COVID-19 related forbearance plan (either initial or extended), and should not be included in any repayment plan or loan modification plan for such payments.

Efforts to assess Borrowers for these loss mitigation options must continue until either QRPC is achieved or the forbearance plan term has expired.

Servicers can reach out to their MPF Bank and/or the MPF Provider ~~Master Servicer~~ (as applicable) when they encounter a particular situation they wish to address that does not meet these requirements.

Effective: March 19, 2020 (updated on April 23, 2020 and April 30, 2020)

Workout hierarchy (NEW)

Servicers must consider a reinstatement when, at the end of a forbearance plan, the borrower has the ability to bring the mortgage loan current. If the borrower does not have this ability, the following table provides guidance and the order of evaluation for available workout options for MPF Traditional (Conventional) loans.

Temporary Hardship	
The following table describes the Servicer's requirements if the borrower is experiencing or has experienced a temporary hardship resulting from a short-term decrease in income or increase in expenses.	
If the hardship has…	**Then the Servicer must consider a…**
been resolved and the borrower does not have the ability to reinstate the mortgage loan	Repayment Plan (see above and MPF Traditional Servicing Guide Section 8.5.4)
If the hardship has…	**Then the Servicer must consider a…**
not been resolved	Forbearance Plan (see above)
Permanent Hardship	
If the borrower is experiencing a hardship that has resulted in a permanent or long-term decrease in income or increase in expenses, the Servicer must evaluate the borrower for a workout option in the following order: ▪ Temporary Loan Payment Modification Plan (MPF Traditional Servicing Guide Chapter 9) ▪ Short Sale (MPF Traditional Servicing Guide Section 8.6.1) ▪ Deed-in-Lieu of Foreclosure (MPF Traditional Servicing Guide Section 8.6.2) **NOTE**: If a borrower requests to be evaluated for a liquidation workout option, the Servicer must first evaluate the borrower for a liquidation workout option.	

Effective: Immediately

Attempting to establish QRPC

Servicers are required to attempt to establish quality right party contact (QRPC) with all delinquent borrowers to resolve delinquencies. The MPF Guides does not provide the method by which such contact must be achieved, but in accordance with MPF Traditional Servicing Guide 8.3.2 Contacting Borrowers, 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.

Effective: March 26, 2020

Late Fees

Servicers should consider waiving late fees for 90 days and provide guidance to borrowers with respect to available relief provisions and/or loss mitigation alternatives.

Effective: March 20, 2020

Reporting a reason for delinquency code

Servicers must report delinquency status information pursuant to MPF Traditional Servicing Guide 8.4 Delinquency Reporting, by providing a Delinquent Mortgage Report (Servicing Guide Exhibit B) that contains the status of all Delinquent Mortgage Loans that are thirty (30) or more days delinquent as of the last day of the preceding month.

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 the delinquency reason code 022, when reporting the delinquency status of such mortgage loans. For mortgage loans where the servicer would have reported the delinquency reason code of 022 the servicer must now use reason for delinquency code 007.

Effective: March 26, 2020

Property inspections and preservation

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

- inspections for properties securing a delinquent mortgage loan as described in MPF Traditional Servicing Guide 8.3.5 Property Inspections;
- inspections related to hazard loss repairs as described in MPF Traditional Servicing Guide 4.6 Property Damage/Loss Procedures; and
- property preservation activities as described in MPF Traditional Servicing Guide section 10.9 Foreclosure Proceedings Property Inspections.

Servicers unable to complete a property inspection or property preservation activity in accordance with the MPF Traditional Servicing Guide, must document their efforts and the reason for any exception in the mortgage loan file.

Servicers' inability to complete property inspections due to COVID-19 related impacts must not impact disbursement of insurance loss proceeds.

Effective: March 26, 2020

Obtaining valuations associated with MI termination requests

As a reminder, when a borrower requests MI termination based on the original or current value of the property and a BPO or appraisal is required to verify the current value of the property, the property valuation must be based on an inspection of both the interior and exterior of the property. If the impact of COVID-19 results in a delay in obtaining a BPO or appraisal required to verify the current value of the property, the servicer must notify the borrower that it will be unable to approve the termination request until the BPO or appraisal is completed (along with all other requirements for terminating the mortgage insurance being satisfied). See MPF Traditional Servicing Guide 4.7.2 Mortgage Insurance Cancellation for One-Unit Properties and 4.7.3 Mortgage Insurance Cancellation for Two- to Four-Unit Properties.

Effective: March 26, 2020

Electronic Signatures

Electronic Signatures (e-Sign) may now be utilized to execute loss mitigation related agreements, as long as e-signing does not affect the enforceability of the document under Applicable Law, or the ability to record the document when needed to maintain lien priority, including when required by the MPF Program in accordance with MPF Traditional Servicing Guide section 9.3.6 Recording Requirements.

Effective: April 10, 2020

Credit reporting

The credit reporting provisions of the CARES Act should be applied to MPF Traditional (Conventional) borrowers affected by COVID-19. For obligations that were current prior to granting an "accommodation" - meaning an agreement to forebear, modify a loan, or grant other relief - to borrowers impacted by COVID-19, Servicers are required to continue to report the obligation as current so long as the borrower complies with the accommodation. For obligations that were delinquent prior to granting the "accommodation," the Servicer must continue to report the status as it had previously been reporting - even if the actual status deteriorates - but report the borrower as current if the account is brought current during the "accommodation." Charged-off accounts are excluded from the new requirements under the Act and therefore are excluded for this policy.

Effective: During the "covered period," as defined in the Act or as amended at a later date, which begins on January 31, 2020 and ends on the later of July 25, 2020 or 120 days after the date of the termination of the federally-declared national emergency.

Foreclosure sales

Servicers must suspend all foreclosure sales for the next 60 days, unless the property has been determined to be vacant or abandoned.

Effective: March 20, 2020

Evictions

To match the Act, requirements, evictions are being suspended 120 days from the date of the Act (meaning suspended until July 25, 2020). In addition, Servicers should not charge fees or penalties, or other charges to the tenant for nonpayment of rent, during this period. Finally, Servicers must provide tenants 30 days to vacate a unit, and may not issue a notice to vacate until after July 25, 2020.

Effective: April 10, 2020.

General resources

The MPF Program is operating at its normal level and will continue to provide support to PFIs/Servicers. Please contact the MPF Service Center with any questions or concerns (877-FHLB-MPF).