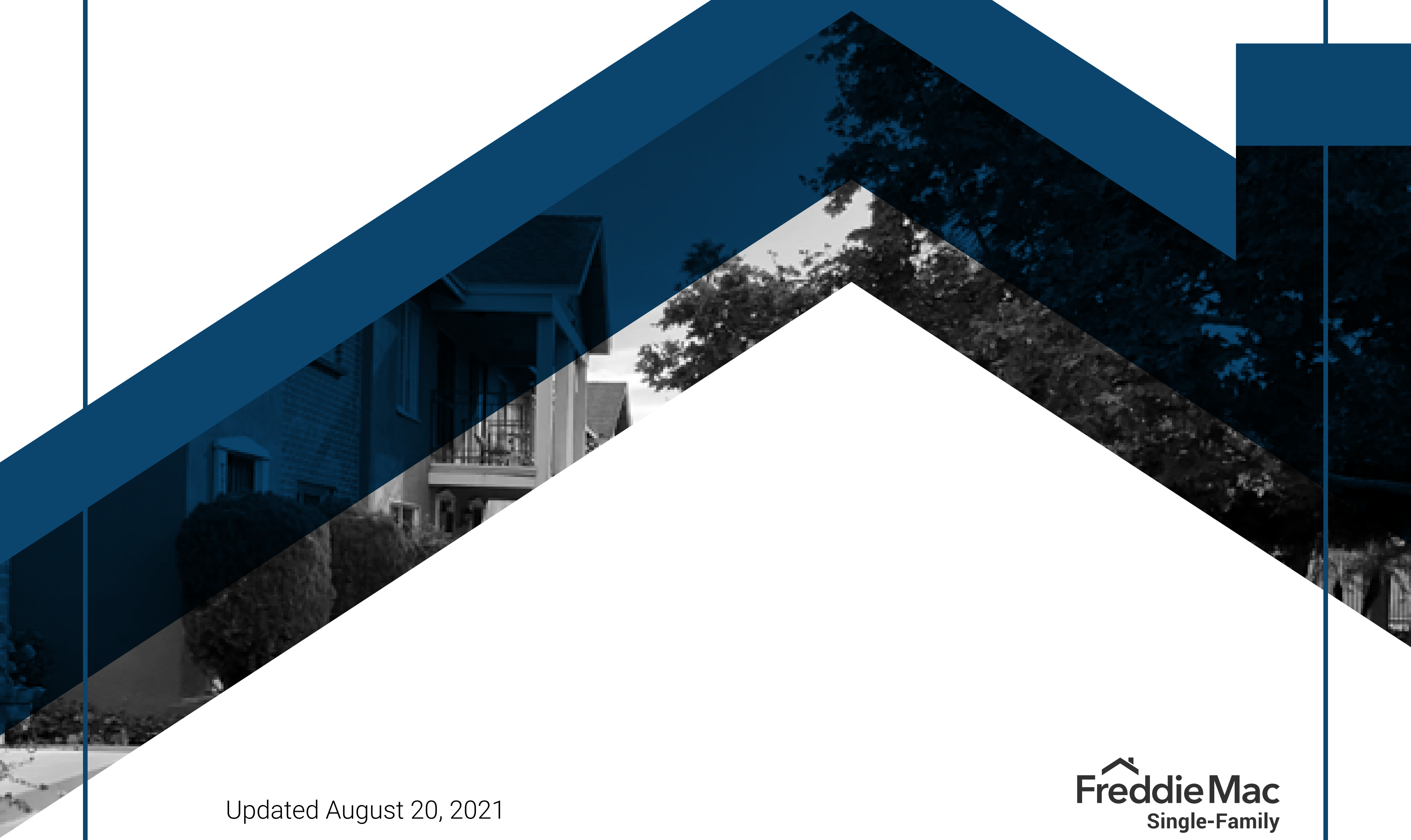
#HelpStartsHere

COVID-19 Servicing:

Guidance for Helping Impacted Borrowers



Updated August 20, 2021

Freddie Mac
Single-Family

Content

Introduction

The impact of COVID-19, also known as the novel coronavirus, is far-reaching, affecting the businesses of Sellers and Servicers across the nation. As the situation around COVID-19 evolves and the challenges ahead become clear, Freddie Mac is committed to fulfilling our mission though our business continuity plans. These plans ensure that we can continue the hard work of providing liquidity, stability and affordability in the housing market – in good times and in bad.

We announced the various policies available to help Servicers better assist borrowers experiencing financial hardship.

Learn more about these requirements in recent updates to the Freddie Mac Single-Family Seller / Servicer Guide.

We're Committed to Helping You

We are here to respond to your needs, and we're listening. We're thinking outside the box to bring you up-to-the-minute resources to ensure you're equipped during this tumultuous time.

...And Helping You Help Borrowers

We're here to help families who are impacted by COVID-19 – developing solutions for those who are experiencing a lapse in income or who are not able to maintain regular payments.

Share resources with your borrowers. Visit the Freddie Mac MyHome® website.

SECTION 01

Outreach, Collection and Quality Right Party Contact

Outreach and Collection Methods

It is important to be aware of the outreach and collection method for servicing delinquent loans, as the process must be facilitated through personal contact. Outreach attempts must start no later than 30 days prior to the end of a borrower's COVID-19-related forbearance.

A Servicer's collection methods should include one or more or the following:

- Telephone contact or face-to-face interviews (apply safe social distancing practices)
- Written communications such as notices and letters

Other responsible collection techniques include:

- Email
- Text messaging
- Voice response unit technology
- A Servicer's web portal

What is Quality Right Party Contact (QRPC)?

QRPC occurs when you establish contact with the borrower, co-borrower or trusted advisor (such as a housing counselor) and discuss the most appropriate options for delinquency resolution.

FIND OUT MORE ABOUT OUTREACH AND COLLECTION TECHNIQUES

Quality Right Party Contact

In order to establish QPRC, the Servicer must gather certain information to:

- **determine the reason for and level of permanence of the delinquency** and the borrower's ability to repay the debt.
- **set payment expectations and educate the borrower** on possible foreclosure alternatives, as appropriate.
- **obtain a commitment from the borrower to address the delinquency and/or hardship** via traditional methods (i.e. reinstatement) or an alternative to foreclosure.

If you are unable to achieve QRPC per the above requirements, **you must still offer a forbearance plan to a COVID-19 impacted borrowerer** who requests one:

- → So long as you comply with applicable law, you're considered to be in compliance with the Guide.
- → Once QRPC has been established, work with the borrower to apply an appropriate solution, including a forbearance plan.
- → Servicers should educate the borrower and set payment expectations around the alternatives to foreclosure, as appropriate.

VIEW THE COVID-19 REFERENCE GUIDE

Did You Know?

Servicers must report activity for any borrower impacted by COVID-19, in accordance with the Fair Credit Reporting Act and the CARES Act.

SECTION 02

Forbearance

What to Know About Forbearance

A COVID-19-related hardship is considered an eligible forbearance hardship under Freddie Mac Guide requirements. In addition, Freddie Mac is now authorizing Servicers to approve forbearance plans for borrowers experiencing a COVID-19-related hardship, regardless of property type. Review recent Guide Bulletins for the latest guidance.

1

Once a borrower reaches a cumulative term of 12 months of forbearance, the plan may be extended for up to 3 months, provided the term does not exceed 18 months of total delinquency.

2

Servicers must notify Freddie Mac of any borrowers that have COVID-19-related hardship resulting in delinquent mortgage.

TAKE ACTION: Report through Electronic Default Reporting (EDR) default reason code 032 in addition to the status code 09 for loans in forbearance.

3

You may offer the borrower forbearance for a period of one to six months, and, if necessary, extended forbearance plan period, provided **the total forbearance term does not exceed 18 months.**

4

The length of the term must be appropriate (up to 180 days) based on the borrower's individual circumstances (subject to applicable law) and nature of the hardship and must be agreed upon with or requested by the borrower.

5

Don't forget to 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.

Post-Forbearance Hierarchy

READY, SET, EVALUATE

After forbearance ends, the evaluation hierarchy changes specifically for COVID-19 related hardships.

Hierarchy Summary:

- Reinstatement
- Repayment Plan
- COVID-19 Payment Deferral
- Flex Modification

Transition smoothly after forbearance.

VIEW THE JOB AID

SECTION 03

Post-Forbearance Options

Repayment Options

REINSTATEMENT

A borrower may have the option of reinstating their loan, which simply means catching up on all the missed payments at once in a single lump-sum payment.

After the loan is reinstated, the borrower can continue to pay their mortgage under the original agreed-upon terms (prior to forbearance).

REPAYMENT PLAN

The borrower may have the option to spread out their past due amount on their mortgage over a set time frame (e.g., 3, 6, 9 or up to 18 months) and added to their existing mortgage payments.

Upon completion of their repayment plan, the borrower can continue to pay their mortgage under the original agreed-upon terms (prior to forbearance).

Quick Facts

- The borrower is not required to make a lump sum payment to reinstate the loan after forbearance.
- A borrower may do a combination of partial reinstatement paired with a repayment plan.
- A Servicer is not required to verify the ability to reinstate the loan but must make QRPC with the borrower to establish the ability to pay on a repayment loan.

LEARN MORE ABOUT REINSTATEMENT AND REPAYMENT PLANS

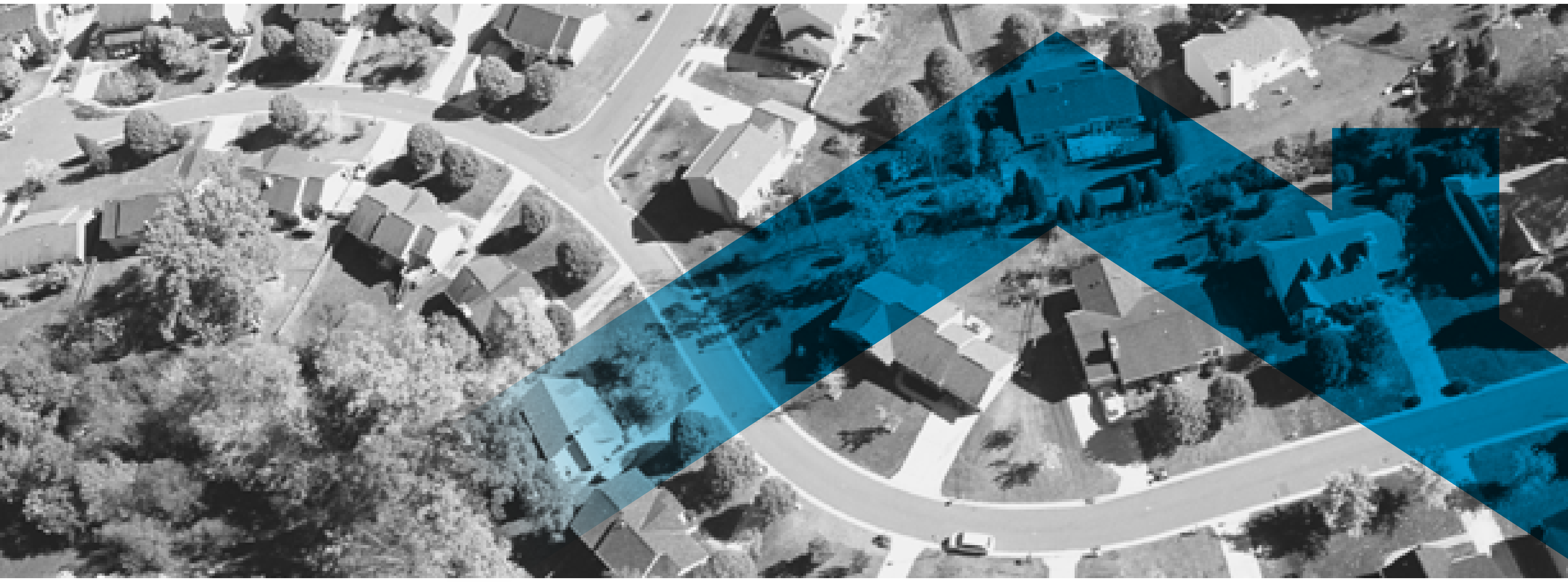
COVID-19 Payment Deferral

A COVID-19 Payment Deferral is a more affordable relief option for a borrower who has resolved their hardship when a reinstatement or repayment plan are not viable options. A borrower may have the option to defer delinquent amounts to create a non-interest-bearing balance that will become due at the earlier of the mortgage maturity date, payoff date, or upon transfer or sale of the mortgaged premises.

Quick Facts

- Payment Deferral is a good option when the borrower is able to make their regular monthly payment, but cannot afford to repay the arrearage post-forbearance.
- The mortgage term is not extended beyond the original maturity date/term.
- The interest due for the remainder of the loan is the same under the remaining authorization schedule whether the borrower reinstated or took a Payment Deferral.

LEARN MORE ABOUT PAYMENT DEFERRAL



Freddie Mac Flex Modification® (Flex Mod)

What is it?

The Flex Mod program is a home retention option that targets a payment reduction by capitalizing arrearages, extending the term and potentially lowering the interest rate and/or deferring principal to provide payment relief to the borrower.

Who is it for?

The Flex Mod is intended for borrowers who are unable to resume making their pre-forbearance payment and need payment relief.

Quick Facts

→ The Flex Mod adds unpaid balances from a forbearance period, including unpaid interest that acrued during the forbearance period, and any taxes and insurance amounts a Servicer paid on the borrower's behalf during that time, to the unpaid loan balance, and then extending the loan term to 40 years.

→ The interest rate is also lowered to market level, and some of the borrower's principal balance may be convered to be non-interest bearing.

Temporary Changes (Effective August 31, 2021)

To provide additional relief, the Flex Modification waterfall adjusts so that a mortgage with a MTMLTV ratio of less than 80% may receive an interest rate reduction.

Eligibility

- COVID-19 hardship, and
- Current or < two months delinquent as of 3/1/20, and
- 90 days delinquent (as of evaluation date), or
- 60 days delinquent and completed a COVID-19 Payment Deferral within the previous six months.

Determining the Terms of Flex Mod

Effective August 31, 2021, the below steps are similar to the current Flex Modification waterfall in Section 9206 in the Guide. Steps 2 and 5 provide requirements to achieve the additional payment relief.

1 Capitalize the arrearages.

2 Determine if the mortgage has steps or adjustments remaining, then calculate the interest rate. The interest rate reduction will apply to loans with MTMLTV < 80% in some cases.

Calculating the Trial Period Plan Payment and determining the terms of the permanent modification

No steps or adjustments remain for...	No steps or adjustments remain for...
- Fixed rate - Step rate - ARM	- Step rate - ARM
Take the lesser of...	**Take the lesser of...**
- Flex Mod posted interest rate - Pre-modification interest rate	- Flex Mod posted interest rate - Maximum step-rate/lifetime cap note rate

3 Extend the amortization term to 480 months from the Modification Effective Date.

4 Forbear principal.

5 If steps 1-4 do not achieve required payment relief (20% principal and interest (P&I) payment reduction and a post-modification housing expense income (PMHTI) ratio that is equal to or less than 40%), take additional steps to achieve payment reduction.

LEARN MORE ABOUT FLEX MODIFICATION

What to do?

Forbear principal in $100 incriments until one of these happens first:

A 20% P&I payment reduction and PMHTI ratio equal to or just below 40% are both achieved

If the borrower is more than 90 days delinquent, follow the same process and exclude the PMHTI component

An MTMLTV as close as possible to, but not below 80% is achieved; or
The aggregate forbearance amount equals or is not less than $100 below the Forbearance Cap

If these happen first, offer the modification to the borrower (P&I must be less than or equal to pre-modification P&I)

Liquidation Options

When home retention is not an option, there are alternatives to foreclosure.

SHORT SALE

What is it?

A short sale is the sale of the property for less than the balance remaining on a borrower's loan.

Who is it for?

For borrowers that may not qualify for a loan modification but are struggling to keep their home, a short sale may help the borrower avoid foreclosure and eliminate their mortgage debt.

VISIT GUIDE CHAPTER 9208 FOR MORE DETAILS.

DEED-IN-LIEU OF FORECLOSURE

What is it?

Allows borrowers to voluntarily transfer clear and marketable title of their property (i.e., the house and the land) to the owner of their mortgage in exchange for the discharge of their mortgage debt.

Who is it for?

When a home retention option or short sale are not workable solutions for at-risk borrowers, a deed-in-lieu offers them another opportunity to avoid foreclosure.

VISIT GUIDE CHAPTER 9208 FOR MORE DETAILS.

SECTION

04

Resources and Education

Learn more about requirements in the updates to the *Single-Family Seller/Servicer Guide* and other valuable resources and training.

Resources and Support

[SINGLE-FAMILY COVID-19 RESOURCES]

[COVID-19 SERVICING FAQs]

[SERVICING GUIDE BULLETINS]

Tools and Education

[COVID-19 HARDSHIP REFERENCE GUIDE]

[FORBEARANCE DESK REFERENCE]

[TRAINING AND WEBINARS]

[LIMITED ENGLISH PROFICIENCY RESOURCES]

[FHFA'S MORTGAGE TRANSLATION CLEARINGHOUSE]

QUESTIONS?

CONTACT YOUR FREDDIE MAC REPRESENTATIVE OR CALL 1-800-FREDDIE.

Your Business and Borrowers in Today's COVID-19 Environment

Help Starts Here – With Freddie Mac.

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We are committed to helping families affected by the virus and we are instructing Servicers to work with borrowers who are unable to make their mortgage payments to ensure they are evaluated for a forbearance plan or other appropriate assistance.

Kevin Palmer
Senior Vice President, *Portfolio Management*
Freddie Mac Single-Family

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