Servicing for COVID-19 Related Hardships Reference Guide

April 2024

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Introduction

Freddie Mac is committed to providing payment relief and other assistance to borrowers when they encounter a financial hardship. This includes those that have been impacted by the outbreak and spread of the coronavirus disease (COVID-19).

This reference guide outlines temporary measures that will help you assist borrowers who have and have not contracted COVID-19, if their ability to make timely mortgage payments has been negatively affected as a result of COVID-19 ("COVID-19 related hardship").

The *Single-Family Seller/Servicer Guide* (Guide) Bulletin 2023-17 announced a phased approach for the retirement of temporary COVID-19-related requirements. The following COVID-19 requirements were retired on November 1, 2023:

- COVID-19 forbearance plans and extensions
- Limited Quality Right Party Contact
- The use of Default Reason Code 032 for COVID-19 hardships in the reporting of new delinquencies

Note: Any active COVID-19 forbearance that was agreed to before November 1, 2023, will remain in place in accordance with the terms of the forbearance agreement.

Other requirements, such as evaluations for COVID-19 payment deferrals and COVID-19 Flex Modification®, will be retired later to allow borrowers with an ongoing COVID-19-related hardship to transition to a related COVID-19 loss mitigation option.

Effective Nov. 1, 2024, COVID-19 provisions for retention options will be retired. Borrowers who were impacted by COVID-19 must be evaluated for relief using Freddie Mac's standard Alternatives to Foreclosure (ATF) hierarchy.

If you have any questions after reviewing this quick reference, please contact the Customer Support Contact Center at 800-FREDDIE.

COVID-19 Related Hardship

A COVID-19 related hardship could be any of the eligible hardships under Guide Section 9202.2, provided the borrower's ability to make timely mortgage payments has been negatively affected by COVID-19. A COVID-19 related hardship may include long-term or permanent disability, serious illness of a borrower, co-borrower or dependent family member, reduction in income, death or other eligible hardship reasons. You will determine what constitutes a COVID-19 related hardship and must treat all borrowers equally when making this determination. No documentation is required from the borrower in order to verify the hardship.

Reporting to Credit Repositories

For any borrower impacted by COVID-19, you must provide a "full file" status report describing the status of the mortgage to each of the four major credit repositories in accordance with the credit bureau standards as provided by the Consumer Data Industry Association, and subject to applicable law (e.g., the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and the Fair Credit Reporting Act.

Late Charges

You must not assess late charges while the borrower is on a forbearance plan or paying as agreed on a repayment plan. Late charges may accrue during a trial period subject to the requirements in [Guide Section 9102.2](). However, all accrued and unpaid late charges must be waived if the mortgage is modified. Additionally, you must waive all accrued and unpaid late charges upon completion of a COVID-19 Payment Deferral.

Property Valuations for Standard Short Sales and Deeds-in-Lieu of Foreclosure

Due to the COVID-19 pandemic, we are temporarily using external property valuations in some cases in lieu of the interior property valuations that we require, as described in Guide Sections 9208.5(a) and 9209.5(a). In these instances, you must use the valuation we provide, even if it is not an internal valuation.

Outreach and Collection Efforts

As a reminder, servicing of a delinquent mortgage must be based upon personal contact via the methods listed below. Form letters and notices, while having a place in any servicing program, generally are not as effective as personal contact and must not be used exclusively.

Collection techniques must include the use of:

- Telephone contacts or face-to-face interviews.
- Written communications such as email, notices and letters.
- Other responsible collection techniques as permitted under applicable law including, but not limited to, e-mail, text messaging, voice response unit (VRU) technology or a Servicer's web portal.

If you discover that the borrower's contact information (phone number or mailing address) is invalid, then you should initiate skip trace activities to obtain alternate phone numbers or mailing addresses.

Quality Right Party Contact

You must achieve quality right party contact (QRPC) as defined in Guide Section 9102.3 for all COVID-19 loss mitigation evaluations. Per Guide Section 9102.3(b), QRPC occurs when you establish contact with the borrower and discuss with the borrower, co-borrower or trusted advisor, such as a housing counselor, the most appropriate options for delinquency resolution. QRPC is applicable when working with borrowers impacted by COVID-19 to ensure that you understand their circumstances and determine the best possible outcome for resolving the borrower's delinquency.

You must make every attempt to achieve quality right party contact by:

- Determining the reason for the delinquency and whether the reason is temporary or permanent in nature
- Determining the occupancy status of the property
- Determining the borrower's ability to repay the debt
- Setting payment expectations and educating the borrower on the availability of alternatives to foreclosure, as appropriate
- Obtaining a commitment from the borrower to either resolve the delinquency through traditional methods (paying the total delinquent amount) or engaging in an alternative to foreclosure solution

Forbearance

With the retirement of the COVID-19 forbearance plan (including evaluations for forbearance extensions on existing COVID-19 forbearance plans), for new evaluations on or after November 1, 2023, you may place a borrower on a forbearance plan for a period of one to twelve months dependent on individual circumstances and the nature of the hardship. All borrowers who meet the requirements for forbearance must be evaluated in accordance with Guide Chapter 9203 for all eligible hardships and Chapter 8404 if the hardship is the result of an Eligible Disaster. Refer to Guide Bulletin 2023-17.

Note: No new COVID-19 forbearances after Nov. 1, 2023

A forbearance plan is a written agreement between you and the borrower that reflects the terms of the forbearance, including whether the borrower may make either reduced or no monthly payments for a specific period of time.

When a borrower is impacted by a COVID-19 related hardship, you must establish QRPC with the borrower in order to evaluate him or her for a forbearance plan.

You are not required to obtain a complete Borrower Response Package (BRP), and may offer the borrower:

- Forbearance for a period of one to six months, and, if necessary,
- One or more successive forbearance plan periods of one to six months provided the total forbearance term does not exceed 12 months. Each forbearance plan term must be for an appropriate duration, based on the borrower's individual circumstances and nature of the hardship. It must be agreed upon with or requested by the borrower.

After you determine the terms of the forbearance plan, you must send the borrower the forbearance plan agreement, in accordance with Guide Section 9203.13(c). You may use the template provided in Guide Exhibit 93, appropriately modified to reflect the terms of the forbearance plan.

> During an active forbearance plan, you are not required to send a late notice/reminder letter to the borrower, regardless of whether the monthly payment is reduced or suspended.

You must 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.

At least 30 days before the end of COVID-19 forbearance period, you must begin attempts to establish QRPC with the borrower following the requirements in Guide Section 9102.3(b) to evaluate the borrower for a forbearance plan extension.

- If the hardship has not been resolved, evaluate the borrower for additional forbearance (up to a 12-month period).
- If the hardship has been resolved, evaluate the borrower in accordance with the Alternatives to Foreclosure hierarchy.

If you are unable to establish QRPC before the end of the forbearance plan, you must evaluate the borrower for a proactive offer of a COVID-19 Payment Deferral or under the COVID-19 provisions for a Flex Modification, as described in Bulletin 2021-8.

> Resolve®, Freddie Mac's integrated default management solution, processes forbearance extensions via its user interface (UI). Submit your request by using the SUBMISSIONS link and select Forbearance Extensions. After submission, the status of your request will be available on the Resolve dashboard to provide transparency into the review and decisioning of your request. Refer to Resolve Online Help for the process steps.

For additional information about Freddie Mac's forbearance requirements, refer to Guide Sections 9203.12 through 9203.21 and Guide Bulletin 2020-4.

Managing Escrow Before, During, and After a COVID-19 Forbearance

Escrow Terminology and Requirements

Refer to the following table to ensure you are familiar with the following escrow terms and requirements:

Escrow Term	Requirement
Escrow Custodial Account	Freddie Mac requires that you establish a separate escrow custodial account for each Seller/Servicer number, even if you do not currently collect or plan to collect escrow money. You must open an escrow account for unplanned events such as partial payments or insurance claim proceeds. You must deposit into the escrow custodial account all funds collected on the borrower's behalf. These funds are used to make payments for the borrower for items such as taxes and insurance. The escrow custodial account balance should never go below zero, even if allowed by the institution housing the custodial account.
Escrow Advances	Escrow advances are amounts paid by the Servicer to satisfy payments due for taxes, insurance, or other expenses when the escrow account is not sufficiently funded to cover the full payment amounts. If there is a deficit, you are required to advance funds to the escrow custodial account prior to remitting the amount due. You must include any escrow advances disbursed during the forbearance period in the deferred unpaid principal balance of the loan when calculating the terms for a COVID-19 Payment Deferral.
Escrow Analysis	When evaluating a borrower for a COVID-19 Payment Deferral, Servicers must perform an escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, state or local law, as announced in Guide Bulletin 2021-35. Guide Bulletin 2022-26 further clarifies that for a COVID-19 Payment Deferral, the initial escrow analysis may be an estimate. Upon completion of a COVID-19 Payment Deferral, the Servicer must still perform an escrow analysis in accordance with RESPA and any applicable federal, state, or local law. If the mortgage has an escrow account, then at least annually, you must compute the required escrow payment based on reasonable estimates of assessments and bills to determine that enough funds are being collected to meet all escrow payments.
Escrow Disbursements	All funds held on behalf of the borrower are considered to be escrow funds. Escrow funds are categorized according to their source and purpose. County taxes and hazard insurance are two of the most common types of escrow funds. Generally, insurance premiums are due and disbursed yearly while tax disbursements can occur twice throughout the calendar year.
Escrow Shortage	The amount by which a current escrow account balance falls short of the target balance at the time of the escrow analysis. Any Escrow account shortage that is identified at the time of the Payment Deferral must not be capitalized and the Servicer is not required to fund any existing Escrow account shortage.

Escrow Example:

Let's look at an example of how escrow is managed when the borrower is placed on a COVID-19 forbearance plan and then accepts a Freddie Mac COVID-19 Payment Deferral. The following example provides a month over month view of the fluctuations occurring in the escrow account before, during and after the forbearance period.

Overview

The borrower has experienced a COVID-19 hardship and has contacted you for assistance. The borrower is placed on a six-month forbearance plan. According to the terms of the forbearance agreement, the borrower is not required to make a monthly payment.

At the end of the forbearance plan, you determined the borrower was eligible for a Freddie Mac COVID-19 Payment Deferral.

Contractual Monthly Mortgage Payment = $1,000

$700 – Principal & Interest (P&I) portion

$300 – Taxes & Insurance (T&I) portion

Annual Tax and Insurance Amounts Due = $3,590

$2,990 – Total Tax Amount Due

$600 – Total Insurance Amount Due

April 2020

The loan is current as of April 2020. The borrower sends the contractual monthly mortgage payment of $1,000 of which $300 is applied to escrow.

The borrower has experienced a COVID-19 hardship and has contacted you for assistance. The borrower is placed on a six-month forbearance plan beginning in May 2020.

	April **DDLPI: 4/1**
Beginning Escrow Account Balance	$900
(+) Borrower's Monthly Escrow Payment	$300
(-) Tax Disbursement	$0
(-) Insurance Disbursement	$0
Ending Escrow Account Balance	$1,200

Escrow Account Activity

$300 deposited into account

$0 withdrawn for tax and insurance disbursements.

Ending balance is $1,200

May 2020

This is month one of the borrower's forbearance plans. The borrower did not send a payment.

Escrow Account Activity

$0 deposited into account

$0 withdrawn for tax and insurance disbursements.

Ending balance is $1,200

	Forbearance Plan	
	April DDLPI: 4/1	May DDLPI: 4/1
Beginning Escrow Account Balance	$900	$1,200
(+) Borrower's Monthly Escrow Payment	$300	$0
(-) Tax Disbursement	$0	$0
(-) Insurance Disbursement	$0	$0
Ending Escrow Account Balance	$1,200	$1,200

June 2020

This is month two of the borrower's forbearance plan. The borrower did not send a payment.

The first installment of the yearly tax bill is due. The escrow account balance of $1,200 is not enough to cover the $1,500 tax bill. You advance $300 of corporate funds to the escrow custodial account to pay the tax bill.

Escrow Account Activity

$0 deposited into account

$1,500 withdrawn for tax disbursement

Ending balance is ($300)

		Forbearance Plan	
	April DDLPI: 4/1	May DDLPI: 4/1	June DDLPI: 4/1
Beginning Escrow Account Balance	$900	$1,200	$1,200
(+) Borrower's Monthly Escrow Payment	$300	$0	$0
(-) Tax Disbursement	$0	$0	$1,500
(-) Insurance Disbursement	$0	$0	$0
Ending Escrow Account Balance	$1,200	$1,200	($300)

Total Escrow Advanced Amount: $300

July 2020

This is month three of the borrower's forbearance plan. The borrower did not send a payment.

Escrow Account Activity

$0 deposited into account

$0 withdrawn for tax and insurance disbursements

Ending balance is ($300)

		Forbearance Plan		
	April DDLPI: 4/1	May DDLPI: 4/1	June DDLPI: 4/1	July DDLPI: 4/1
Beginning Escrow Account Balance	$900	$1,200	$1,200	($300)
(+) Borrower's Monthly Escrow Payment	$300	$0	$0	$0
(-) Tax Disbursement	$0	$0	$1,500	$0
(-) Insurance Disbursement	$0	$0	$0	$0
Ending Escrow Account Balance	$1,200	$1,200	($300)	($300)

Total Escrow Advanced Amount: $300

August 2020

This is month four of the borrower's forbearance plan. The borrower did not send a payment.

The annual homeowner's insurance premium is due. You advance $600 to the escrow account to pay the insurance bill. The total amount that you have advanced during the forbearance plan is $900.

		Forbearance Plan			
	April DDLPI: 4/1	May DDLPI: 4/1	June DDLPI: 4/1	July DDLPI: 4/1	August DDLPI: 4/1
Beginning Escrow Account Balance	$900	$1,200	$1,200	($300)	($300)
(+) Borrower's Monthly Escrow Payment	$300	$0	$0	$0	$0
(-) Tax Disbursement	$0	$0	$1,500	$0	$0
(-) Insurance Disbursement	$0	$0	$0	$0	$600
Ending Escrow Account Balance	$1,200	$1,200	($300)	($300)	($900)

Escrow Account Activity

$0 deposited into account

$600 withdrawn for tax and insurance disbursements

Ending balance is ($900)

Total Escrow Advanced Amount: $900

$300 (June)
+ $600 (August)
$900

September 2020

This is month five of the borrower's forbearance plan. The borrower did not send a payment.

	April	Forbearance Plan May	June	July	August	September
	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1
Beginning Escrow Account Balance	$900	$1,200	$1,200	($300)	($300)	($900)
(+) Borrower's Monthly Escrow Payment	$300	$0	$0	$0	$0	$0
(-) Tax Disbursement	$0	$0	$1,500	$0	$0	$0
(-) Insurance Disbursement	$0	$0	$0	$0	$600	$0
Ending Escrow Account Balance	$1,200	$1,200	($300)	($300)	($900)	($900)

Escrow Account Activity

$0 deposited into account

$0 withdrawn for tax and insurance disbursements

Ending balance is ($900)

Total Escrow Advanced Amount: $900

$300 (June)
\+ $600 (August)
$900

October 2020

This is month six of the borrower's forbearance plan. The borrower did not send a payment.

During October, you determined the borrower was eligible for a Freddie Mac COVID-19 Payment Deferral with the first payment due in November 2020.

You must perform an escrow analysis during evaluation of a borrower and upon completion of a COVID-19 Payment Deferral in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, state, or local law. The initial escrow analysis may be an estimate.

Per the requirements of the COVID-19 Payment Deferral, the $900 that you have advanced during the six-month forbearance period will be capitalized and included in the non-interest-bearing deferred principal balance on the loan. As such, the October escrow account ending balance is $0.

	April	Forbearance Plan May	June	July	August	September	October
	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1	DDLPI: 4/1
Beginning Escrow Account Balance	$900	$1,200	$1,200	($300)	($300)	($900)	($900)
(+) Borrower's Monthly Escrow Payment	$300	$0	$0	$0	$0	$0	$0
(-) Tax Disbursement	$0	$0	$1,500	$0	$0	$0	$0
(-) Insurance Disbursement	$0	$0	$0	$0	$600	$0	$0
Ending Escrow Account Balance	$1,200	$1,200	($300)	($300)	($900)	($900)	$0

Escrow Account Activity

$0 deposited into account

$0 withdrawn for tax and insurance disbursements

Ending balance is $0

Total Escrow Advanced Amount to be Deferred: $900

November 2020

The COVID-19 Payment Deferral begins. The loan is current as of November 2020. The borrower sends the contractual monthly mortgage payment of $1,000 of which $300 is applied to the escrow custodial account.

		Forbearance Plan						
	April DDLPI: 4/1	May DDLPI: 4/1	June DDLPI: 4/1	July DDLPI: 4/1	August DDLPI: 4/1	September DDLPI: 4/1	October DDLPI: 4/1	November DDLPI: 11/1
Beginning Escrow Account Balance	$900	$1,200	$1,200	($300)	($300)	($900)	($900)	$0
(+) Borrower's Monthly Escrow Payment	$300	$0	$0	$0	$0	$0	$0	$300
(-) Tax Disbursement	$0	$0	$1,500	$0	$0	$0	$0	$0
(-) Insurance Disbursement	$0	$0	$0	$0	$600	$0	$0	$0
Ending Escrow Account Balance	$1,200	$1,200	($300)	($300)	($900)	($900)	$0	$300

Escrow Account Activity

$300 deposited into account

$0 withdrawn for tax and insurance disbursements

Ending balance is $300

December 2020

The loan is current as of December 2020. The borrower sends the contractual monthly mortgage payment of $1,000 of which $300 is applied to the escrow custodial account.

The second installment of the yearly tax bill is due. The escrow account balance of $600 is not enough to cover the $1,490 tax bill. You advance $890 to the escrow account to pay the tax bill.

Advances that occur after the COVID-19 Payment Deferral is settled cannot be deferred into the non-interest-bearing balance of the loan.

You will work out a repayment plan with the borrower to recoup the $890 in missed escrow installments over 60 months.

You may continue to perform the escrow analysis as regularly scheduled. In this example, the next escrow analysis for this loan is scheduled for March 2021.

If you determine in March that there will be a projected escrow shortage for the next 12 months, due to an anticipated increase in taxes and/or hazard insurance, then you must combine the remaining amount due from the escrow repayment plan with the escrow shortage resulting from the new escrow analysis. The repayment term for the newly combined balance can be extended for a period up to 60 months. If the borrower is unable to afford a COVID-19 Payment Deferral based on the increased monthly payment resulting from an escrow shortage repayment, the Servicer must evaluate the borrower for a Flex Modification.

Note: Any escrow account shortage that is identified at the time of the Payment Deferral must not be capitalized and the Servicer is not required to fund any existing escrow account shortage.

		Forbearance Plan							
	April DDLPI: 4/1	May DDLPI: 4/1	June DDLPI: 4/1	July DDLPI: 4/1	August DDLPI: 4/1	September DDLPI: 4/1	October DDLPI: 4/1	November DDLPI: 11/1	December DDLPI: 12/1
Beginning Escrow Account Balance	$900	$1,200	$1,200	($300)	($300)	($900)	($900)	$0	$300
(+) Borrower's Monthly Escrow Payment	$300	$0	$0	$0	$0	$0	$0	$300	$300
(-) Tax Disbursement	$0	$0	$1,500	$0	$0	$0	$0	$0	$1,490
(-) Insurance Disbursement	$0	$0	$0	$0	$600	$0	$0	$0	$0
Ending Escrow Account Balance	$1,200	$1,200	($300)	($300)	($900)	($900)	$0	$300	**($890)**

Escrow Account Activity

$300 deposited into account

$1,490 withdrawn for tax and insurance disbursements

Ending balance is ($890)

Total Escrow Advanced Amount:
$890

Borrower Repayment Plan

Escrow Shortage Payment: ($890)

Months for Payment Plan: 60

Borrower Monthly Payment $14.83

If you have any questions, refer to Guide Chapter 8201 or contact our Customer Support Contact Center (800-FREDDIE).

Transitioning after Forbearance to a COVID-19 Related Hardship

If the borrower is ready to transition to a permanent solution, you must evaluate the borrower in accordance with the eligibility requirements described in Bulletins 2020-15, 2021-8 and 2021-35, the evaluation hierarchy requirements described in Bulletin 2020-15 and the QRPC requirements described in Bulletin 2023-17.

In most cases, borrowers with a COVID-19 related hardship who qualify to be evaluated for a COVID-19 Payment Deferral will be transitioning from a COVID-19 forbearance, but forbearance is not a prerequisite for eligibility.

You must attempt to contact the borrower until QRPC has been established or until the forbearance plan has expired:

- If the hardship has been resolved and the borrower is ready to transition to a permanent solution, you must evaluate the borrower for the most appropriate workout option to cure the delinquency.
- If the hardship has not been resolved, then you must evaluate the borrower's eligibility for extended forbearance, if applicable.

When You are Able to Establish Quality Right Party Contact

Refer to the following table to determine how to proceed when you are able to establish QRPC.

<table>
<tr><th>If the borrower was:</th><th colspan="2">Then:</th></tr>
<tr><td rowspan="3">Current or less than 31 days delinquent (had not missed more than one monthly mortgage payment) as of the effective date of the National Emergency declaration (March 1, 2020)
(Due for February 1, 2020)</td><td colspan="2">Determine if the borrower is able to resolve the delinquency through a reinstatement or repayment plan.</td></tr>
<tr><td>If:</td><td>Then:</td></tr>
<tr><td>The borrower is able to resolve the delinquency through a reinstatement or repayment plan</td><td>Accept a reinstatement and/or enter into a repayment plan with the borrower in accordance with Guide Chapter 9203.</td></tr>
</table>

	The borrower is not able to resolve the delinquency through a reinstatement or repayment plan	Evaluate the borrower in accordance with the following COVID-19 related Evaluation Hierarchy: 1. COVID-19 Payment Deferral* 2. Freddie Mac Flex Modification® (in accordance with the requirements outlined in Guide Bulletin 2020-7, if applicable) Refer to Guide Chapter 9206 and the Freddie Mac Flex Modification Reference Guide for additional information. 3. Freddie Mac Standard Short Sale Refer to Guide Chapter 9208 for additional information. 4. Freddie Mac Standard Deed-in-Lieu of Foreclosure Refer to Guide Chapter 9209 for additional information. *Note: Freddie Mac has expanded eligibility for the COVID-19 Payment Deferral to include mortgages originated after the effective date of the National Emergency declaration (March 1, 2020), as long as the borrower meets all of the eligibility requirements for a COVID-19 payment deferral as described in Guide Bulletin 2020-15.
31 days or more delinquent (had missed more than one monthly mortgage payment) as of the effective date of the National Emergency declaration (March 1, 2020) (Due for January 1, 2020 or prior)	You must evaluate the borrower in accordance with the loss mitigation evaluation hierarchy in Guide Section 9201.2. Note: If the borrower had a COVID-19 related hardship but was 31 or more days delinquent as of the effective date of the National Emergency declaration (March 1, 2020), and you determine the borrower can maintain the existing monthly contractual payment, you must submit a request for a COVID-19 Payment Deferral via Resolve® to Freddie Mac.	
Performing in accordance with the terms of a Trial Period Plan at the time he or she was placed on forbearance as a result the National Emergency declaration	Determine if the borrower is eligible for a new Flex Modification Trial Period Plan under streamlined terms.	

When You are Not Able to Establish Quality Right Party Contact

If you are not able to establish QRPC during the COVID-19 forbearance plan, submit a draft request (DRAFTReq) via Resolve's user interface (UI) or application programming interface (API) to determine preliminary eligibility for a workout approval prior to proactively soliciting and offering the borrower a COVID-19 Payment Deferral.

Submit the draft request within 15 days after the expiration of the forbearance plan under the following circumstances:

- The borrower was current or less than one month delinquent (i.e., must not have missed more than one monthly payment) as of the effective date of the National Emergency declaration related to COVID-19 (i.e., March 1, 2020), and
- The mortgage does not meet any of the eligibility exclusions for a COVID-19 Payment Deferral.

You can refer to the ***Proactively Soliciting Borrowers for a COVID-19 Payment Deferral*** section below for additional information.

COVID-19 Payment Deferrals and Flex Modifications

For all loss mitigation evaluations conducted on or after November 1, 2024, you must evaluate the borrower in accordance with payment deferral and Flex Modification requirements as described in the *Single-Family Seller/Servicer Guide* (Guide).

Eligibility for a COVID-19 payment deferral or Flex Modification will be contingent upon the following:

- The mortgage must have been reported with default reason code 032 in November 2023 (for October activity) for a hardship identified prior to November 1, 2023, and continue to be reported as 032 until the evaluation date. Note: This requirement is not applicable to COVID-19 Flex Modification evaluations required to be completed when a borrower who accepted a COVID-19 Payment Deferral subsequently becomes 60 days delinquent within 6 months of the effective date and the Servicer is unable to establish quality right party contact.
- The evaluation date must be before November 1, 2024
- All COVID-19 Flex Modifications must have an effective date on or before May 1, 2025

Effective November 1, 2024, all requirements pertaining to the COVID-19 Payment Deferral and to COVID-19 provisions for the Flex Modification as described in the associated Bulletins (e.g., Bulletins 2020-7, 2020-15, 2021-8, etc.) will be retired. Other COVID-19 requirements announced in previous Bulletins that are not addressed in the above-mentioned bulletins (e.g., MI cancelation requirements, disbursement of insurance proceeds, foreclosure suspension resulting from a Homeowner Assistance Funds (HAF) evaluation, etc.) will remain in effect for ongoing COVID-19 hardships that meet our delinquency reporting requirements.

Proactively Soliciting Borrowers for a COVID-19 Payment Deferral

Prior to soliciting a COVID-19 Payment Deferral offer to a borrower, submit a draft request (DRAFTReq) via Resolve's UI or API for decisioning based on preliminary loan data. Resolve will render an Eligible for Draft status determining the likelihood of a successful workout approval.

To proactively solicit a borrower for a COVID-19 Payment Deferral, you must send a solicitation letter and a COVID-19 Payment Deferral Agreement (Guide Bulletin 2020-21 – Attachment A). We have provided Guide Bulletin 2020-15 – Attachment B as a solicitation letter template, which you may use at your discretion. However, the solicitation letter you send to the borrower must, at a minimum, provide the details of the COVID-19 Payment Deferral and instructions on how to accept the offer. The solicitation letter must also include language that additional forbearance options are available, as applicable, if the borrower's hardship is ongoing, or a Flex Modification may be available if the borrower needs payment relief.

A borrower may accept the COVID-19 Payment Deferral offer by:

- Contacting you, the Servicer, directly in accordance with any acceptable outreach and communication method as described in Bulletin 2020-7, or
- Returning an executed COVID-19 Payment Deferral Agreement, if applicable, or
- Any other method evidencing the borrower's acceptance, in compliance with applicable law (e.g., making the monthly payment due under the terms of the COVID-19 Payment Deferral offer). Note: If you are permitting payment to constitute acceptance of the COVID-19 Payment Deferral offer, you must require the borrower's payment to be submitted so that you receive it in the same month as the Payment Deferral offer is sent. This requirement must be described in the solicitation letter, if applicable.

Freddie Mac COVID-19 Payment Deferral

The Freddie Mac COVID-19 Payment Deferral is an offering available to assist borrowers who were current or less than 31 days delinquent (i.e., have not missed more than one monthly mortgage payment) as of the effective date of the National Emergency declaration related to COVID-19, March 1, 2020. Note: As announced in Guide Bulletin 2020-39, Freddie Mac has expanded the eligibility for the COVID-19 Payment Deferral to include mortgages originated after March 1, 2020, that meet all of the eligibility requirements to qualify for a COVID-19 Payment Deferral.

The COVID-19 Payment Deferral does not permit capitalization of arrearages and instead permits an eligible borrower to bring the mortgage current by deferring delinquent amounts to create a non-interest-bearing balance that will become due at the earlier of the maturity date, payoff date, or upon transfer or sale of the mortgaged premises.

Borrowers who qualify to be evaluated for a COVID-19 Payment Deferral will typically be transitioning from a COVID-19 forbearance. However, forbearance is not a prerequisite for eligibility.

If the mortgage is subject to mortgage insurance, and the mortgage insurance company is not included on our list of delegated mortgage insurance companies for mortgage modifications, you must obtain delegation of authority from the MI or seek approval from the MI to complete the COVID-19 Payment Deferral. For additional information, refer to Guide Bulletin 2020-15.

Eligibility Requirements for COVID-19 Payment Deferrals

The following table highlights the borrower, property and mortgage eligibility requirements for a COVID-19 Payment Deferral.

COVID-19 Payment Deferral Eligibility Requirements	
Prior COVID-19 Payment Deferral	There is no limit on the number of COVID-19 Payment Deferrals a borrower may receive; however no more than 18 missed payments can be deferred as a result of COVID-19 Payment Deferrals for the life of the loan.
Borrower	You must achieve QRPC as defined in Guide Section 9102.3(b) and confirm that the borrower: ▪ Has a resolved COVID-19 related hardship. ▪ Can resume making the existing contractual monthly payment on the mortgage. ▪ Is unable to afford a repayment plan or fully reinstate the mortgage. Note: The borrower is not required to make consecutive payments immediately prior to executing a COVID-19 Payment Deferral (i.e., there is no rolling delinquency requirement).
Property	▪ The existing mortgaged property must be a primary residence, second home or investment property, and may be vacant or condemned.
COVID-19 Payment Deferral Eligibility Requirements	

Mortgage

- The mortgage must be a conventional first-lien mortgage currently owned or guaranteed by Freddie Mac.
- The mortgage may be a fixed-rate, adjustable-rate or step-rate mortgage.
- The mortgage must have been equal to or greater than one month/payment delinquent but less than or equal to 18 months/payments delinquent as of the date you evaluated the borrower for the COVID-19 Payment Deferral.
- The mortgage must have been current or less than two months delinquent (i.e., must not have missed more than one monthly payment) as of March 1, 2020, the effective date of the National Emergency declaration related to COVID-19. Note: Borrowers with a COVID-19 related hardship may still be eligible for a COVID-19 Payment Deferral in the following scenarios:

If the Mortgage:	And:	Then:
Originated after March 1, 2020	Meets all other eligibility criteria to receive a COVID-19 Payment Deferral	You must evaluate the borrower for a COVID-19 Payment Deferral and offer it if they are eligible. Submit a draft request (DRAFTReq) via Resolve for preliminary eligibility results of a COVID-19 Payment Deferral.
Was 31 or more days delinquent as of March 1, 2020	You determine the borrower can maintain the existing monthly contractual payment	You must evaluate the borrower for a COVID-19 Payment Deferral and offer it if they are eligible. Submit a draft request (DRAFTReq) via Resolve for preliminary eligibility results of a COVID-19 Payment Deferral.

- If the mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the borrower a Trial Period Plan.

COVID-19 Payment Deferral Eligibility Requirements	
Mortgage, continued	▪ If the mortgage is subject to an indemnification agreement, and is otherwise eligible under the COVID-19 Payment Deferral requirements outlined in Guide Bulletin 2020-15, you have discretion to approve the COVID-19 Payment Deferral provided the following conditions are met: – The mortgage receiving the COVID-19 Payment Deferral retains its credit enhancement. – If you are not the credit enhancement provider, you must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a COVID-19 Payment Deferral that complies with the requirements in Guide Bulletin 2020-15; and – You remit to Freddie Mac an annual payment for the amount of COVID-19 Payment Deferral related costs (e.g., interest rate shortfall) as calculated by Freddie Mac in accordance with Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified mortgage. If the mortgage is subject to a partial indemnification, each year you will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Freddie Mac will determine the Modification Loss Amounts in accordance with a process described in Guide Bulletins 2016-5 and 2017-1. Note: You are not eligible to receive an incentive for completing a COVID-19 Payment Deferral on a mortgage that is subject to an indemnification agreement. ▪ If the mortgage is a Texas Equity Section 50(a)(6) mortgage and you receive borrower notification classifying the COVID-19 Payment Deferral as a modification and claiming that the terms of the modification agreement do not comply with the provisions of Article XVI Section 50(a)(6) of the Texas Constitution, you must notify us within seven business days of receipt of such objection or complaint to Freddie Mac at Distressed_Property@FreddieMac.com. Include the following in your email: – Freddie Mac loan number – Servicer loan number – Transaction type (e.g., Texas Home Equity modification) – Accounting cycle in which Freddie Mac settled the workout – Servicer's analysis (e.g., a borrower complaint received related to a provision) When you receive our instructions, ensure that you comply with any required response timeframes to claims of defects and any other complaint in accordance with Guide Section 8104.1 and the Texas Constitution.

Mortgages that are Ineligible for a COVID-19 Payment Deferral

Mortgages ineligible for a COVID-19 Payment Deferral include:

- FHA/VA and Guaranteed Rural Housing loans.
- Mortgages subject to recourse.
- Mortgages subject to an approved short sale or deed-in-lieu of foreclosure.

- Borrowers who are currently performing under another Trial Period Plan, forbearance plan or repayment plan,
  – With the exception of a streamlined offer, mortgages that are currently subject to an unexpired offer to the borrower for another modification or other alternative to foreclosure, such as a forbearance or repayment plan.
  – With the exception of a COVID-19 related forbearance plan, mortgages that are currently performing under another forbearance plan or repayment plan.

Documentation Requirements for COVID-19 Payment Deferrals

The borrower is not required to provide a Borrower Response Package (BRP) to be considered for and offered a COVID-19 Payment Deferral, if you have evaluated the borrower in accordance with all requirements described in Guide Bulletin 2020-15, and the eligibility criteria has been satisfied.

How to Determine the Terms for a COVID-19 Payment Deferral

Complete the steps outlined below to determine the terms for a COVID-19 Payment Deferral.

1. Determine the amount that will be deferred. Amounts that may be deferred include delinquent P&I (up to a maximum of 18 monthly payments) and any other expenses or amounts due that are permitted to be capitalized under Flex Modification capitalization rules as described in Guide Section 9206.15(b). Create a new non-interest bearing UPB (deferred UPB) or add the amount to be deferred to an existing non-interest bearing UPB, if applicable.

   The aggregate deferred UPB is due on the earlier of the following:

   - Maturity date
   - Payoff date (e.g., refinance or payoff of the interest-bearing UPB)
   - Upon transfer or sale of the mortgaged premises
2. Advance the due date of the last paid installment (DDLPI) to bring the mortgage current.
3. Ensure all other terms of the existing mortgage remain unchanged, including, but not limited to the following:
   - Remaining amortization schedule
   - Monthly P&I portion of the existing contractual monthly mortgage payment
   - Interest rate (Ensure the existing rate adjustment schedule is maintained for ARM and step-rate mortgages.)
   - Maturity date

Ensure that the payment schedule associated with the interest-bearing UPB remains unchanged from the mortgage's pre-COVID-19 Payment Deferral payment schedule.

Escrow Analysis

Guide Bulletin 2021-35 announced when evaluating a Borrower for either a COVID-19 or Disaster Payment Deferral, Servicers must perform an Escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, State or local law.

> Note: Guide Bulletin 2022-26 specified, for a COVID-19 or Disaster Payment Deferral, the initial Escrow analysis may be an estimate.

Upon completion of a COVID-19 or Disaster Payment Deferral, you must perform an Escrow analysis in accordance with RESPA and any applicable federal, State, or local law.

If escrow is delinquent, you are not required to establish an escrow account as a condition of the COVID-19 Payment Deferral.

Escrow Shortage

Any escrow shortage that you identify at the time of the COVID-19 Payment Deferral cannot be capitalized, and you will not be required to fund any existing shortage. If you identify an escrow shortage as part of a COVID-19 Payment Deferral, then you must spread the repayment of the escrow shortage amount in equal monthly payments between 12 and 60 months or give the borrower the option to pay the shortage in a lump sum.

Escrow account shortages must not be deferred.

Escrow Advances

You must include any escrow advances in the deferred balance. Escrow advances are amounts paid by the Servicer to satisfy payments due for taxes or insurance when the escrow account is not sufficiently funded to cover the full payment amounts.

Additionally, you are not required to revoke any escrow account waiver.

Calculation Example for a COVID-19 Payment Deferral

Below is an example of how to calculate the terms for a COVID-19 Payment Deferral. The steps identified in the example below correspond to the specific steps outlined in the procedure on page 16 in this reference guide.

- Interest-bearing UPB: $300,000
- Existing Non-interest bearing UPB: $5,000
- Current P&I Payment: $1,732.86*
- Primary Residence
- Escrow Advance: $800
- Fixed-rate Mortgage
- Current Interest Rate: 4.5 percent
- Number of payments missed during COVID-19 forbearance period: 6
- DDLPI prior to Payment Deferral: 03/01/2020
- Maturity date: 03/01/2040

*Per the CARES Act, you must calculate the interest due during the forbearance period based on a declining unpaid principal balance (UPB), so that no interest is charged beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage.

Step 1: Determine the amount that will be deferred.

In this example, the following will be amounts will be deferred:

- Six months of delinquent P&I payments: $1,732.86 x 6 = $10,397.16
- Escrow advance: $800.00

Delinquent P&I: $10,397.16

+ Escrow Advance: $800.00

Amount to be Deferred:...........................$11,197.16

There was an existing non-interest bearing UPB prior to the COVID-19 Payment Deferral, therefore we will add the deferred amount resulting from the COVID-19 forbearance to the existing non-interest bearing UPB:

Amount to be Deferred due to
COVID-19 forbearance $11,197.16

+ Non-Interest Bearing UPB Prior to
COVID-19 Payment Deferral: $5,000.00

New Non-Interest Bearing UPB: $16,197.16

Step 2: Advance the due date of the last paid installment (DDLPI) to bring the mortgage to a current status.

In this example, the total number of payments missed during the COVID-19 forbearance period is six and the DDLPI prior to the COVID-19 Payment Deferral is 03/01/2020. Therefore, we will advance the DDLPI six months, to 09/01/2020, to bring the mortgage to a current status.

Step 3: Ensure all of terms of the mortgage remain unchanged including, but not limited to, the following:

- Remaining amortization schedule
- Monthly P&I portion of the existing contractual monthly mortgage payment
- Interest rate (this includes maintaining the existing rate adjustment schedule for an ARM or a step-rate mortgage); and
- Maturity date

In this example:

- The amortization schedule remains unchanged.
- The monthly P&I portion of the existing contractual monthly mortgage payment remains unchanged at $1,732.86.
- The mortgage will continue to be a fixed-rate mortgage with an interest rate of 4.5 percent.
- The maturity date remains unchanged and is March 1, 2040.

Completing the COVID-19 Payment Deferral

You must send a COVID-19 Payment Deferral Agreement to the borrower no later than five business days after you complete (i.e., close or settle) the COVID-19 Payment Deferral. You may use Guide Bulletin 2020-21 – Attachment A or your organization's customized equivalent of the COVID-19 Payment Deferral Agreement. Note that Guide Bulletin 2020-21 – Attachment A is optional; however, it reflects the minimum level of information that you must communicate. If you choose to use your organization's customized equivalent of the COVID-19 Payment Deferral Agreement, ensure that it contains the same level of specificity and complies with applicable law.

You may require the borrower to sign and return the COVID-19 Payment Deferral Agreement to you. If you do, you must receive the fully executed agreement prior to the COVID-19 Payment Deferral settlement date.

> You must submit a workout request for approval via Resolve® for a COVID-19 Payment Deferral before you send the COVID-19 Payment Deferral Agreement to the borrower.
>
> For additional information, refer to the Resolve section in this reference guide and Resolve® Online Help.

When to Complete the COVID-19 Payment Deferral

You must complete the COVID-19 Payment Deferral in the same month you determine the borrower is eligible. If you are unable to complete the COVID-19 Payment Deferral within this timeframe, you may choose to use an additional month to allow for sufficient processing time ("processing month"). The criteria for when a processing month is required must be the same for all borrowers, as evidenced by a written policy.

As described in Guide Bulletin 2021-8, you are not permitted to defer more than 18 months of payments as part of a COVID-19 Payment Deferral. As such, you must require a borrower to make a payment during the processing month if, as of the date of the evaluation for a COVID-19 Payment Deferral:

- The mortgage is 18 months delinquent; or
- The COVID-19 payment deferral would cause the mortgage to exceed 18 months of cumulative deferred past-due payments P&I payments

In these circumstances, you must complete the COVID-19 Payment Deferral within the processing month after receipt of the borrower's full monthly contractual payment due during that month. Otherwise, the borrower is not required to submit a payment during the processing month if the mortgage does not exceed the 18 months cumulative deferred limit.

You must ensure the borrower's payment was received and reported through Loan Level Reporting (LLR) in the processing month prior to submitting a settlement request via Resolve.

COVID-19 Payment Deferral: Loan 18 months Delinquent at the Time of Evaluation

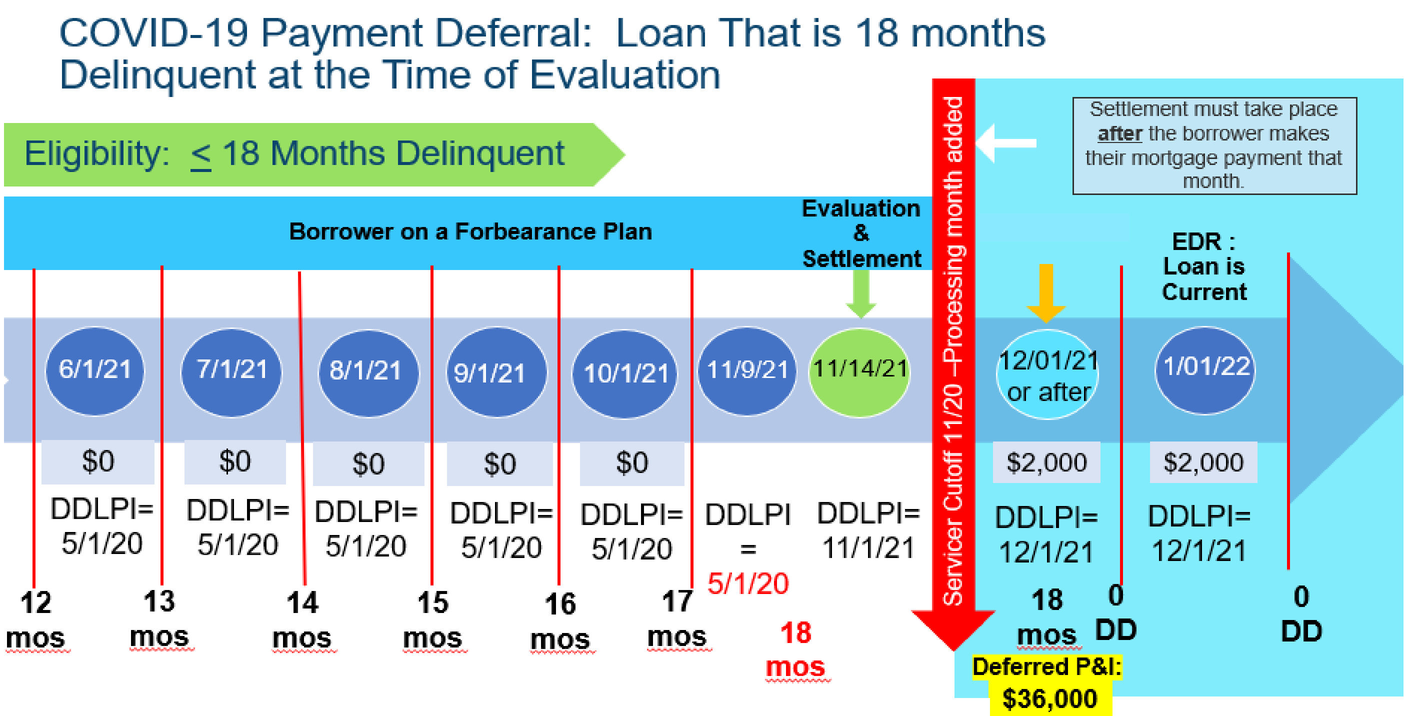
Let's take a look at scenario #1 when the borrower has been placed on a forbearance and is being evaluated at the 18th month of delinquency for a payment deferral.

Reminders:

- The eligibility requirement is < 18 months delinquent at the time of evaluation.
- Servicer's internal cutoff for inserting a processing month is the 20th of the month (e.g., November 20th)
- Servicers must have a **written policy** to determine when you will or will not insert a **processing month**.

Scenario #1 – The payment deferral is approved and settled at the end of an 18-month forbearance period **before** the loan rolls to 19 months delinquent and becomes ineligible.

- This borrower has been placed on a forbearance plan with no payment required. We are approaching the end of the 18th month period (prior to the end of the forbearance) and the payment deferral is approved and settled in the 18th month — November 14, 2021 — before the Servicer's internal cutoff. The loan does not roll to 19 months delinquent. Therefore, the borrower does not have to make a payment before settlement to remain eligible.
- The borrower is evaluated and approved on November14, 2021 via Resolve.
- When the payment deferral is settled, the due date of the last paid installment (DDLPI) is advanced to November 1, 2021, and the borrower begins making payments December 1, 2021.



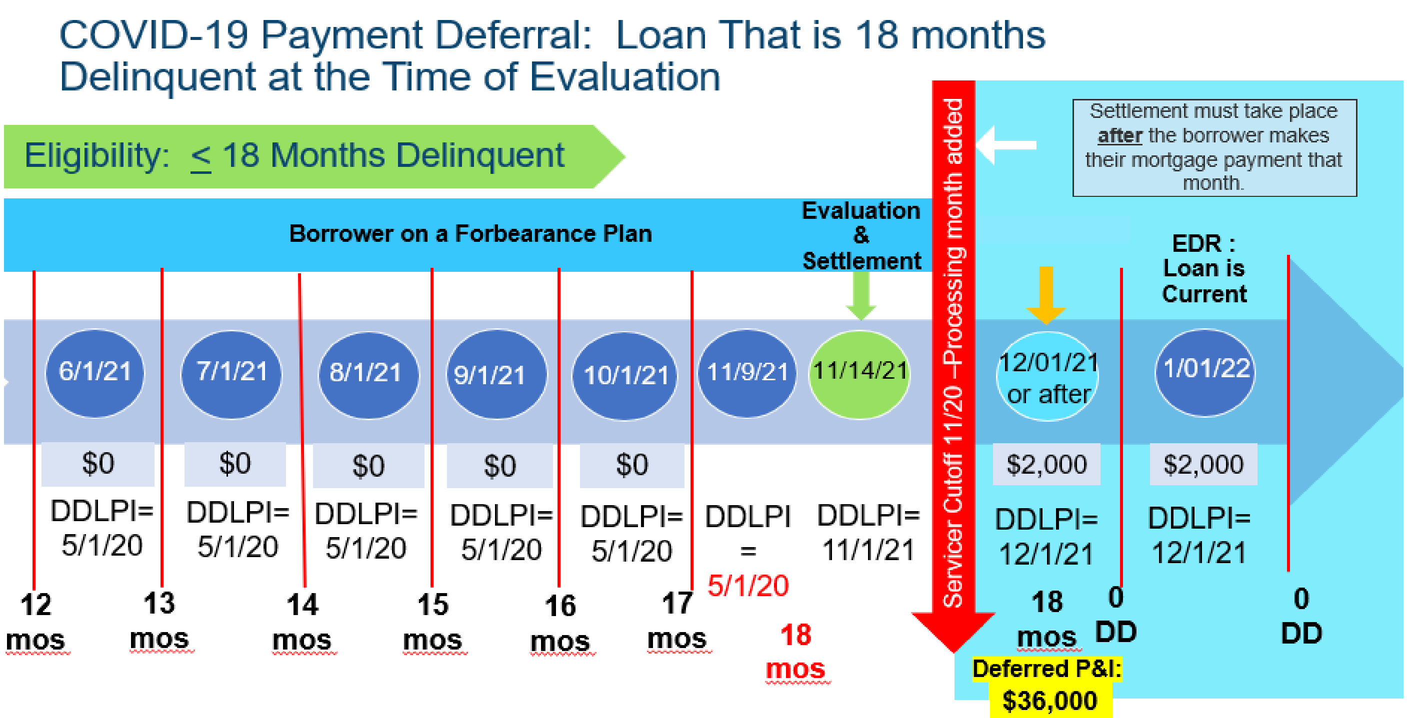
Let's take a look at scenario #2 when the borrower has been placed on a forbearance and the borrower must make a payment to remain eligible due to the Servicer inserting a processing month.

Reminders:

- The eligibility requirement is < 18 months delinquent at the time of evaluation or when inserting a processing month.
- Servicer's internal cutoff for inserting a processing month is the 20th of the month (e.g., November 20th)
- Servicers must have a **written policy** to determine when you will or will not insert a **processing month**.

Scenario #2 – The Servicer inserts a processing month after an 18-month forbearance.

- After the Servicer's internal cutoff (November 20th), the borrower is evaluated and approved for the payment deferral on November 21, 2021. The Servicer inserts a processing month to allow enough time to complete the processing of the payment deferral.
- Inserting the processing month pushes the borrower into the 19th month of delinquency and the borrower becomes ineligible.
- Before settlement approval of the payment deferral via Resolve, the borrower must make a payment and the payment must be reported and processed via Loan Level Reporting (LLR) prior to settlement. If the payment is not made, the delinquency being deferred will exceed the 18-month allowable limit for deferred payments.
- The Deferred P&I amount is $36,000 based on a P&I payment of $2,000. This is a non-escrowed loan. If the loan is escrowed, remember, you will also defer escrow advances for taxes and insurance which would be added to the $36,000.



The following table highlights some of the key requirements for processing a COVID-19 Payment Deferral.

<table>
<tr><td rowspan="1">Recordation</td><td colspan="2">You must:
Ensure that the mortgage retains its first lien position and continues to be fully enforceable in accordance with its terms at the time of completion of the COVID-19 Payment Deferral, throughout the term of the mortgage, and during any bankruptcy or foreclosure proceeding involving the mortgage.
Record the COVID-19 Payment Deferral Agreement only when it is necessary to ensure its compliance with first lien retention and the COVID-19 Payment Deferral enforcement requirement.</td></tr>
<tr><td>Title Endorsement</td><td colspan="2">You must:
Ensure that the mortgage subject to the COVID19 Payment Deferral complies with applicable law, retains Freddie Mac’s first lien position, and is enforceable against the borrower(s) in accordance with its terms.
Obtain a title endorsement or similar title insurance product issued by a title insurance company if the COVID-19 Payment Deferral Agreement will be recorded.</td></tr>
<tr><td rowspan="4">Document Custodian</td><td>If the COVID-19 Payment Deferral Agreement:</td><td>Then:</td></tr>
<tr><td>Does not have to be signed by the borrower</td><td>You must send a copy of the Servicer-executed COVID-19 Payment Deferral Agreement to the document custodian within 25 days of the effective date of the COVID-19 Payment Deferral.</td></tr>
<tr><td>Must be recorded</td><td>You must:
Send a certified copy of the fully executed COVID-19 Payment Deferral Agreement to the document custodian within 25 days of the effective date of the COVID-19 Payment Deferral; and
Send the original COVID-19 Payment Deferral Agreement, when returned from the recorder’s office to the document custodian within five business days of receipt.</td></tr>
<tr><td>Must be signed by the borrower but not recorded</td><td>You must send the fully executed original COVID-19 Payment Deferral Agreement to the document custodian within 25 days of the effective date of the COVID-19 Payment Deferral.</td></tr>
</table>

Flex Modification Evaluations for Failed COVID-19 Payment Deferrals

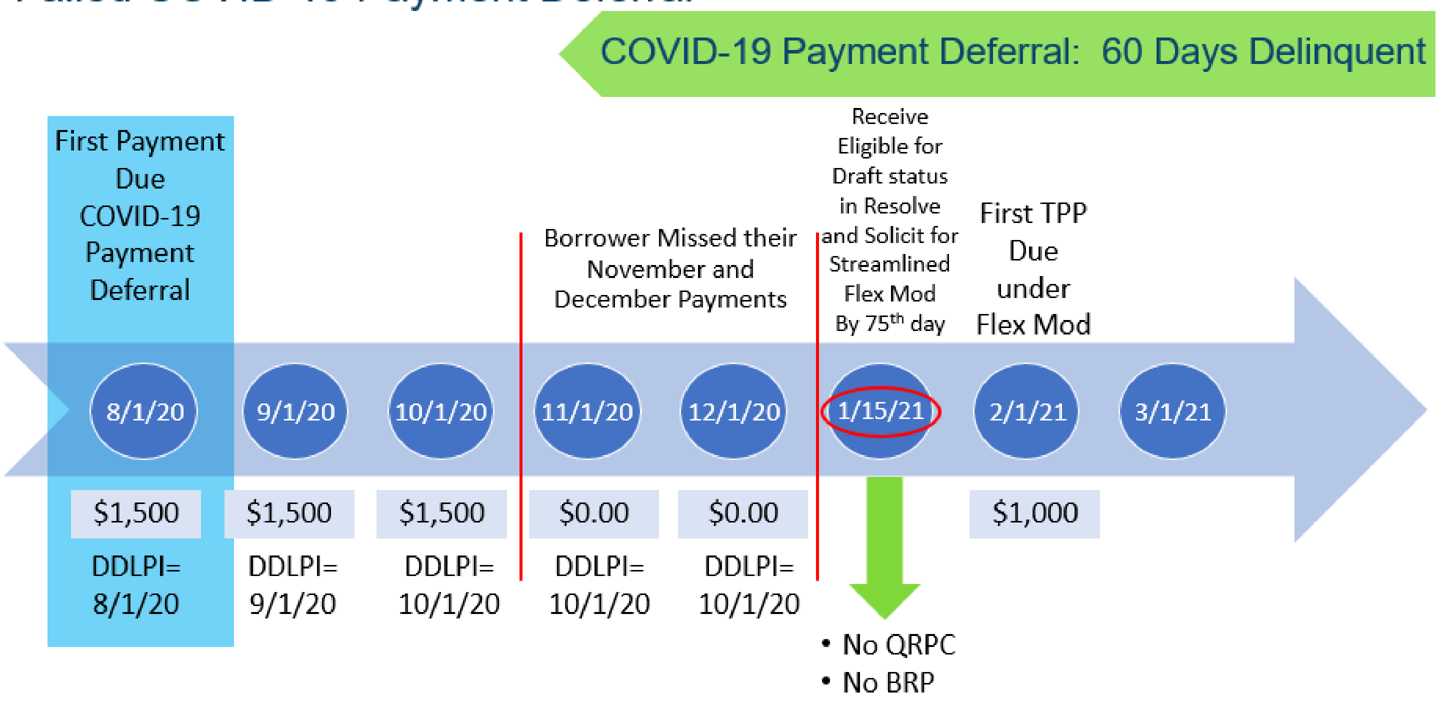
If a borrower becomes 60 days delinquent within six months of the COVID-19 Payment Deferral effective date, you must evaluate the borrower for a Flex Modification no later than the 75th day of delinquency and submit a draft request (DRAFTReq) via the Resolve® UI or API submission path to determine eligibility for a Flex Modification before offering it to the borrower.

Failed Payment Deferral Example

The borrower accepted a COVID-19 Payment Deferral and subsequently becomes 60 days delinquent within six months of the effective date. You are not required to first establish quality right party contact or collect a complete Borrower Response Package but evaluate the Borrower for a Flex Modification based on the special eligibility criteria. Review [Guide Bulletin 2021-24] for more details.

- The borrower's first payment due for the COVID-19 Payment Deferral is August 2020. The payment is $1500.
- The borrower made the first 3 payments for August, September and October but missed the next two payments for November and December 2020.
- The due date of the last paid installment (DDLPI) remained constant for the November and December cycles as no payments were received.
- By the 75th day of delinquency, January 15, 2021, you must solicit the borrower for a Flex modification with COVID-19 special eligibility terms. Prior to the solicitation of the Flex Modification, submit a draft request (DRAFTReq) through Resolve for decisioning based on preliminary loan data to determine the likelihood of a successful Trial Period approval. Resolve returns an Eligible for Draft status.
- On January 15, 2021, you submit a request for Trial Period approval via Resolve. It is decisioned as approved. The first trial payment is due February 1, 2021.

Failed COVID-19 Payment Deferral



Mortgages excluded from eligibility include:

- FHA, VA or Guaranteed Rural Housing mortgages
- Mortgages subject to recourse
- Mortgages currently performing under another forbearance plan, Trial Period Plan or repayment plan
- Mortgages subject to an approved short sale or deed-in-lieu of foreclosure
- Mortgages currently subject to an unexpired offer to the borrower for another modification or other foreclosure prevention alternative, such as a forbearance plan or repayment plan

If you were not collecting escrow funds on the existing mortgage, the borrower is not required to establish an escrow account as a condition of the modification unless otherwise required by applicable law, or you confirm that the taxes and insurance premiums have not been paid and are past due.

You are not required to first establish quality right-party contact or obtain a complete Borrower Response Package.

Soliciting a Borrower for a Streamlined Offer for a Flex Modification

If the borrower is ineligible for a solicitation for a COVID-19 Payment Deferral or the borrower was eligible for a COVID-19 Payment Deferral but declined the offer, you must determine if the borrower is eligible for a streamlined offer for a Flex Modification. The borrower may be eligible if, as of the evaluation date, they are at least 90 days delinquent for a fixed rate mortgage or at least 60 days delinquent and they have a step-rate or adjustable-rate mortgage.

Prior to soliciting a borrower for a streamlined offer for a Flex Modification, submit a draft request (DRAFTReq) via Resolve's UI or API for decisioning based on preliminary loan data. Resolve will render an Eligible for Draft status determining the likelihood of a successful workout approval.

The eligibility requirements for a streamlined Flex Modification solicitation offer:

<table>
<tr><th>If the borrower:</th><th>Then:</th></tr>
<tr><td>Was current or less than 31 days delinquent as of March 1, 2020</td><td>In lieu of the Flex Modification eligibility requirements described in Guide Sections 9206.5 and 9206.6, you must exclude the following mortgages from eligibility:
▪ FHA, VA or Guaranteed Rural Housing mortgages
▪ Mortgages subject to recourse
▪ Mortgages currently performing under another forbearance plan, Trial Period Plan or repayment plan
▪ Mortgages subject to an approved short sale or deed-in-lieu of foreclosure
▪ Mortgages currently subject to an unexpired offer to the borrower for another modification or other foreclosure prevention alternative, such as a forbearance plan or repayment plan

If you were not collecting escrow funds on the existing mortgage, the borrower is not required to establish an escrow account as a condition of the modification unless otherwise required by applicable law, or you confirm that the taxes and insurance premiums have not been paid and are past due.

If a mortgage originated after March 1, 2020 and otherwise meets the reduced criteria to receive a Flex Modification, you must evaluate the borrower for a Flex Modification and offer it if they are eligible.

At your discretion, you may continue to proactively solicit the borrower for a Flex Modification based on the reduced eligibility criteria described above. However, you must not solicit a borrower for a Flex Modification based on the reduced eligibility criteria if the mortgaged premises has a scheduled foreclosure sale date:
▪ Within 60 days of the evaluation date if in a judicial State, or
▪ Within 30 days of the evaluation date if in a non-judicial State.</td></tr>
<tr><td>Was 31 days or more delinquent as of March 1, 2020</td><td>You must evaluate the borrower in accordance with our standard requirements outlined in Guide Section 9206.5.</td></tr>
</table>

If the borrower is eligible for a streamlined offer for a Flex Modification, you must send the borrower the Flex Modification Solicitation Offer – Not Based on an Evaluation of a BRP, amended as set forth in Guide Exhibit 93 for Eligible Disasters, and *Exhibit 1191A, Freddie Mac Flex Modification® Post-Disaster Forbearance Solicitation Cover Letter*. You must amend the Trial Period Plan Notice and Exhibit 1191A, as applicable, to conform to the Flex Modification program terms for borrowers impacted by COVID-19.

When to Send to Streamlined Offer for a Flex Modification

If the borrower:	Then send the streamlined offer for a Flex Modification:
Was ineligible for a solicitation for a COVID-19 Payment Deferral	Within 15 days of the expiration of the forbearance plan.
Declined an offer for a COVID-19 Payment Deferral and qualifies for a streamlined Flex Modification	Within 15 days of the expiration of the COVID-19 Payment Deferral offer.

Flex Modification for Borrowers with a COVID-19 Related Hardship

In an effort to provide additional relief to borrowers who have been negatively impacted by the COVID-19 pandemic, Freddie Mac has adjusted the Flex Modification waterfall so that a mortgage with a mark-to-market-loan-to-value (MTMLTV) ratio of less than 80 percent may be eligible for an interest rate reduction.

The following eligibility requirements apply for Borrowers who:

- Have a COVID-19 related hardship, and
- Are current or less than two months delinquent as of the effective date of the National Emergency Declaration related to COVID-19, March 1, 2020, and
- Are 90 days or more delinquent as of the evaluation date for the COVID-19 Flex Modification, or
- Are 60 days or more delinquent and have completed a COVID-19 Payment Deferral within the previous six months

> You must use the lesser of Freddie Mac's posted Flex Modification interest rate or the pre-modification interest rate, regardless of the MTMLTV ratio, for all borrowers who meet the eligibility criteria.

You must continue to follow all other applicable Flex Modification requirements in Guide Sections 9206.2 through 9206.19, as well as the reduced eligibility requirements communicated in Bulletins 2020-10, and 2020-15.

Escrow shortages resulting from Escrow analyses performed as part of the evaluation for a Flex Modification must be spread over 60 equal monthly payments. A Borrower may pay the shortage off in a lump sum or may choose a shorter repayment period, not to be less than 12 months, as specified in Guide Bulletin 2021-35.

> The Flex Modification waterfall steps outlined below are specific to eligible borrowers with a COVID-19 related hardship. An interest rate reduction may be applied to mortgages with a post modification MTMLTV ratio of less than 80 percent.
>
> Refer to the following section below, **Determine Eligibility for a Flex Modification Trial Period Plan Based on Estimated Modification Terms: Post Modification MTMLTV Ratio Less than 80 Percent**, for the Flex Modification waterfall steps for borrowers with COVID-19 related hardships.

Determine Eligibility for a Flex Modification Trial Period Plan Based on Estimated Modification Terms: Borrowers with a COVID-19 Related Hardship

Complete the steps outlined below to determine eligibility for a Flex Modification Trial Period Plan based on estimated modification terms for eligible borrowers with a COVID-19 related hardship. Follow these steps during your evaluation of a borrower for a Trial Period Plan and, then again, to determine the final modification terms, when the final capitalized amounts are known.

Note: Reasonable changes in capitalization amounts between what was estimated at the time of evaluation for a Trial Period Plan and the final modification terms may not impact the previous eligibility determination.

1. Capitalize known and estimated arrearages per the requirements of Guide Section 9206.15 to arrive at the estimated post-modification gross UPB.
2. Determine the interest rate you will use to calculate the Trial Period Plan payment and the terms of the modification agreement. Note: The interest rate used for the final modification must be the same interest rate used to evaluate the borrower for a Trial Period Plan.

If the existing mortgage is:	Then:
A fixed-rate mortgage (This includes step-rate mortgages or ARMs with no subsequent steps or adjustments.)	You must use the lesser of Freddie Mac's posted interest rate for Flex Modifications or the pre-modification interest rate to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
ARMs or step-rate mortgages with subsequent steps or adjustments scheduled	You must use the lesser of Freddie Mac's posted interest rate for Flex Modifications or the maximum step-rate/lifetime cap note rate to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
The Flex Modification interest rate referenced above is the Flex Modification interest rate posted on https://sf.freddiemac.com/general/freddie-mac-modification-interest-rate as of the date you evaluate and determine the borrower's eligibility for a Trial Period Plan. Freddie Mac adjusts the interest rate based on market conditions.	

3. Extend the amortization term to 480 months from the modification effective date.
4. Determine the post-modification MTMLTV ratio. Refer to the **Determine the Post-Modification MTMLTV Ratio** section below for information on how to calculate this ratio.

If the post-modification MTMLTV is:	Then:
Greater than 100 percent	Forbear principal until either: ▪ A post-modification interest bearing MTMLTV ratio of 100 percent is achieved, or ▪ 30 percent of the post-capitalized UPB (the “forbearance cap”) is achieved. Note: Interest may not accrue on the forborne (or deferred) principal. Deferred principal is payable upon maturity of the loan modification, sale or transfer of the property, refinance of the mortgage, or payoff of the interest-bearing UPB.
Equal to or less than 100 percent	Proceed to step 5.

5. Calculate the estimated modified P&I payment.
6. Answer the following questions:
   - Is the estimated modified P&I payment at least 20 percent less than the current P&I payment?
   - Is the post-modification housing expense-to-income (PMHTI) ratio equal to or less than 40 percent? (Refer to the **Post-Modification Housing Expense-to-Income (PMHTI) Ratio Calculations** section below for information on how to calculate this ratio.)

<table>
<tr><th>If:</th><th>And:</th><th>Then:</th></tr>
<tr><td rowspan="2">The mortgage is less than 90 days delinquent at the time of evaluation</td><td>The answers to both questions are “yes”, you did achieve a minimum 20 percent payment reduction and a PMHTI 40 percent</td><td>Offer the modification to the borrower.</td></tr>
<tr><td>The answer to one or both questions is “no” because you did not achieve a minimum 20 percent payment reduction and/or a PMHTI ratio equal to or less than 40 percent</td><td>You must continue to forbear principal, in $100 increments, until one of the following occurs first:
▪ A 20 percent P&I payment reduction and a PMHTI ratio equal to or just below 40 percent are both achieved, or
▪ A MTMLTV ratio as close as possible to, but not below 80 percent is achieved, or
▪ The aggregate forbearance amount equals or is no less than $100 below the forbearance cap.
If you reach the forbearance cap or 80 percent MTMLTV ratio first, you must offer the modification to the borrower with the maximum permitted forbearance amount provided that the modification still results in a P&I payment that is less than or equal to the borrower’s pre-modification P&I payment. In this case, neither the 20 percent payment reduction nor the 40 percent PMHTI ratio must be obtained.</td></tr>
</table>

The mortgage is 90 days or more delinquent at the time of evaluation	The answer to the first question is "yes", you did achieve a minimum 20 percent payment reduction	Offer the modification to the borrower.
	The answer to the first question is "no", you did not achieve a minimum 20 percent payment reduction	You must continue to forbear principal, in $100 increments, until whichever of the following occurs first: ▪ A 20 percent P&I payment reduction is achieved, or ▪ An MTMLTV ratio as close as possible to, but not below 80 percent is achieved, or ▪ The aggregate forbearance amount equals or is no less than $100 below the forbearance cap. If you reach the forbearance cap or 80 percent MTMLTV ratio first, you must offer the modification to the borrower with the maximum permitted forbearance amount provided that the modification still results in a P&I payment that is less than or equal to the borrower's pre-modification P&I payment. In this case, you do not have to achieve a 20 percent payment reduction.

7. Prepare a modification agreement to reflect the terms calculated in the steps above and the requirements of Guide Section 9206.16.

Determine the Post-Modification MTMLTV Ratio

Calculate the post-modification (post-capitalization) MTMLTV ratio by dividing the sum of the interest-bearing UPB, any applicable non-interest bearing UPB, and/or arrearages that may be capitalized in accordance with the Guide, by the property valuation specified in Guide Section 9206.8

Example: Interest-bearing and non-interest-bearing UPB = $200,000 Arrearages = $10,000
Property valuation = $100,000
($200,000 + $10,000) ÷ $100,000 = 210% post-modification MTMLTV ratio

Mortgages with a Post-Modification MTMLTV Ratio Less than 80 Percent

Perform the following steps to determine the final terms of the modification:

1. Capitalize arrearages per the requirements of Guide Section 9206.15 to arrive at the post-modification gross UPB.
2. Verify the interest rate. The interest rate that is used for the final modification must be the same interest rate used for the Trial Period Plan.
3. Extend the amortization term to 480 months from the modification effective date.
4. Calculate the estimated monthly P&I payment.

5. Prepare a modification agreement to reflect the terms calculated in the steps above and the requirements of Guide Section 9206.16.

Post-Modification Housing Expense-to-Income (PMHTI) Ratio Calculations

Follow the steps below to calculate the post-modification housing expense-to-income ratio. You will use this value when determining eligibility for a Flex Modification for loans with an MTMLTV greater than 80 percent and less than 90 days delinquent.

Step 1: Calculate the PITIAS payment.

The PITIAS payment is the payment that reflects the monthly housing expense on a mortgage and is the sum of the following:

- A modified monthly P&I payment
- Monthly pro rata amount for real estate taxes, plus applicable monthly escrow cushion
- Monthly pro rata amount for property and flood insurance, if applicable, plus applicable monthly escrow cushion
- Monthly pro rata amount of homeowner's association dues, Condominium Unit or cooperative unit maintenance fees, and ground rent, as applicable, and
- If applicable, the projected monthly escrow shortage payment. See Guide Section 9206.15.

Note: The PITIAS payment must not include MI premiums.

Step 2: Calculate the post-modification housing expense-to-income ratio as follows:

Property Type	Calculation
Primary Residence	PITIAS Payment ÷ Monthly Gross Income
Second Home	(PITIAS payment of the subject property + PITIAS payment of the borrower's primary residence) ÷ Monthly Gross Income
Investment Property with Positive or Zero Net Rental Income	PITIAS payment of primary residence ÷ (Monthly gross income + Net rental income)
Investment Property with Negative Net Rental Income	(PITIAS payment of primary residence + Negative net rental income) ÷ Monthly Gross Income

Examples of Calculations for Flex Modifications

This section outlines examples of calculations for Flex Modifications for a borrower with a COVID-19 hardship. The steps identified in the examples below correspond to the specific steps outlined in the procedures on pages 23 through 27 in this reference guide.

In all examples, assume the fixed rate published on the Freddie Mac Flex Modification Interest Rate Web page in effect on the date of the borrower's evaluation is 4.250 percent. As a reminder, you can obtain the current Freddie Mac Flex Modification Interest Rate at: https://sf.freddiemac.com/general/freddie-mac-modification-interest-rate.

***Example 1* – Post-Modification MTMLTV Ratio Less than 80 Percent and Mortgage is 90 Days or More Delinquent (for a Borrower with a COVID-19 Hardship)**

- Gross UPB (interest bearing + any applicable non-interest bearing) before capitalization: $190,000
- Property Value: $270,000
- Current P&I Payment: $1,147.84
- Taxes: $100.00
- Insurance: $50.00
- Homeowner Association Fees: $25.00
- Escrow Shortage: $0.00
- Interest Arrearage: $8,200
- Tax Advance: $1,800
- Fixed-rate Mortgage
- Current Interest Rate: 5.125 percent
- Remaining Term: 288 months
- Primary Residence

Step 1: Capitalize known and estimated arrearages.

$ 8,200 (interest)	$190,000 (gross UPB before capitalization)
$ 1,800 (tax advance)	+ $ 10,000 (Total Capitalization)
$10,000 Total Capitalization	$200,000 = Estimated Post-modification Gross UPB

Step 2: Calculate the post-modified (post-capitalized) MTMLTV ratio.

($190,000 + $10,000) ÷ $270,000 = 74.1% Post-modified MTMLTV Ratio

74.1 percent is less than 80 percent; therefore, the mortgage is not eligible for forbearance.

Step 3: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The post-modification MTMLTV ratio is less than 80 percent, and the mortgage is a fixed-rate mortgage. The borrower has met all of the eligibility criteria for a Flex Modification with a COVID-19 related hardship. Therefore, use the fixed-rate published on the Flex Modification Interest Rate Web page in effect on the date of the borrower's evaluation, as it is less than the pre-modification interest rate of 5.125 percent.

Step 4: Extend the amortization term to 480 months from the modification effective date.

Step 5: *This step is not applicable. You cannot forbear principal under this step, as the post-modification MTMLTV ratio is equal to or less than 100 percent.*

Step 6: Calculate the estimated modified P&I payment.

Using the estimated post-modification gross UPB of $200,000, calculated in step 1, a 4.25 percent fixed interest rate, and a new amortization term of 480 months, the estimated modified P&I payment is **$867.24**– a P&I payment savings of $280.60 or 24.45% percent. The pre- and post-modification P&I amounts used here do not include escrow amounts.

Step 7: Answer the following questions:

- **Is the estimated modified P&I payment at least 20 percent less than the current P&I payment?**

Yes. The estimated modified P&I payment of $867.24 is at least 20 percent less than the current P&I payment of $1,147.84.

- **Is the post-modification housing expense-to-income (PMHTI) ratio equal to or less than 40 percent?**
- **This determination is not applicable, as the mortgage is 90 days or more delinquent.**

You may offer the Trial Period Plan. The Trial Period Plan payment is $1,017.24 which includes $150 for escrowed taxes and insurance provided applicable law permits establishment of an escrow account, and a $867.24 partial payment of P&I. The $867.24 should be placed in a suspense account until the second Trial Period Plan payment is made, at which time a full monthly P&I payment should be applied, and any remaining amount placed in a suspense account pending receipt of the third Trial Period Plan payment. **Note:** Homeowner association fees are not escrowed.

Example 2* – *Post-Modification MTMLTV Ratio Less than 80 Percent and Mortgage is Less than 90 Days Delinquent (for a Borrower with a COVID-19 Hardship)

- Gross UPB (interest bearing + any applicable non-interest bearing) before capitalization: $190,000
- Property Value: $270,000
- Current P&I Payment: $1,147.84
- Taxes: $100.00
- Insurance: $50.00
- Homeowner Association Fees: $25.00
- Escrow Shortage: $0.00
- Borrower's Gross Monthly Income: $2,800
- Interest Arrearage: $8,200
- Tax Advance: $1,800
- Fixed-rate Mortgage
- Current Interest Rate: 5.125 percent
- Remaining Term: 288 months
- Primary Residence

Step 1: Capitalize known and estimated arrearages.

$ 8,200 (interest)	$190,000 (gross UPB before capitalization)
$ 1,800 (tax advance)	+ $ 10,000 (Total Capitalization)
$10,000 Total Capitalization	$200,000 = Estimated Post-modification Gross UPB

Step 2: Calculate the post-modified (post-capitalized) MTMLTV ratio.

($190,000 + $10,000) ÷ $270,000 = 74.1% Post-modified MTMLTV Ratio

74.1 percent is less than 80 percent; therefore, the mortgage is not eligible for forbearance.

Step 3: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The post-modification MTMLTV ratio is less than 80 percent, and the mortgage is a fixed-rate mortgage. The borrower has met all of the eligibility criteria for a Flex Modification with a COVID-19 related hardship. Therefore, use the fixed rate published on the Flex Modification Interest Rate Web page in effect on the date of the borrower's evaluation, as it is less than the pre-modification interest rate of 5.125 percent.

Step 4: Extend the amortization term to 480 months from the modification effective date.

Step 5: *This step is not applicable. You cannot forbear principal under this step, as the post-modification MTMLTV ratio is equal to or less than 100 percent.*

Step 6: Calculate the estimated modified P&I payment.

Using the estimated post-modification gross UPB of $200,000, calculated in step 1, a 4.25 percent fixed interest rate, and a new amortization term of 480 months, the estimated modified P&I payment is **$867.24**– a P&I payment savings of $280.60 or 24.45% percent. The pre- and post-modification P&I amounts used here do not include escrow amounts.

Step 7: Answer the following questions:

- **Is the estimated modified P&I payment at least 20 percent less than the current P&I payment?**

  Yes. The estimated modified P&I payment of $867.24 is at least 20 percent less than the current P&I payment of $1,147.84.

  Is the post-modification housing expense-to-income (PMHTI) ratio equal to or less than 40 percent?

  Post-modification housing expense-to-income ratio = PITIAS ÷ Borrower's gross monthly income

Calculate the PITIAS:

Estimated P&I	$ 867.24
+ Taxes	$ 100.00
+ Insurance	$ 50.00
+ Homeowner Association Fees	$ 25.00
+ Escrow Shortage	$ 0.00
Post-Modification PITIAS	**$1,042.24**

$1,042.24 (PITIAS) ÷ 2,800 (borrower's gross monthly income) = 37.22% Post-modification housing expense-to-income ratio

Yes. The post-modification housing expense-to-income ratio is 37.22 percent which is less than or equal to 40 percent.

You may offer the Trial Period Plan. The Trial Period Plan payment is $1,017.24 which includes $150 for escrowed taxes and insurance provided applicable law permits establishment of an escrow account, and a $867.24 partial payment of P&I. The $867/24 should be placed in a suspense account until the second Trial Period Plan payment is made, at which time a full monthly P&I payment should be applied, and any remaining amount placed in a suspense account pending receipt of the third Trial Period Plan payment. **Note:** Homeowner association fees are not escrowed.

Borrower-Requested Cancellation of Borrower-Paid Mortgage Insurance

For borrowers who request to cancel borrower-paid mortgage insurance post-COVID-19 related hardship after the mortgage has been returned to current status, the borrower's payment history must meet the following requirements:

- No payment 30 days or more past due in the preceding 12 months except when the delinquency is a direct result of the mortgage being subject to a COVID-19-related hardship (including mortgages on COVID-19 forbearance plans), and, following the COVID-19-related hardship, the borrower has transitioned to a relief or workout option to cure the delinquency (e.g., repayment plan or Trial Period Plan); and
- No payment 60 days or more past due in the preceding 24 months except when the delinquency is a direct result of the mortgage being subject to a COVID-19 related hardship (including mortgages on COVID-19 forbearance plans), and, following the COVID-19 related hardship, the borrower has transitioned to a relief or workout option to cure the delinquency (e.g., repayment plan or Trial Period Plan)
- For mortgages restored to current status under the COVID-19 Payment Deferral, the borrower must make three consecutive payments following the settlement of the COVID-19 Payment Deferral to meet this qualification requirement.

Reminder:

These qualification requirements apply regardless of whether the request to cancel borrower-paid mortgage insurance is based on the original or current value of the property.

For additional information about borrower-requested cancellation of borrower-paid mortgage insurance, please reference the requirements outlined in Guide Bulletin 2020-46.

Future Evaluations

If the borrower is being evaluated for:	Then:
A future Flex Modification	The COVID-19 Payment Deferral will not count toward the eligibility cap on previous modifications (i.e., mortgages previously modified three or more times are not eligible for a Flex Modification).
A future (non-COVID-19) Payment Deferral in accordance with Bulletin 2020-6	The COVID-19 Payment Deferral will not cause the borrower to be ineligible.

Technology Tools and Reporting

Resolve®

You must process COVID-19 Payment Deferral and Flex Modification workouts through the Resolve® UI or API. When processing COVID-19 Payment Deferral or Flex Modification workouts through Resolve's user interface (UI), submit workout requests via the SUBMISSIONS link, under Retention.

The Upload Submissions page displays and provides you the capability to upload both eligible and exception reviews for COVID-19 Payment Deferrals or Flex Modifications to Freddie Mac for eligibility results, processing, and workout decisioning.

Resolve will replace Workout Prospector® in the coming future as Freddie Mac's integrated loss mitigation and default management solution. To learn more about COVID-19 Payment Deferral and Flex Modification workout submissions via Resolve, refer to Resolve Online Help or the Resolve **API Retention Reference Guide**, located on the Developer Portal.

Reminder:

You must enter the COVID-19 Payment Deferral into Resolve for approval before you send the COVID-19 Payment Deferral Agreement to the borrower.

Reimbursement of Expenses via PAID

Use the PAID (Payments Automated Intelligent and Dynamic) tool to request reimbursement for the following fees associated with COVID-19 Payment Deferrals in accordance with Guide Section 9203.25:

- Recordation fees
- Title costs
- Notary fees

For additional information about requesting reimbursement of expenses, refer to the PAID Online Help.

Electronic Default Reporting (EDR)

It is important that you report your default activity accurately and timely via EDR.

Mortgages Affected by a COVID-19 Related Hardship

You must report all mortgages affected by a COVID-19 related hardship and placed on a forbearance plan, even if they are current, via EDR within the first three business days of the month following the month you learned of the hardship.

In accordance with Bulletin 2023-17, beginning with new hardships identified on or after November 1, 2023:

If:	Then:
A Servicer identifies a new Borrower's hardship as a COVID-19-related hardship on or after November 1, 2023,	The Servicer must discontinue the use of default reason code 032 for reporting new delinquencies related to COVID-19 and instead use the applicable default reason code for the underlying hardship (e.g., unemployment, excessive obligations). For additional information on all default reason codes, refer to the EDR Quick Reference Guide.
A Servicer has been reporting a Borrower's hardship as a COVID-19-related hardship under default reason code 032 prior to November 1, 2023,	The Borrower must continue to be reported delinquent using default reason code 032 as long as the COVID-19 hardship continues.

Accurate and timely reporting in accordance with the requirements outlined in the Guide is essential to many servicing-related activities, including, but not limited to, eligibility for workout compensation and effective foreclosure timeline management. Exhibit 82, *EDR Transmission Code List*, includes default action codes.

Quality Right Party Contact

EDR Code	Name	Report when:	Report the code and the following date:
AW	Date of First Quality Right Party Contact with Delinquent Borrower	You achieve quality right party contact for the first time.	Report the code one time, in the month following the month in which you first achieved QRPC.
AX	Date of Last Quality Right Party Contact with Delinquent Borrower	You last achieved quality right party contact with the borrower.	Report the code one time, in the month following the month in which you last achieved quality right party contact. **Note:** If you work with the borrower for several months to attempt to resolve the delinquency, you will report code AX with the date of last quality right party contact for each month you speak with the borrower.

Forbearance and Repayment Plans

You must report all mortgages that are subject to a repayment plan or a forbearance plan resulting from a COVID-19 related hardship via EDR, even if the loan is not delinquent. Additionally, you must include the reason for default when reporting a forbearance via EDR, regardless of delinquency status or length. Use the table below to identify what default action codes you are required to report by the third business day of each month for the previous month's activity.

EDR Code	Name	Report when:	Report the code and the following date:
09	Forbearance	You entered into a forbearance plan with the borrower.	The due date of the first payment due under the forbearance plan, within the first three business days of the month following the month the event took place. For mortgages with due dates other than the first day of the month, you must report the default action date as the first day of the month in which the payment is due. Report the code each month until the mortgage is fully reinstated or the forbearance period ends. Note: Proper servicing and default management reporting is critical to ensure that you receive the representation and warranty framework relief for which you are eligible with respect to delinquencies related to a forbearance plan.
12	Repayment Plan	You entered into a repayment plan with the borrower.	Date you entered into the repayment plan, within the first three business days of the month following the month the event took place. Report the code each month until the mortgage is fully reinstated or the repayment plan ends.

Payment Deferral Offer

In the following instances, the Servicer should report the H6 code via EDR within the first three business days of the month following the month the event occurred:

- The forbearance period ends prior to settlement of an accepted COVID-19 Payment Deferral (e.g., you elected to use a processing month and the forbearance plan expires), or
- You made a proactive offer for a COVID-19 Payment Deferral following the expiration of a forbearance plan

Resolve reports for the Servicer the H6 code to EDR on the 4th business day of the month following the month a payment deferral was approved and settled in Resolve.

Flex Modifications

You must report the EDR default action code HD (Modification in Review) when you are evaluating or have sent an offer for a streamlined offer for a Flex Modification to a borrower, within the first three business days of the month following the month the event took place. Report the date you began evaluating the borrower for the streamlined offer. Report the code each month until the streamlined offer expires, or the borrower enters into a Trial Period Plan.

For all Flex Modification products (e.g. COVID-19 and Disaster), Resolve automatically reports the default action code BF (Flex Modification Trial Period) to EDR, in certain scenarios, on the 4th business day of the month following the month of the trial start date. Refer to the Electronic Default Reporting (EDR) Quick Reference Guide for additional information to include scenarios of when Resolve reports the BF code to EDR.

Servicer Incentives

The following table identifies the incentives you will receive for Payment Deferrals and COVID-19 Payment Deferrals, and temporary updates to incentives for repayment plans and Flex Modifications.

<table>
<tr><th colspan="3">Servicer Incentive Payments</th></tr>
<tr><td>Repayment Plans</td><td>$500
For all repayment plans with a first payment due date under the repayment plan on or after July 1, 2020.</td><td rowspan="3">As of the effective dates listed in this table, 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 that are completed. Workout and relief options already completed or started prior to the effective dates are not subject to the incentive cap.
Incentive amounts for liquidations remain unchanged, and will not be subject to the incentive cap.</td></tr>
<tr><td>Payment Deferrals and COVID-19 Payment Deferrals</td><td>$500
For all Payment Deferrals and COVID-19 Payment Deferrals.
Note: Payment Deferral evaluations do not begin until July 1, 2020.</td></tr>
<tr><td>Flex Modifications</td><td>$1,000
For all Flex Modifications completed with a Trial Period Plan effective date on or after July 1, 2020.</td></tr>
</table>

Property Inspections: Temporary Requirement Relief

As announced in Guide Bulletin 2020-7, Freddie Mac is temporarily relieving you of your responsibility to:

- Complete final property inspections related to the insurance loss settlement process outlined in Guide Section 8202.11
- Adhere to the property preservation requirements for abandoned properties in Guide Section 8403.1

Please note that we are not changing or permanently eliminating the requirements associated with these processes. Instead, if you are unable to complete these activities due to COVID-19 related concerns, you must document the reason in the mortgage file and we will consider you to be in compliance with our requirements.

Property Inspections for Delinquent Mortgages

Refer to the following table to determine if you must complete property inspections for a delinquent mortgage.

If, as of the National Emergency Declaration effective date (March 1, 2020), the mortgage:	Then you:
Was delinquent and the property was not vacant or abandoned	Must not complete property inspections for delinquent mortgages as described in Guide Section 9202.12.
Was delinquent and the property was vacant or abandoned	Must complete property inspections for delinquent mortgages as described in Guide Section 9202.12.

We will notify you when this temporary requirement relief will be discontinued.

Disbursing Insurance Loss Proceeds

You must disburse insurance loss proceeds as outlined in the following table if the borrower has a COVID-19 related hardship and meets the following criteria:

- The borrower was current or less than 31 days delinquent as of the National Emergency Declaration effective date (March 1, 2020), and
- The borrower became delinquent or further delinquent as a result of being on a COVID-19 forbearance, and
- The borrower was on a COVID-19 forbearance plan at the time of the loss event, or the borrower transitioned directly from forbearance to a repayment plan or Trial Period Plan, and the repayment plan or Trial Period Plan was active at the time of the loss event.

Initial Loss Disbursement	You may release insurance proceeds up to the greater of: ▪ $40,000, or ▪ 33% of insurance proceeds, or ▪ The amount by which the release funds exceed the sum of the UPB, accrued interest and advances on the mortgage
Additional Loss Drafts	You may distribute remaining funds based on the repair plan you have reviewed and approved. You must inspect repairs prior to the release of any remaining funds. To do this, you may conduct physical/onsite inspections or remote inspections to confirm the progress or completion of repairs. If you choose to conduct a remote inspection, you may do this via: ▪ Borrower-submitted photos and/or video, or ▪ Servicer-directed video calls with the borrower. When conducting remote inspections: ▪ Determine the documented repairs are from the location of the property. ▪ Authenticate when any borrower-submitted photos or video were taken and that such photos or video were not altered in any way, and ▪ Clearly identify the repairs that are being documented and confirm the repairs were: – Completed in accordance with the insurance adjuster’s itemized estimate and the repair plan, and – Do not affect the safety, soundness or structural integrity of the property or the ability to obtain an occupancy permit. If you conduct a remote inspection by video call with the borrower, you must also retain video or photo records of the call that clearly document your compliance with the above requirements.
Funds Payable	You may issue insurance proceeds payable only to the borrower.

Additional Resources

In addition to this reference guide, the following COVID-19 related resources are also available:

- Recent Guide Bulletins
- PAID Online Help
- Resolve Online Help