



COVID-19 Frequently Asked Questions – Servicing

Updated: Apr. 10, 2020

In response to the COVID-19 national emergency, Fannie Mae and Freddie Mac have provided temporary guidance to lenders on several policy areas to support servicing mortgage loans. These FAQs provide additional information on the temporary policies. We will be adding more FAQs; therefore, we encourage you to check in frequently for updates.

Q1. Do Fannie Mae’s existing disaster policies in the *Selling Guide* and the *Servicing Guide* apply to the COVID-19 pandemic?

No, Fannie Mae’s existing policies related to disasters do not apply to mortgage loans impacted by COVID-19. Instead, lenders and servicers must follow the guidance in Lender Letters [LL-2020-02, Impact of COVID-19 on Servicing](#), [LL-2020-03, Impact of COVID-19 on Originations](#), and [LL-2020-04, Impact of COVID-19 on Appraisals](#). All guidance specific to COVID-19 will be communicated through Lender Letters and FAQ documents such as this.

Q2. What are Fannie Mae’s expectations of a seller or servicer if its mortgage operation is impacted due to a pandemic?

Consistent with the requirements in Business Continuity and Disaster Recovery in *Selling Guide* [A4-1-01, Maintaining Seller/Servicer Eligibility](#), we expect sellers and servicers to follow their own business continuity and resiliency plans. The plans must ensure the ability to regain critical business operations in the event of disruption or disaster.

Q3. Does Fannie Mae offer any assistance to borrowers that are impacted by COVID-19?

If a borrower contacts a servicer indicating they are impacted by COVID-19, the servicer must determine if the borrower has experienced an eligible hardship (for example, unemployment, reduction in regular work hours, or illness of a borrower/co-borrower or dependent family member). See Page 2 of the *Mortgage Assistance Application (Form 710)* for a list of eligible hardships.

For example, if a borrower is ill or quarantined and unable to work and, as a result, experiences a reduction in income that impacts the borrower’s ability to make their monthly mortgage payment, the borrower may be eligible for one of our existing workout options (in accordance with our workout hierarchy). For this situation, a forbearance plan may be an ideal workout option to consider.

Additionally, with Lender Letter [LL-2020-02, Impact of COVID-19 on Servicing](#), we are extending the availability of the post-disaster mortgage loan modifications to borrowers impacted by COVID-19. For the borrower to be eligible for one of these post-forbearance mortgage loan modifications, the borrower must have experienced a hardship resulting from COVID-19 (for example, unemployment, reduction in regular work hours, or illness of a borrower/co-borrower or dependent family member) which has impacted their ability to make their monthly mortgage loan payment. For one of these mortgage loan modifications, the mortgage loan must have been current or less than 31 days delinquent as of March 13, 2020, the date of the National Emergency declaration relating to COVID-19.

For more information, see Lender Letter [LL-2020-02, Impact of COVID-19 on Servicing](#) and to Lender Letter [LL-2017-09R, Fannie Mae Extend Modification for Disaster Relief and Other Clarifications for Mortgage Loans Impacted by Disaster Events](#).



Q4. What is a forbearance plan?

A forbearance plan is a retention option in our workout hierarchy for a borrower with an eligible hardship that is temporary in nature and has not been resolved. A forbearance plan provides for a period of reduced or suspended contractual monthly mortgage payments, followed by a full reinstatement, mortgage loan payoff, or another workout option to enable the borrower to resolve the delinquency. For more information see *Servicing Guide* [D2-3.2-01, Forbearance Plan](#).

As a reminder, the servicer must inform the borrower that the payments which are the subject of a forbearance plan have only been delayed or reduced, not forgiven. The servicer must also inform the borrower that he or she may shorten a forbearance plan term at any time to reduce the amount of payments which are being delayed or reduced.

Q5. Can a servicer evaluate a borrower for a forbearance plan without obtaining a complete Borrower Response Package (BRP)?

Yes, the servicer is authorized to evaluate the borrower for a forbearance plan without receiving a complete BRP. In addition, the servicer is not required to obtain documentation of the borrower's hardship. However, except as described below for COVID-19 impacted borrowers, the servicer must obtain Quality Right Party Contact (QRPC) with the borrower and establish that the borrower has an eligible hardship.

Specifically for COVID-impacted borrowers, the CARES Act states that a forbearance plan must be provided to any borrower who requests a forbearance with an attestation of the financial hardship caused by the COVID-19 emergency; and no additional documentation other than the borrower's attestation to a financial hardship caused by the COVID-19 emergency is required. In the event that the servicer is unable to achieve full QRPC and offers a forbearance plan to a borrower impacted by COVID-19 in compliance with the CARES Act, the servicer is considered to be in compliance with Fannie Mae's Servicing Guide. The servicer must approve forbearance plans for borrowers impacted by COVID-19 in accordance with the CARES Act.

If the servicer determines the borrower is not eligible for a forbearance plan per the requirements in the *Servicing Guide* or in Lender Letter [LL-2020-02, Impact of COVID-19 on Servicing](#), but there are acceptable mitigating circumstances, it must request our prior written approval following the existing process. This process requires completion of the Forbearance Exception Request Template and submission to loss_mitigation@fanniemae.com. The subject line must include "Forbearance." See *Servicing Guide* [D2-3.2-01, Forbearance Plan](#) for additional information.

Q6. Are there any limitations to the occupancy type for a forbearance plan?

Per Lender Letter [LL-2020-02, Impact of COVID-19 on Servicing](#), when determining eligibility for a forbearance plan for a borrower impacted by COVID-19, the property securing the mortgage loan may be a principal residence, a second home, or an investment property. See Page 2 of the *Mortgage Assistance Application (Form 710)* for a list of eligible hardships.

Q7. How long can a forbearance plan last?

Generally, a forbearance plan is offered based on the borrower's individual facts and circumstances for an initial period of up to 6 months. However, the servicer is authorized to grant an extension of an additional 6 months without our prior approval. Except as described below for COVID-19 impacted borrowers, the servicer must receive our prior approval for a forbearance plan to exceed a cumulative term of 12 months, or for a forbearance plan resulting in a mortgage loan becoming greater than 12 months delinquent. NOTE: The forbearance plan for an MBS mortgage loan must not extend beyond the last scheduled payment date of the mortgage loan.



Specifically for COVID-impacted borrowers, at the request of the borrower, the servicer must provide an initial forbearance plan for a period up to 180 days, and that forbearance period may be extended for up to an additional 180 days at the request of the borrower. In accordance with *Servicing Guide* [D2-3.2-01, Forbearance Plan](#), the servicer may provide an initial forbearance period, and any extended forbearance period, in separate, shorter increments. If the borrower's COVID-19 related hardship has not been resolved during an incremental forbearance period, the servicer must extend the borrower's forbearance period, not to exceed 12 months total. For a borrower impacted by COVID-19, Fannie Mae is temporarily eliminating the requirement that the servicer must receive Fannie Mae's prior written approval for a forbearance plan that would result in the mortgage loan becoming greater than 12 months delinquent.

Q8. When do I need to contact the borrower when he or she is on a forbearance plan?

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

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

Q9. During a suspended payment forbearance plan, what happens to the interest on the mortgage loan?

During a forbearance plan, interest is not paid but still accrues. After the forbearance plan is complete, if the borrower is approved for another workout option, the type of workout option offered will determine how the interest is handled. For example, if the mortgage loan is modified via an Extend Modification for Disaster Relief, the missed principal and interest payments will not be capitalized into the new modified UPB. Instead, the term of the mortgage loan will be extended by the number of missed payments. Alternatively, if the borrower receives a Cap and Extend Modification for a Disaster Relief or a Flex Modification based on the Unique Requirements for a Borrower Impacted by a Disaster Event after the forbearance, the accrued interest is capitalized into the new modified UPB. See *Servicing Guide* [D2-3.2-05, Fannie Mae Cap and Extend Modification for Disaster Relief](#) and [D2-3.2-06, Fannie Mae Flex Modification](#), as well as Lender Letter [LL-2017-09R, Fannie Mae Extend Modification for Disaster Relief](#).

Q10. What happens once the forbearance plan is completed?

After the forbearance plan is completed, one of the following must occur:

- the mortgage loan must be brought current through a reinstatement;
- the borrower is approved for another workout option, such as a repayment plan, a mortgage loan modification, a short sale, or a Mortgage Release™ (Deed-in-Lieu of Foreclosure);
- the mortgage loan is paid in full; or
- the servicer refers the mortgage loan to foreclosure in accordance with applicable law.

Q11. Is QRPC required to offer a forbearance plan to a borrower impacted by COVID-19? Does Fannie Mae require that the servicer achieve QRPC verbally?

As described in *Servicing Guide* [D2-2-01, Achieving Quality Right Party Contact with a Borrower](#), QRPC is a uniform standard for communicating with the borrower, co-borrower, or a trusted advisor (collectively referred to as “borrower”)



about resolution of the mortgage loan delinquency. We reaffirm the applicability of QRPC when working with a borrower impacted by COVID-19 to ensure the servicer understands the borrower's circumstances and determines the best possible workout option for resolving the borrower's delinquency, including evaluation for a forbearance plan. In the event that the servicer is unable to achieve full QRPC and offers a forbearance plan to a borrower impacted by COVID-19 in compliance with the CARES Act, the servicer is considered to be in compliance with Fannie Mae's *Servicing Guide*.

Note that all contact attempts must be documented in the mortgage loan servicer file, and that the servicer is authorized to use various outreach methods to contact the borrower as permitted by applicable law, including but not limited to:

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

Since the above list is not exclusive, methods may also include use of technology platforms and websites if those are permitted by applicable law. See *Servicing Guide* [A4-2.1-04, Establishing Contact with the Borrower](#) for the servicer's responsibilities in its attempts to contact a borrower.

Q12. What should I report for a delinquent mortgage loan when a borrower is impacted by COVID-19?

The servicer must report delinquency status information to Fannie Mae through Fannie Mae's servicing solutions system in accordance with *Servicing Guide* [D2-4-01, Reporting a Delinquent Mortgage Loan to Fannie Mae](#).

In an effort to enable Fannie Mae to identify mortgage loans where the borrower has experienced a hardship associated with COVID-19 while not resulting in a systems impact for either Fannie Mae or the servicer, the servicer must report reason for delinquency code 022, Energy- Environment Costs, when reporting the delinquency status of such mortgage loans to us. This reason for delinquency code indicating a hardship associated with COVID-19 must be reported regardless of whether another reason for delinquency code applies (for instance, 002 – Illness of Borrower may also be applicable but should not be substituted for 022).

Q13. Will Fannie Mae suspend foreclosures for borrowers impacted by COVID-19?

In response to the CARES Act, Fannie Mae is acknowledging that the servicer must suspend foreclosure-related activities in accordance with the requirements of the CARES Act, which provides: "Except with respect to a vacant or abandoned property, a servicer of a Federally backed mortgage loan may not initiate any judicial or non-judicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale for not less than the 60-day period beginning on March 18, 2020." See Lender Letter [LL-2020-02, Impact of COVID-19 on Servicing](#) for additional information.

Q14. When is an MBS mortgage loan subject to a forbearance reclassified from the trust?

Fannie Mae generally removes MBS mortgage loans from the trust in the month when the fourth payment is delinquent (see *Servicing Guide* [A1-3-06, Automatic Reclassification of MBS Mortgage Loans](#)). However, most MBS mortgage loans reported in an active forbearance plan are excluded from auto-reclass rules until they reach 24 months delinquent, at which point they must be removed from the trust (see *Servicing Guide* [A1-3-02, Fannie Mae-Initiated Repurchases, Indemnifications, Make Whole Payment Requests and Deferred Payment Obligations](#)).

There is an exception to this rule—if an MBS mortgage loan subject to a forbearance plan has a pool issue date on or after June 1, 2007 through December 1, 2008, the mortgage loan must be removed from the trust after the sixth consecutive month of the forbearance plan.



Q15. Are servicers expected to advance principal and interest (P&I) payments on loans in payment forbearance?

The servicer must remit P&I on scheduled/scheduled remittance type mortgage loans regardless of whether it receives payments from the borrower, until if and when a loan is purchased out of the MBS trust by Fannie Mae. Upon the loan being purchased out of the MBS trust, Fannie Mae will reimburse the servicer for advances made, usually within one to two business days.

See 4-02, *Reporting a Mortgage Loan After Reclassification* of the [Investor Reporting Manual](#) and *Servicing Guide A1-3-06: Automatic Reclassification of MBS Mortgage Loans and [F-1-26, Reclassifying or Voluntary Repurchasing an MBS Mortgage Loan](#) for more information.*

Q16. Will credit reporting be suppressed for borrowers that are impacted by COVID-19?

In response to the CARES Act, Fannie Mae acknowledges that the servicer must report the status of the mortgage loan to the credit bureaus in accordance with the FCRA, including as amended by the CARES Act, for borrowers affected by the COVID-19 pandemic.

This supersedes Fannie Mae's guidance on Mar. 18, 2020, which instructed servicers to suspend reporting the status of a mortgage loan to credit bureaus during an active forbearance plan, or a repayment plan or Trial Period Plan where the borrower is making the required payments as agreed, even though payments are past due, as long as the delinquency is related to a hardship resulting from COVID-19.

For more information, see Lender Letter [LL-2020-02, Impact of COVID-19 on Servicing](#).

Q17. COVID-19 may cause issues with completion of appraisals and inspections. What if...

- **the borrower will not let an appraiser into his or her home?**
- **an inspector does not feel safe completing a property inspection?**
- **a servicer cannot meet inspection and preservation timelines due to inaccessibility and vendor network constraints?**

Effective immediately and until further notice, Fannie Mae is temporarily providing flexibility with respect to the completion of property inspections, including inspections for properties securing a delinquent mortgage loan as described in *Servicing Guide D2-2-10, Requirements for Performing Property Inspections* and inspections related to hazard loss repairs as described in *Servicing Guide B-5-01, Insured Loss Events*, as well as property preservation activities as described in *Servicing Guide E-3.2-12, Performing Property Preservation During Foreclosure Proceedings*, as a result of the impact of COVID-19.

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

As a reminder, *Servicing Guide D2-2-10, Requirements for Performing Property Inspections* authorizes a curbside (drive-by) inspection if there is potential danger to the inspector. Additionally, the [Property Preservation Matrix and Reference Guide](#) authorizes servicers to utilize alternative data or other means available to determine occupancy status when inspection results are unknown due to lack of access. Please also note that the servicer's inability to complete property inspections due to COVID-19 related impacts must not impact the servicer's disbursement of insurance loss proceeds.

Servicers who have questions about property inspections for delinquent mortgage loans should contact Property_Preservation@fanniemae.com; for questions regarding hazard loss inspections, contact Hazard_Loss@fanniemae.com.



Q18. Is an interior inspection required to complete a short sale?

To provide additional flexibility during the next 60 days, Fannie Mae will only require a single interior inspection by an appraiser or real estate agent when obtaining valuations for short sales. If the homeowner has access concerns, servicers should escalate to their customer relationship team or to the Vendor Management team at VPM_team@fanniemae.com. See *Servicing Guide* [D2-3.3-01, Fannie Mae Short Sale](#) for more information on short sales.

Q19. How should a servicer handle a request for an appraisal or a BPO for borrower-initiated termination of conventional mortgage insurance based on the original value of the property or on the current value of the property?

As a reminder, when a borrower requests mortgage insurance termination based on the original or current value of the property and a BPO or appraisal is required to verify the current value of the property, the property valuation must be based on an inspection of both the interior and exterior of the property. We acknowledge that the impact of COVID-19 may result in a delay in obtaining a BPO or appraisal. If a BPO or appraisal is required to verify the current value of the property, the servicer must notify the borrower that it will be unable to approve the termination request until the BPO or appraisal is completed (along with all other requirements for terminating the mortgage insurance being satisfied). See *Servicing Guide* [B-8.1-04, Termination of Conventional Mortgage Insurance](#) and [F-1-02, Escrow, Taxes, Assessments, and Insurance](#) for additional information.

Q20. Are there additional resources for borrowers impacted by COVID-19?

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