

# Bulletin

TO: Freddie Mac Servicers

March 18, 2020 | 2020-4

## SUBJECT: TEMPORARY SERVICING GUIDANCE RELATED TO COVID-19

In response to the challenges resulting from the outbreak and spread of the coronavirus disease (COVID-19), under FHFA direction and in alignment with Fannie Mae, Freddie Mac is announcing guidance with respect to the following items to assist impacted Borrowers:

- [Credit reporting requirements](#)
- [Forbearance plans](#)
- [Loan modifications](#)
- [Foreclosure sale moratorium](#)

These temporary measures will support Servicers' efforts to assist Borrowers who experience a hardship resulting from COVID-19. This includes both Borrowers who have and have not contracted COVID-19, provided their ability to make timely Mortgage payments has been negatively affected as a result of COVID-19 ("COVID-19 related hardship"). The Servicer will determine what constitutes a COVID-19 related hardship and must treat all Borrowers equally when making this determination.

## EFFECTIVE DATE

The credit reporting, forbearance plan, and loan modification guidance announced in this Bulletin is effective immediately. Freddie Mac will continue to monitor the situation and may revise or revoke this temporary guidance at any time, as appropriate.

## CREDIT REPORTING REQUIREMENTS

The Servicer must not report to the credit repositories a Borrower who is on an active forbearance plan, repayment plan or Trial Period Plan as a result of a COVID-19 related hardship.

## FORBEARANCE PLANS

In response to industry inquiries, we are clarifying that a COVID-19 related hardship is an eligible hardship under existing Guide requirements. Impacted Borrowers meet Freddie Mac's forbearance hardship requirements as described in Guide Section 9202.2. This 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. The Servicer must achieve quality right party contact with the Borrower to verify the hardship, and once verified must work with the Borrower to apply the appropriate solution, including the application of a forbearance plan, if applicable. In accordance with existing Freddie Mac forbearance plan requirements described in Section 9203.13, no documentation is required from the Borrower in order to verify the hardship.

As part of our temporary guidance announced in this Bulletin, we are further authorizing Servicers to approve forbearance plans for all Borrowers who have a COVID-19 related hardship, regardless of property type. While the Guide currently provides that only Mortgages secured by Primary Residences are eligible for a forbearance plan, until further notice the Mortgaged Premises may be a Primary Residence, second home or Investment Property.

## LOAN MODIFICATIONS

Guide Bulletin 2017-25 announced the Freddie Mac Extend Modification for Disaster Relief (“Extend Modification”). Section 9206.4 provides the requirements for the Freddie Mac Capitalization and Extension Modification for Disaster Relief (referred to in the Bulletin and Guide as the “Disaster Relief Modification,” but referred to herein as the “Cap and Extend Modification”). These modifications were developed as tools for Servicers to assist Borrowers who were impacted by an Eligible Disaster.

With this Bulletin, we are requiring Servicers to evaluate Borrowers with a COVID-19 related hardship for the Extend Modification and the Cap and Extend Modification in accordance with the requirements described in Bulletin 2017-25 and Section 9206.4 (and all additional Guide sections referenced therein), including the order of evaluation provided in the “Borrower contact requirements and disaster loss mitigation hierarchy” section of Bulletin 2017-25. For Servicer convenience, we have reproduced this guidance in this Bulletin, in the below section, titled “Borrower contact requirements and COVID-19 loss mitigation hierarchy.” Servicers must conduct Extend Modification and Cap and Extend Modification evaluations in accordance with all existing requirements, with the following adjustments:

Current requirement	Requirement for Borrowers impacted by COVID-19
<p>The Borrower’s Mortgaged Premises or place of employment must be located in an Eligible Disaster Area.</p> <p>Note: For Extend Modifications only, the Eligible Disaster Area designation must have been made on or after August 25, 2017.</p>	<p>The Borrower must have a COVID-19 related hardship (e.g., unemployment or reduction in regular work hours).</p> <p>Note: The Servicer is not required to obtain documentation to verify the borrower’s hardship.</p>
<p>The Borrower must have been current or less than 31 days delinquent (i.e., must not have missed more than one monthly payment) at the time of the disaster and the Borrower’s hardship must have been caused by an Eligible Disaster</p>	<p>The Borrower must have been current or less than 31 days delinquent (i.e., must not have missed more than one monthly payment) as of the date of the National Emergency declaration related to COVID-19, March 13, 2020</p>
<b>Processing and reporting</b>	
<p>Processing and reporting requirements for the Extend Modification are described in Bulletin 2017-25, and for the Cap and Extend Modification in the <a href="#">Workout Prospector Users’ Guide</a> and Freddie Mac’s <a href="#">Disaster Relief Reference Guide</a>.</p>	<p>Servicers must continue to follow existing processes, with the following exception:</p> <p>When instructed to provide program title information in the Workout Prospector or Guide Form 1128, <i>Loss Mitigation Transmittal Worksheet</i>, as applicable, the Servicer must label the modifications as “Extend Modification for COVID-19” and “Cap and Extend Modification for COVID-19,” respectively.</p>

## BORROWER CONTACT REQUIREMENTS AND COVID-19 LOSS MITIGATION HIERARCHY

The Servicer must initiate outreach attempts no later than 30 days prior to the end of the Borrower’s COVID-19 related forbearance. The Servicer must attempt to contact the Borrower until quality right party contact (QRPC) has been established or until the forbearance plan has expired.

If QRPC is established with a Borrower who was 31 days or more delinquent (i.e., had missed more than one monthly payment) prior to the National Emergency declaration, then the Borrower is not eligible for the Extend Modification (or Cap and Extend Modification), and the Servicer must evaluate the Borrower in accordance with the standard evaluation hierarchy.

If QRPC is established with a Borrower who was current or less than 31 days delinquent (i.e., the Borrower had not missed more than one monthly payment) prior to the National Emergency declaration, and the Borrower is unable to resolve the Delinquency through a reinstatement or repayment plan, the Servicer then must evaluate the Borrower for the loss mitigation options set forth in the following COVID-19 related evaluation hierarchy:

1. Extend Modification

2. Cap and Extend Modification
3. Freddie Mac Flex Modification®
4. Short sale
5. Deed-in-lieu of foreclosure

If QRPC is not established at the end of the COVID-19 related forbearance, and the Borrower is eligible for a streamlined offer for a Flex Modification, the Servicer must send the Borrower an offer for a Flex Modification.

## **FORECLOSURE SALE MORATORIUM**

Servicers must suspend all foreclosure sales for the next 60 days. This foreclosure suspension does not apply to Mortgages on properties that have been determined to be vacant or abandoned.

## **CONCLUSION**

We appreciate the stalwart support that Servicers continue to extend to Borrowers coping with the hardships attributed to COVID-19.

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Maguire", with a long horizontal flourish extending to the right.

Bill Maguire

Vice President, Servicing Portfolio Management