COVID-19 Frequently Asked Questions - Servicing

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 loans impacted by COVID-19. Instead, lenders and servicers can 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. 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.

Q4. 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.
Q5. 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.

Q6. Can a servicer evaluate a borrower for a forbearance plan without obtaining a complete Borrower Response Package (BRP)?

Yes, a servicer is authorized to evaluate the borrower for a forbearance plan without receiving a complete BRP. The servicer is not required to obtain documentation of the borrower’s hardship. However, the servicer must obtain Quality Right Party Contact (QRPC) with the borrower and establish that the borrower has an eligible hardship. 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.

If the servicer determines the borrower is not eligible for a forbearance plan per the requirements in the Servicing Guide, 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.

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. 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.

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.

Q8. 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
mortality 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.

Q9. **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.

Q10. **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?**

QRPC is required to offer a forbearance plan to a borrower impacted by COVID-19. However, Fannie Mae does not dictate the method by which QRPC is achieved. The servicer must fulfill the purpose of QRPC as required in Servicing Guide D2-2-01: Achieving Quality Right Party Contact with a Borrower (11/14/2018):

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

These requirements apply whether the mortgage loan is current or delinquent.

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.

See Servicing Guide A4-2.1-04: Establishing Contact with the Borrower (12/16/2015) for the servicer’s responsibilities in its attempts to contact a borrower.

It is Fannie Mae’s position that our Servicing Guide policies allow for servicers to both obtain QRPC and potentially offer a forbearance plan based on information received from the borrower. For example, a servicer receiving a partial or incomplete BRP is authorized to evaluate the BRP and offer a forbearance plan, if eligible, so long as the information necessary for the borrower to qualify for the forbearance plan, including the hardship, can be derived from the partial or incomplete application.
Q11. **Will Fannie Mae suspend foreclosures for borrowers impacted by COVID-19?**

On March 18, 2020, Fannie Mae instructed that servicers must suspend all foreclosure sales for the next 60 days. This foreclosure suspension does not apply to mortgage loans on properties that have been determined to be vacant or abandoned. See Lender Letter LL-2020-02, Impact of COVID-19 on Servicing for additional information.

Q12. **When does the servicer get reimbursed for P&I it advances on a delinquent MBS mortgage loan, and what is the reimbursement process?**

For mortgage loans with a scheduled/scheduled (MBS/SWAP) remittance type, Fannie Mae drafts monthly scheduled principal and scheduled interest from the servicer’s custodial account. Generally, if Fannie Mae bears the risk of loss and the loan is 3 months delinquent, Fannie Mae will select it for automatic reclassification to the portfolio in the fourth month of delinquency. The principal and interest advanced by the servicer will be reimbursed via the MBS reclassification process. Alternatively, if the servicer bears the risk of loss, the servicer has the option to repurchase the loan from the pool in the 4th month of delinquency. 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.

Q13. **Will credit reporting be suppressed for borrowers that are impacted by COVID-19?**

The servicer must 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](#) and [Servicing Guide C-4.1-02, Suspending Credit Bureau Reporting](#).

Q14. **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.

Q15. **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.

Q16. **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.