**Forbearance Plan**

**COVID-19 Relief**

Effective April 8, 2020

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**Definition**

A written agreement defining whether the Borrower may make either reduced or no monthly payments for a specified period of time.

A Forbearance Plan may be the solution for a borrower experiencing an eligible hardship such as illness, unemployment, reduction in income and others.

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**Hardships**

- Unemployment
- Reduction in income
- Increase in housing expenses due hardship outside borrower's control
- Long-term or permanent disability
- Divorce, legal separation, or separation of borrowers unrelated by marriage
- Death of a Borrower or a primary or secondary wage earner
- Distant employment transfer/relocation

Other

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**Eligibility**

**Borrower eligibility**

- Delinquency
  - Current or delinquent
- Hardship: COVID-19 impact
- Documentation
  - No Borrower Response Package required
  - Limited Quality Right Party Contact acceptable
  - Reason for Default: Ability and commitment to repay debt
  - Introduction of alternatives to foreclosure

**Property eligibility and exclusions**

- Eligible: Primary residences, second homes, investment, vacant, or condemned properties
- Ineligible: Abandoned

**Extensions**

- Meets all Forbearance Plan eligibility requirements

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**Plan Requirements**

**Forbearance Plan terms**

- Suspended payments or reduced payments
  - P+I must be lower than contractual P+I
- Late charges
  - No accrual during Forbearance Plan period

**Forbearance Plan terms**

- 1-6 months and one or more extension of 1-6 months - total forbearance terms not to exceed 12 months
- Cumulative plans may cause borrower's delinquency to exceed 12 months of the borrower's contractual monthly payment

**Plan termination**

- Failure to meet terms
- Eligibility criteria not met
- Hardship is resolved
- Termination request

**Documenting terms**

- Must be in writing

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**Servicer Requirements**

**Contact responsibilities**

- At Servicer's discretion, various methods to contact Borrower to evaluate Borrower's eligibility or eligibility for extension

**Procedures**

- Establish written policies and procedures to determine: borrower's hardship, whether to require a reduced payment, and Servicer's decision-making process

**Post-forbearance options to bring loan current**

- Full reinstatement
- Pay off loan
- Repayment plan
- Payment Deferral*
- Extend Modification
- Cap and Extend Modification
- Flex Modification

*Available July 1, 2020

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**Servicer reporting**

**Electronic Default Reporting (EDR) requirements**

- EDR Code 09
- Start date
- Reason for default / Code 032 National Emergency Declaration
- Report for every month the Forbearance Plan is in effect

**Credit bureau reporting in accordance with applicable law**

**Number of permitted forbearance plans over life of loan**

- No limit

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*This job aide is a summarization of detailed material found in the referenced Bulletins and the Guide. Please review the Servicing Bulletins 2020-4, 6, 7, and 10 and Guide Chapter 9203 for more complete requirements. If you have any questions, please reach out to your Servicing Account Manager or 1-800-FREDDIE.*