

Forbearance Plan

COVID-19 Relief

Effective April 8, 2020



Forbearance Plan



Borrower



Eligibility



Plan Requirements



Servicer Requirements



Reporting

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.

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.

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

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

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

Servicer responsibilities

Contact requirements

- 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

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