



# Lender Letter (LL-2020-02)

Updated Mar. 25, 2020

Mar. 18, 2020

## To: All Fannie Mae Single-Family Servicers Impact of COVID-19 on Servicing

We are actively monitoring reports about the spread of COVID-19 (coronavirus) in the United States and understand that there may be concerns about its potential impact on borrowers. At the direction of the Federal Housing Finance Agency (FHFA) and in alignment with Freddie Mac, we are communicating temporary policies in this Lender Letter to enable servicers to better assist borrowers impacted by COVID-19. The policies in this Lender Letter are effective immediately and are effective until Fannie Mae provides further notice, unless otherwise stated.

**We are releasing information to our servicers as quickly as possible and will update and republish this Lender Letter as new guidance becomes available.**

Additions to Lender Letter on Mar. 25, 2020

- [Attempting to establish QRPC](#): Reminding servicers of acceptable methods in attempting to achieve quality right party contact (QRPC).
- [Reporting a reason for delinquency code](#): Providing a specific “reason for delinquency” code for use in reporting a delinquent mortgage loan associated with a borrower impacted by COVID-19.
- [Property inspections and preservation](#): Providing flexibility with regard to inspections and preservation in light of COVID-19 concerns.
- [Submission of financial statements and reports](#): Extending the deadline for submission of financial statements and Form 582 to Apr. 30, 2020.

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- [Forbearance plan eligibility](#): Expanding eligibility for a forbearance plan for borrowers impacted by COVID-19.
- [Evaluating the borrower for a payment deferral or mortgage loan modification after a forbearance plan](#): Clarifying the mortgage loan modifications that must be considered near the conclusion of a forbearance plan term. **UPDATED** Mar. 25, 2020 to require that a borrower be evaluated for payment deferral prior to these mortgage loan modifications.
- [Credit bureau reporting](#): Clarifying that servicers must suspend credit reporting when the hardship is related to COVID-19.
- [Suspension of foreclosure sales](#): Instructing servicers to not allow any foreclosure sales within the next 60 days.

Additionally, we are providing information about our [Disaster Response Network](#) as a reference for Fannie Mae borrowers.

## Attempting to establish QRPC

In response to servicer inquiries, we are reminding the servicer that you must attempt to establish QRPC to resolve the mortgage loan delinquency; however, we do not indicate the method by which QRPC must be achieved. In accordance with *Servicing Guide* [A4-2.1-04, Establishing Contact with the Borrower](#), among other requirements, 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.

Additionally, *Servicing Guide* [D2-2-01, Achieving Quality Right Party Contact with a Borrower](#) describes the purpose of QRPC.

## Reporting a reason for delinquency code

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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](#). For all mortgage loans that are greater than 30 days delinquent, the servicer must advise us of the action it plans to take or has taken until the mortgage loan becomes current (or liquidated) by reporting, among other information, the reason for delinquency.

In an effort to enable us to identify mortgage loans where the borrower has experienced a hardship associated with COVID-19 while not resulting in a systems impact for us or you, the servicer must report reason for delinquency code 022, Energy-Environment Costs, when reporting the delinquency status of such mortgage loans to us. For mortgage loans where the servicer would have reported reason for delinquency code 022, Energy-Environment Costs, the servicer must now use reason for delinquency code 007, Excessive Obligations.

## Property inspections and preservation

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As a result of the impact of COVID-19, we are 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](#);
- inspections related to hazard loss repairs as described in *Servicing Guide* [B-5-01, Insured Loss Events](#); and
- property preservation activities as described in *Servicing Guide* [E-3.2-12, Performing Property Preservation During Foreclosure Proceedings](#).

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

**NOTE:** *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.*

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.

For additional questions, contact

- [Property\\_Preservation@fanniemae.com](mailto:Property_Preservation@fanniemae.com) regarding property inspections for delinquent mortgage loans
- [Hazard\\_Loss@fanniemae.com](mailto:Hazard_Loss@fanniemae.com) regarding hazard loss inspections

## Submission of financial statements and reports

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Per *Selling Guide*, [A4-2-01](#), sellers/servicers must submit financial statements and the *Lender Record Information* ([Form 582](#)) within 90 days after the end of their fiscal year. While we encourage submission of this information in a timely manner and by the Mar. 31, 2020 deadline (for those with a Dec. 31 fiscal-year end), we are extending the due date to Apr. 30, 2020.



The following content was published Mar. 18, 2020.

### Forbearance plan eligibility

To assist borrowers who 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, the servicer should evaluate the borrower for a forbearance plan in accordance with *Servicing Guide D2-3.2-01, Forbearance Plan*. The servicer must achieve QRPC with the borrower prior to offering a forbearance plan. With this Lender Letter, 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. The servicer must otherwise follow the requirements in *D2-3.2-01, Forbearance Plan*.

**NOTE:** *The servicer is not required to obtain documentation of the borrower’s hardship.*

### Evaluating the borrower for a payment deferral or mortgage loan modification after a forbearance plan **UPDATED Mar. 25, 2020**

For borrowers who have received a forbearance plan in response to COVID-19, the servicer must begin attempts to contact the borrower no later than 30 days prior to the expiration of the forbearance plan term, must continue outreach attempts until either QRPC is achieved or the forbearance plan term has expired, and analyze each case carefully in accordance with the requirements in the table below before determining which mortgage loan modification is most appropriate for the borrower.

With [LL-2017-09R](#) we introduced the Fannie Mae Extend Modification for Disaster Relief (Extend Mod), a temporary post-disaster forbearance mortgage loan modification, as well as the order of evaluation for Extend Mod and other post-forbearance mortgage loan modifications when the property securing the mortgage loan or the borrower’s place of employment is located in a FEMA-Declared Disaster Area eligible for Individual Assistance. With this Lender Letter, we are extending the availability of these post-forbearance mortgage loan modifications to borrowers impacted by COVID-19. The following table provides guidance and the order of evaluation for the mortgage loan modification.

If the servicer is...	And...	Then the servicer must evaluate the borrower for...
able to establish QRPC with the borrower during the forbearance plan	determines that the borrower is capable of maintaining the current contractual monthly PITI payment, including any escrow amounts disbursed by the servicer during the forbearance plan term and escrow shortage needed to pay future escrow that is required to be repaid by the borrower over the 60-month escrow repayment period	an Extend Mod; and if eligible, offer the borrower the Extend Mod. The servicer must disclose how the escrow analysis was determined, and that disbursed escrow amounts will not be capitalized but will be added to the escrow shortage needed to pay future escrow amounts resulting in an increase of the borrower’s current contractual monthly PITI payment over the 60-month escrow repayment period.
	determines that the borrower can maintain the current contractual monthly PITI payment, but cannot manage the additional escrow repayment obligation to cover amounts disbursed by the servicer during the forbearance plan term	a Fannie Mae Cap and Extend Modification for Disaster Relief; and if eligible, offer the borrower a Fannie Mae Cap and Extend Modification for Disaster Relief (see <a href="#">D2-3.2-05, Fannie Mae Cap and Extend Modification for Disaster Relief</a> ).



If the servicer is...	And...	Then the servicer must evaluate the borrower for...
	determines that the borrower is not capable of maintaining the current contractual monthly PITI payment	a Fannie Mae Flex Modification based on the <i>Unique Requirements for a Borrower Impacted by a Disaster Event</i> (see <a href="#">D2-3.2-06, Fannie Mae Flex Modification</a> ); and if eligible, offer a Fannie Mae Flex Modification.
not able to establish QRPC during the forbearance plan	the mortgage loan is 90 or more days delinquent	a Fannie Mae Flex Modification based on the <i>Unique Requirements for a Borrower Impacted by a Disaster Event</i> (see <a href="#">D2-3.2-06, Fannie Mae Flex Modification</a> ); and if eligible, solicit the borrower for a Fannie Mae Flex Modification.

For these mortgage loan modifications, the following changes to the eligibility criteria apply:

Current Requirement	Requirement for Borrowers Impacted by COVID-19
The property securing the mortgage loan or the borrower's place of employment must be located in a FEMA-Declared Disaster Area eligible for Individual Assistance.	<p>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.</p> <p><b>NOTE:</b> <i>The servicer is not required to obtain documentation of the borrower's hardship.</i></p>
The mortgage loan must have been current or less than 31 days delinquent when the disaster occurred	The mortgage loan must have been current or less than 31 days delinquent as of Mar. 13, 2020, the date of the National Emergency declaration related to COVID-19.

**NOTE:** *The servicer must make appropriate changes to the Flex Modification Solicitation Cover Letter and Evaluation Notices, including the applicable Frequently Asked Questions, when using for a borrower impacted by COVID-19.*

In Lender Letter [LL-2020-05, Payment Deferral](#) we introduced payment deferral, a new home retention workout option jointly developed with Freddie Mac at the direction of FHFA. Once the servicer implements payment deferral, it must evaluate borrowers impacted by COVID-19 for a payment deferral in accordance with the eligibility requirements and workout option hierarchy described in Lender Letter [LL-2020-05, Payment Deferral](#); and if the borrower is not eligible for a payment deferral, the servicer must then evaluate the borrower for a post-forbearance mortgage loan modification as described above.

## Credit bureau reporting

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.



## Suspension of foreclosure sales

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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.

## Use of Fannie Mae's Disaster Response Network

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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.

We will continue to monitor the situation and alert you of any additional policy updates. Servicers who have questions about this Announcement should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae's Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643).