Freddie Mac Single-Family

Bulletin

TO: Freddie Mac Servicers **July 15, 2020 | 2020-28**

SUBJECT: ELIGIBLE DISASTERS AND OTHER SERVICING GUIDANCE RELATED TO COVID-19

This Guide Bulletin announces:

Eligible Disasters

- Eligible Disaster updates
- Credit reporting requirements updates for Borrowers impacted by an Eligible Disaster
- Introduction of the Disaster Payment Deferral - **October 1, 2020**

COVID-19 Servicing updates and clarifications

- Additional updates to Servicer incentives for Extend Modification and Capitalization and Extension Modification
- Insurance loss proceeds disbursements to Borrowers impacted by a covid-19 related hardship
- EDR reporting clarification for Mortgages with an ongoing COVID-19 related hardship that are also impacted by an Eligible Disaster
- Clarification of Escrow shortage repayment period following a COVID-19/Disaster Payment Deferral

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

ELIGIBLE DISASTER

Eligible Disaster definition

Currently, Freddie Mac defines an Eligible Disaster as follows:

> A disaster, either man-made or natural, which results in an area being designated as an Eligible Disaster Area.
>
> NOTE: Eligible Disaster Area is defined as an area comprised of counties or municipalities that have been declared by the President of the United States to be a major disaster area where federal aid in the form of individual assistance is being made available (and may impact the Mortgaged Premises or the Borrower's place of employment).

We are now expanding this definition to also include any Mortgaged Premises that has incurred an insured loss as follows:

An Eligible Disaster is defined as:

- A financial hardship (e.g., a loss/reduction of income or increase in expenses) that impacts the borrower's ability to pay his or her current contractual monthly payment, and
- Either:
  - The property securing the mortgage loan experienced an insured loss
  - The property securing the mortgage loan is located in a FEMA-Declared Disaster Area eligible for Individual Assistance, or

- The borrower's place of employment is located in a FEMA-Declared Disaster Area eligible for Individual Assistance.

Credit reporting

Currently, Freddie Mac requires that if a Borrower is impacted by an Eligible Disaster and is on a disaster-related forbearance plan, repayment plan or Trial Period Plan, then the Servicer must not report to the credit bureaus. We are eliminating this requirement. Instead, Servicers must report activity to the credit bureaus in accordance with applicable law, including the Fair Credit Reporting Act.

Disaster Payment Deferral

Effective October 1, 2020, but Servicers are encouraged to implement the changes as soon as they can

Freddie Mac Disaster Payment Deferral - Overview

With Guide Bulletin 2020-6, Freddie Mac announced the Payment Deferral, a loss mitigation solution for Borrowers who became delinquent due to a short-term hardship that has since been resolved. Shortly after announcing the Payment Deferral, Bulletin 2020-15 introduced the COVID-19 Payment Deferral, which leverages a similar concept to the original Payment Deferral solution, but is tailored to Borrowers with a COVID-19 related hardship. With this Bulletin, we are introducing the Payment Deferral for Disaster Relief ("Disaster Payment Deferral") to assist Borrowers who have been impacted by an Eligible Disaster.

As with the Payment Deferral and the COVID-19 Payment Deferral, under the terms of a Disaster Payment Deferral an eligible Borrower will be brought current by deferring delinquent amounts to create a non-interest bearing balance that will become due at the earlier of the Mortgage maturity date, payoff date or upon transfer or sale of the Mortgaged Premises. The remaining Mortgage term, interest rate schedule (i.e., whether a fixed-rate Mortgage, an ARM or Step-Rate Mortgage) and maturity date of the Mortgage will remain unchanged.

Eligibility requirements and exclusions

To be eligible for the Disaster Payment Deferral, all of the following requirements must be met:

Disaster Payment Deferral eligibility requirements and exclusions	
Hardship	The Borrower's hardship must have been caused by an Eligible Disaster.
Borrower eligibility	The Servicer must achieve QRPC in accordance with Guide Section 9102.3(b). In addition to the information required to achieve QRPC, the Servicer must confirm that the Borrower: • Has a resolved hardship • Is capable of continuing to make the existing contractual monthly Mortgage payment • Is unable to afford a repayment plan or full reinstatement of the Mortgage
	Delinquency/Payment requirements The Mortgage must: • Have been current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date of the Eligible Disaster, and • Be at least 30 days delinquent (i.e., one month) but less than or equal to 360 days delinquent (i.e., twelve months) as of the date of evaluation Note: If a Borrower's hardship is the result of an Eligible Disaster but the Mortgage was 60 or more days delinquent as of the date of the disaster and the Servicer determines the Borrower can maintain the existing monthly contractual Mortgage payment, the Servicer must transmit an exception request via **Workout Prospector®** to Freddie Mac.

Mortgage/property eligibility	The Mortgage: • Must be a conventional First Lien Mortgage currently owned or guaranteed by Freddie Mac; and • May be a fixed-rate Mortgage, an ARM or a Step-Rate Mortgage The property may be a Primary Residence, second home or Investment Property and may be vacant or condemned.
	Mortgages subject to indemnification agreements If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the Disaster Payment Deferral requirements of this Bulletin, the Servicer has the discretion to approve the Disaster Payment Deferral provided the following conditions are met: • The Mortgage receiving the Disaster Payment Deferral retains its credit enhancement • If the Servicer is not the credit enhancement provider, the Servicer must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a Disaster Payment Deferral that complies with the requirements of this Bulletin • The Servicer remits to Freddie Mac an annual payment for the amount of Disaster Payment Deferral related costs (e.g., interest rate shortfall). The loss amount calculation for the Disaster Payment Deferral will be determined in the same manner as the Modification Loss Amounts as described in Bulletins 2016-5 and 2017-1. **Note**: The Servicer is not eligible to receive an incentive for completing a Disaster Payment Deferral on a Mortgage that is subject to an indemnification agreement.
	Mortgage insurance If the Mortgage is subject to mortgage insurance, and the mortgage insurance company is not included on our list of **delegated mortgage insurance companies** for Mortgage modifications, the Servicer must obtain delegation of authority from the MI or seek approval from the MI to complete the Disaster Payment Deferral.
	Texas Equity Section 50(a)(6) Mortgages If the Borrower is eligible and qualifies for the Disaster Payment Deferral, the Servicer must offer the Disaster Payment Deferral to the Borrower. If the Servicer receives Borrower notification classifying the Disaster Payment Deferral as a modification and claiming that the terms of the modification agreement do not comply with the provisions of Article XVI Section 50(a)(6) of the Texas Constitution, the Servicer must notify Freddie Mac within seven Business Days of receipt of such objection or complaint to Freddie Mac at **Distressed_Property@freddiemac.com** and include the following: • Freddie Mac loan number • Servicer loan number • Transaction type (e.g., Texas Home Equity modification) • Accounting Cycle in which Freddie Mac settled the workout • Servicer's analysis (e.g., a Borrower complaint received related to a provision)

	Upon receipt of Freddie Mac's instructions, the Servicer must comply with any required response time frames to claims of defects and any other complaint in accordance with Section 8104.1 and the Texas Constitution.
Borrower documentation	The Servicer must not require a complete Borrower Response Package (BRP) to evaluate the Borrower for a Disaster Payment Deferral if the Borrower has been evaluated in accordance with all requirements described in this Bulletin and the eligibility criteria are satisfied.
Eligibility exclusions	The following Mortgages and Borrowers are ineligible for the Disaster Payment Deferral: • FHA, VA and Guaranteed Rural Housing Mortgages • Mortgages subject to recourse • A Mortgage subject to a previous Disaster Payment Deferral related to the same Eligible Disaster event • Mortgages subject to an approved short sale or deed-in-lieu of foreclosure transaction • A Mortgage currently subject to an unexpired offer to the Borrower for a mortgage modification or other alternative to foreclosure • Borrowers currently performing under a modification Trial Period Plan, a non-disaster forbearance plan or repayment plan

Determining the terms of the Disaster Payment Deferral

The steps to determine the terms of the Disaster Payment Deferral are described in the table below:

Determining Disaster Payment Deferral Terms	
Delinquent Payment Deferral	The Servicer must follow the steps below when determining the terms of the Disaster Payment Deferral. If the existing Mortgage includes a non-interest bearing UPB as a result of a prior modification, the terms impacting that non-interest bearing UPB will remain unchanged. The Servicer must apply the Disaster Payment Deferral forbearance as follows: • Defer the delinquent principal and interest (P&I) and any other expenses or amounts due that are permitted to be capitalized under Flex Modification capitalization rules (described in Section 9206.15(b)), into an existing or newly created non-interest-bearing UPB (Deferred UPB). The aggregate Deferred UPB will become due on the earlier of: ➢ The Mortgage maturity date ➢ The Mortgage payoff date (e.g., refinance or payoff of the interest-bearing UPB); or ➢ Upon transfer or sale of the Mortgaged Premises The Servicer must: • Advance the DDLPI to bring the Mortgage to current status • Ensure that the remaining payment schedule associated with the interest-bearing UPB remains unchanged from the Mortgage's pre- Disaster Payment Deferral payment schedule

Determining Disaster Payment Deferral Terms	
	• Waive all accrued and unpaid late charges upon completion of the Disaster Payment Deferral When offering the Disaster Payment Deferral, the Servicer must ensure all other terms of the existing Mortgage remain unchanged including, but not limited to, the: • Remaining amortization schedule • Monthly P&I portion of the existing contractual monthly Mortgage payment • Interest rate (this includes maintaining the existing rate adjustment schedule for an ARM or a Step-Rate Mortgage); and • Maturity date NOTE: The maximum number of monthly payments that may be deferred as part of a Disaster Payment Deferral is twelve.
Escrow	***Escrow analysis*** The Servicer is not required to perform an Escrow analysis in conjunction with a Disaster Payment Deferral and may continue to perform the Escrow analysis as regularly scheduled. If the Servicer chooses to perform an Escrow analysis, any Escrow account shortage that is identified at the time of the Disaster Payment Deferral must not be capitalized and the Servicer is not required to fund any existing Escrow account shortage. If an Escrow account shortage is identified as part of a COVID-19 Payment Deferral or a Disaster Payment Deferral or if the Servicer does not conduct an Escrow analysis as part of the Payment Deferral and discovers a shortage during the next scheduled Escrow analysis, then the Servicer must spread the repayment of the Escrow shortage amount in equal monthly payments in a period of up to 60 months. Any Escrow advances must be included in the deferred balance, as described in the "Delinquent Disaster Payment Deferral" section above. In addition, the Servicer is not required to revoke any Escrow account waiver.

Completing a Disaster Payment Deferral

The Servicer must send a Disaster Payment Deferral Agreement (Attachment A) or the Servicer's customized equivalent of the Disaster Payment Deferral Agreement to the Borrower no later than five days after completion (e.g., a closed /settled workout option) of the Disaster Payment Deferral. If the Servicer elects to require the Borrower to sign and return the Disaster Payment Deferral Agreement, it must receive the fully executed Disaster Payment Deferral Agreement prior to the settlement date.

The use of Attachment A is optional; however, it reflects the minimum level of information that the Servicer must communicate. The Servicer must ensure the Disaster Payment Deferral Agreement complies with applicable law.

The Servicer must complete the Disaster Payment Deferral in the same month it determines the Borrower is eligible. If the Servicer is unable to complete the Disaster Payment Deferral within this timeframe, the Servicer may use an additional month to allow for sufficient processing time ("processing month") to complete the Disaster Payment Deferral. The Servicer must treat all Borrowers equally in applying the processing month, as evidenced by a written policy (i.e., the criteria for when a processing month is required must be the same for all Borrowers). Additionally, the Servicer is not permitted to defer more than twelve months of payments as part of a Payment Deferral, so if a processing month is used for a Borrower who is already twelve months delinquent, the Servicer must require a payment during the processing month. Otherwise, the Borrower is not required to submit a payment during the processing month for a Disaster Payment Deferral.

The Servicer must process a Disaster Payment Deferral Agreement in compliance with the requirements for processing a regular Payment Deferral Agreement, as described in Section 9203.23. This includes the requirements for recordation, title endorsement and Document Custodian. The table below provides some of the key criteria:

Disaster Payment Deferral Agreement	
Disaster Payment Deferral conditions	***Recordation*** • The Servicer must ensure that the Mortgage subject to the Disaster Payment Deferral retains its First Lien position and continues to be fully enforceable in accordance with its terms at the time of completion of the Disaster Payment Deferral, throughout the term of the Mortgage, and during any bankruptcy or foreclosure proceeding involving the Mortgage. • The Servicer must record the Disaster Payment Deferral Agreement only when doing so is necessary to ensure its compliance with this First Lien retention and the Disaster Payment Deferral enforcement requirement.
	Title endorsement • The Servicer must ensure that the Mortgage subject to the Disaster Payment Deferral complies with applicable law, retains Freddie Mac's First Lien position and is enforceable against the Borrower(s) in accordance with its terms • The Servicer must obtain a title endorsement or similar title insurance product issued by a title insurance company if the Disaster Payment Deferral Agreement will be recorded
	Document Custodian • If the Disaster Payment Deferral Agreement is not required to be signed by the Borrower, the Servicer must send a copy of the Servicer-executed Disaster Payment Deferral Agreement to the Document Custodian within 25 days of the effective date of the Disaster Payment Deferral • If the Disaster Payment Deferral Agreement must be recorded, the Servicer must: ➢ Send a certified copy of the fully executed Disaster Payment Deferral Agreement to the Document Custodian within 25 days of the effective date of the Disaster Payment Deferral; and ➢ Send the original Disaster Payment Deferral Agreement when returned from the recorder's office to the Document Custodian within five Business Days of receipt • If the Disaster Payment Deferral Agreement must be signed by the Borrower but not recorded, the Servicer must send the fully executed original Disaster Payment Deferral Agreement to the Document Custodian within 25 days of the effective date of the Disaster Payment Deferral

Evaluation hierarchy

To be eligible for a Disaster Payment Deferral, a Borrower must have been current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date of the Eligible Disaster. Otherwise, the Servicer must conduct all loss mitigation evaluations in accordance with our standard loss mitigation evaluation hierarchy, as described in Section 9201.2 (or must submit an exception request for Freddie Mac approval, as described above).

If QRPC is established with a Borrower who was current or less than 60 days delinquent (i.e., less than two months delinquent) as of the Eligible Disaster, and the Borrower is unable to resolve the Delinquency through a reinstatement or repayment plan, the Servicer must evaluate the Borrower for the loss mitigation options in the following Disaster evaluation hierarchy:

1. Disaster Payment Deferral
2. Flex Modification
3. Standard Short Sale
4. Standard Deed-in-Lieu of Foreclosure

NOTE: In most cases, Borrowers impacted by an Eligible Disaster who qualify to be evaluated for a Disaster Payment Deferral (as described in this section) will be transitioning from a forbearance plan, but forbearance is not a prerequisite.

As a result of the changes to the evaluation hierarchy, we are retiring Exhibit 1191A, *Freddie Mac Post-Disaster Forbearance Solicitation Cover letter*. The Guide will be updated at a future date to reflect this change.

Extend Modification and Capitalization and Extension Modification

Upon the mandatory effective date of the Disaster Payment Deferral on October 1, 2020, we are eliminating the Extend Modification for Disaster Relief and the Capitalization and Extend Modification for Disaster Relief as available loss mitigation options in our Guide and Bulletins and replacing those options with the Disaster Payment Deferral, as shown in the hierarchy described above. Servicers must continue to evaluate Borrowers based on the existing disaster hierarchy until the earlier of their implementation of the Disaster Payment Deferral or October 1, 2020, after which time Servicers are not delegated to evaluate for or offer an Extend Modification or a Capitalization and Extension Modification.

Solicitation for a Disaster Payment Deferral

The Servicer must proactively solicit the Borrower to offer a Disaster Payment Deferral within 15 days after the expiration of the forbearance plan if:

- The Servicer is not able to establish QRPC during the disaster related forbearance plan, and
- The Mortgage was current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date of the Eligible Disaster, and
- The Mortgage does not meet any of the criteria described in the “Eligibility Exclusions” section of this Bulletin

We have provided a solicitation letter template (Attachment B) that the Servicer may use at its discretion, but the solicitation letter must, at a minimum, provide the details of the Disaster Payment Deferral and instructions on how to accept the offer. The Borrower may accept the Disaster Payment Deferral offer via:

- Contacting the Servicer directly in accordance with any acceptable outreach and communication method, or
- Returning an executed Disaster Payment Deferral Agreement, if applicable, or
- Any other method evidencing the Borrower’s acceptance, in compliance with applicable law (e.g., making the monthly payment due under the terms of the Disaster Payment Deferral offer)

The Solicitation Letter must also include language that additional forbearance options are available, as applicable, if the Borrower’s hardship is ongoing, or a Flex Modification may be available if the Borrower needs payment relief.

Note: If the Servicer is permitting payment to constitute acceptance of the Disaster Payment Deferral offer, the Servicer must require the Borrower’s payment to be submitted so it is received by the Servicer in the same month as the Payment Deferral offer is sent. This requirement must be described in the Solicitation Letter, if applicable.

Solicitation for a Flex Modification

If the Borrower is ineligible for a solicitation for a Disaster Payment Deferral as described above, then the Servicer must evaluate the Borrower for a streamlined offer for a Flex Modification in accordance with the special Flex Modification requirements for Borrowers impacted by an Eligible Disaster, as described in Section 9206.5(e). Otherwise, the Servicer must evaluate in accordance with regular Guide requirements for making a streamlined offer for a Flex Modification, as described in Section 9206.5(c). The Servicer must send a streamlined offer for a Flex Modification to an eligible Borrower within 15 days after the expiration of the forbearance plan.

If the Borrower was eligible for a solicitation for a Disaster Payment Deferral, but did not accept the offer, then the Servicer must evaluate the Borrower for a streamlined offer for a Flex Modification following the same requirements as described in the preceding paragraph, except that the Servicer must send the streamlined offer to an eligible Borrower within 15 days of the expiration of the Disaster Payment Deferral offer.

Flex Modification evaluations for failed Disaster Payment Deferral

If the Borrower accepts a Disaster Payment Deferral, subsequently becomes 60 days delinquent within six months of the effective date, and the Servicer is unable to achieve QRPC, the Servicer must evaluate the Borrower for a Flex Modification based on the special eligibility criteria described below, and the Servicer is not required to collect a complete Borrower Response Package. A Flex Modification offer must be sent to an eligible Borrower under these requirements no later than the 75th day of Delinquency.

Reduced Flex Modification requirements

In lieu of the Guide requirements for Flex Modification eligibility described in Sections 9206.5 and 9206.6, only the following Mortgages will be excluded from eligibility:

- The Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage
- The Mortgage is subject to recourse
- The Borrower is currently performing under another forbearance plan, Trial Period Plan or repayment plan
- The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure
- The Mortgage is currently subject to an unexpired offer to the Borrower for another modification or other foreclosure prevention alternative, such as a forbearance plan or repayment plan

If the Servicer was not collecting Escrows on the existing Mortgage, the Borrower is not required to establish an Escrow account as a condition of the modification unless otherwise required by applicable law, or the Servicer confirms that the taxes and insurance premiums have not been paid and are past due.

Workout Prospector®

Workout Prospector® has been updated to accommodate the submission and settlement of Disaster Payment Deferrals. Although Servicers must begin their evaluations on and after October 1, 2020, the Payment Deferral path described below is currently available for use by early adopters. Therefore, Servicers may implement the Disaster Payment Deferral as soon as they are able to do so.

To model the terms of the Disaster Payment Deferral and complete the settlement process, Servicers must use the "Payment Deferral" path in **Workout Prospector**. Servicers must comply with the requirements in Section 9203.24 and the instructions provided in the **Workout Prospector Users' Guide** to complete the submission and settlement process for a Disaster Payment Deferral.

Servicers may use a proprietary system or third-party system to generate the terms of the Disaster Payment Deferral; however, this data also must be entered in its entirety into **Workout Prospector**. The Servicer must ensure that its results comply with the requirements in Sections 9203.18 through 9203.25 and are the same as the data entered into **Workout Prospector** prior to sending the Disaster Payment Deferral Agreement to the Borrower.

Reporting requirements

In most cases, the Disaster Payment Deferral does not have an associated unique EDR status code. For each Mortgage subject to the Disaster Payment Deferral, the Servicer must continue reporting the appropriate delinquency status through the Loan Level Reporting tool in accordance with requirements in Section 8303.15 and default information to Freddie Mac through EDR in accordance with requirements in Section 9102.7. Once the Disaster Payment Deferral has been completed and the Mortgage is brought current, the Servicer must report the Mortgage as current through the Loan Level Reporting tool.

However, the Servicer must report Event Code H6, *Payment Deferral Offer*, to notify Freddie Mac that the Mortgage is subject to an active Disaster Payment Deferral offer in the following instances:

- The forbearance period ends prior to settlement of an accepted Disaster Payment Deferral (e.g., if the Servicer elected to use a processing month and the forbearance plan expires), or
- The Servicer has made a proactive offer following the expiration of a forbearance plan in accordance with the "Solicitation for a Disaster Payment Deferral" section above

In these instances, the Servicer must continue to report Event Code H6 until the offer has expired or the Payment Deferral has been completed.

Other requirements

Other requirements for the Disaster Payment Deferral include:

- **Reimbursement of expenses**: Servicers may use the Reimbursement System to request reimbursement for the following fees associated with the Disaster Payment Deferral in accordance with Section 9203.25:
  - ➢ Recordation fees
  - ➢ Title costs
  - ➢ Notary fees
- **Servicing fee**: There are no adjustments being made to the servicing fee, referred to as the Servicing Spread. The Servicer will continue to receive the Servicing Spread it was receiving prior to completing a Disaster Payment Deferral.
- **Future Flex Modification evaluations**: If the Servicer is evaluating a Borrower for a future Flex Modification, the Disaster Payment Deferral will not count as a previous loan modification for purposes of calculating the number of times the Mortgage has previously been modified.
- **Future Payment Deferral evaluations**: If the Servicer is evaluating a Borrower for a future (non-Disaster) Payment Deferral in accordance with Bulletin 2020-6 or Bulletin 2020-15, the Disaster Payment Deferral will not cause the Borrower to be ineligible.
- **No Trial Period Plan**: The Disaster Payment Deferral does not include a Trial Period Plan. The Borrower does not need to complete a Trial Period Plan prior to entering into a Disaster Payment Deferral.
- **Reimbursement of advanced interest, taxes and insurance**: The interest the Servicer advances during the Delinquency, along with any advances for escrow, taxes or insurance, will be reimbursed to the Servicer upon settlement of the Disaster Payment Deferral.
- **HAMP Good Standing**: If the Mortgage was previously modified pursuant to a Home Affordable Modification Program℠ (HAMP®) modification under which the Borrower remains in "good standing," then the mortgage will not lose good standing and the borrower will not lose any "pay for performance" incentives in the following circumstances:
  - The Borrower's hardship is the result of an Eligible Disaster, and:
    - ➢ The Borrower was on a disaster related forbearance plan immediately preceding the Disaster Payment Deferral, or
    - ➢ The Borrower has a disaster related hardship and the Mortgage is less than 90 days delinquent

COVID-19 SERVICING UPDATES AND CLARIFICATIONS

In response to the challenges resulting from the outbreak and spread of the coronavirus disease (COVID-19), Freddie Mac announces the following updates:

Servicer incentives

Bulletin 2020-21 provided updates to our Servicer incentives, including the incentive amount for a COVID-19 Payment Deferral. With this Bulletin, we are providing additional updates, as described in the chart below, including:

- Providing the incentive amount for the Disaster Payment Deferral
- Revising the incentive amounts for the soon to be retired Extend Modification for Disaster Relief (Extend Modification) and the Capitalization and Extension Modification for Disaster Relief (Capitalization and Extension Modification)

Incentive Type	Incentive Amount
Repayment Plan	$500 Effective for all repayment plans with a first payment due date under the repayment plan on or after July 1, 2020

<table>
<tr><td>Payment Deferral/COVID-19 Payment Deferral/Disaster Payment Deferral</td><td>$500

Effective immediately for all Payment Deferrals/COVID-19 Payment Deferrals (NOTE: Payment Deferral evaluations do not begin until on or after July 1, 2020)</td></tr>
<tr><td>Extend Modification/Capitalization and Extension Modification</td><td>$500

Effective for all Extend Modifications and Capitalization and Extend Modifications with a Trial Period Plan effective date on or after August 1, 2020</td></tr>
<tr><td>Flex Modification®</td><td>$1,000

Effective for all Flex Modifications completed with a Trial Period Plan effective date on or after July 1, 2020</td></tr>
<tr><td colspan="2">All incentive types described above are earned by the Servicer in accordance and compliance with all requirements as described in the Guide and associated Bulletins.

Additionally, beginning on the effective dates described above, Servicer incentives will be capped at a total of $1,000 per Mortgage in aggregate for all repayment plans, Payment Deferral/COVID-19/Disaster Payment Deferrals, Extend Modifications/Capitalization and Extend Modifications, and Flex Modifications. Workout and relief options already completed, or begun prior to the effective dates described above will not be subject to the aggregate incentive cap. Existing incentive amounts for liquidations will remain unchanged, and will not be subject to the incentive cap.

These changes apply whether the Servicer completed an Extend Modification/Cap and Extend Modification as a result of an Eligible Disaster, or as a result of a COVID-19 related hardship.</td></tr>
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Disbursing Loss Proceeds to Borrowers Impacted by a Covid-19 Related Hardship

In response to feedback and questions from Servicers, we are updating our insurance loss proceeds requirements for certain Borrowers who are on an active COVID-19 forbearance, repayment plan or Trial Period Plan, or related workout option at the time of the event that caused an insurable loss. Effective immediately, the Servicer must follow loss proceeds disbursement requirements as though the Borrower was current or less than 31 days delinquent at the time of loss if:

- The Borrower has a COVID-19 related hardship, and
- The Borrower was current or less than 31 days delinquent as of the National Emergency declaration effective date (March 1, 2020), and
- The Borrower became delinquent or further delinquent as a result of being on a COVID-19 forbearance, and
- The Borrower's COVID-19 forbearance was active at the time of the loss event, or the Borrower transitioned directly from forbearance to an active repayment plan or Trial Period Plan, and the repayment plan or Trial Period Plan was active at the time of the loss event

EDR – Reporting Mortgages impacted by COVID-19 and an Eligible Disaster

We are providing clarity that the Servicer must always continue to report default reason code 032, *National Emergency Declaration* for any Borrower with an ongoing COVID-19 related hardship that has not yet been resolved, even if that Borrower is subsequently impacted by an Eligible Disaster. In these cases, the Servicer must not report default reason code 034, *Eligible Disaster Area*, but continue to report default reason code 032 until the COVID-19 hardship is resolved. If a Borrower has resolved their COVID-19 related hardship and at some later date is impacted by an Eligible Disaster, then the Servicer must report default reason code 034, *Eligible Disaster Area* as that is the Borrower's sole hardship reason at that time.

Escrow shortage repayment period following a COVID-19/Disaster Payment Deferral

In response to questions received, Freddie Mac is clarifying that if an Escrow shortage is identified as part of a COVID-19 Payment Deferral or a Disaster Payment Deferral, or if the Servicer does not conduct an Escrow analysis as part of the

Payment Deferral and discovers a shortage during the next scheduled Escrow analysis, then the Servicer must spread the repayment of the Escrow shortage amount in equal monthly payments over a period of up to 60 months.

GUIDE UPDATES

The Guide will not be updated at this time to reflect these changes. We will update the Guide in a future Bulletin. In the meantime, Servicers must follow the requirements as described herein in accordance with the effective dates provided.

CONCLUSION

We appreciate the support that Servicers continue to extend to Borrowers coping with 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,

Bill Maguire

Vice President, Servicing Portfolio Management

Disaster Payment Deferral Agreement

[SERVICER LOGO]

[SERVICER ADDRESS]

[BORROWER 1 NAME] [BORROWER 2 NAME]
[ADDRESS 1]
[ADDRESS 2]
[CITY, STATE ZIP CODE]

[DATE]

REFERENCE: [LOAN NUMBER]

PAYMENT DEFERRAL AGREEMENT

[DATE]

Dear [BORROWER NAME(S)]:

Thank you for speaking with us about your mortgage. As we discussed, you are approved for a payment deferral, and we will defer your past-due amounts to bring your mortgage current. This letter describes what a payment deferral is and how it impacts your mortgage.

[When including with a solicitation letter, use the following language in lieu of the paragraph above:

You are approved for a payment deferral, and we will defer your past-due amounts to bring your mortgage current. This letter describes what a payment deferral is and how it impacts your mortgage.

****To accept this offer, you must [servicer include instruction on method(s) evidencing acceptance] by [date before end of the current month]****

]

What is a Payment Deferral?

A payment deferral brings your mortgage current and delays repayment of certain past-due monthly principal and interest payments, as well as other amounts we paid on your behalf related to the past-due monthly payments. You will be responsible for paying the past-due amounts upon the maturity date of the mortgage or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing unpaid principal balance.

Terms of the Payment Deferral

As of [EFFECTIVE DATE], we will

- adjust the due date of your next scheduled monthly payment to bring your mortgage current,
- defer the scheduled repayment of the total past-due amounts to the maturity date of the mortgage or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing unpaid principal balance, and
- waive any late charges.

[For a Borrower who was 12 months delinquent at the date of evaluation where the Servicer is also using a processing month, include the following language: **We require a processing month for us to complete your payment deferral. Because you are 12 months delinquent, you must pay your current monthly contractual payment of $[amount] by [date] in order for your payment deferral to become effective.*]***

The following table describes the specific terms of your payment deferral.

Number of past due principal and interest payments to be deferred	
Past-due principal and interest payment amount to be deferred	
Other past-due amounts to be deferred*	
Total past-due amounts to be deferred**	
Late charges to be waived	

*Includes any amounts we paid on your behalf related to the past-due payments, such as taxes or insurance, as authorized by your mortgage documents.

**Interest will not be charged on the total past-due amounts to be deferred. The payment deferral will not change any other terms of your mortgage.

Once your payment deferral is in effect, you must continue to make your scheduled monthly payment to keep your mortgage current.

QUESTIONS? CONTACT US

[SERVICER'S NAME]

Phone: [8XX-XXX-XXXX]

Email Address: [SERVICER'S EMAIL]

Website: [SERVICER'S WEBSITE]

FREQUENTLY ASKED QUESTIONS

What other amounts might I owe?

- There are no processing fees for this payment deferral.
- If there is already a principal forbearance amount that will be due at the maturity of your loan, you will still be responsible for any such amount that remains at the maturity date of the mortgage loan or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing unpaid principal balance.

- **How will a payment deferral impact my credit?**

For a borrower receiving a payment deferral the servicer must report the status of the mortgage loan to the credit bureaus in compliance with all applicable laws.

- When your payment deferral is completed, you will be considered current on your mortgage.
- For information on how your credit report may impact your credit score, go to: https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/

What if I need further assistance?

- Please contact us any time at [SERVICER PHONE NUMBER], especially if you experience another event that may prevent you from making your mortgage payment.
- For a list of HUD-approved housing counseling agencies that can provide free foreclosure prevention and debt management information, and may be able to provide translation or other language assistance, contact one of the following federal government agencies:
    - The U.S. Department of Housing and Urban Development (HUD) at (800) 569-4287 or www.hud.gov/counseling
    - The Consumer Financial Protection Bureau (CFPB) at (855) 411-2372 or www.consumerfinance.gov/mortgagehelp

Additional Payment Deferral Information and Legal Notices

[The Servicer must include any disclosures required by federal, State, or local law.]

[If the Borrower is in good standing under a HAMP® modification, remains eligible to earn additional Borrower incentives, and will lose good standing upon completion of a payment deferral, Servicers must include the following:

If your mortgage has been modified under the Home Affordable Modification Program℠ (HAMP®), please note that:

Upon this payment deferral becoming effective, you will be ineligible to receive any future HAMP "Pay for Performance" incentives, including any accrued but unpaid incentives***.]***

Disaster Payment Deferral Post-Forbearance Solicitation Cover Letter

[Servicer Logo]

[BORROWER 1 NAME] [BORROWER 2 NAME]	[DATE]
[ADDRESS 1]	
[ADDRESS 2]	Reference: [LOAN NUMBER]
[CITY, STATE ZIP CODE]	

Subject: Unable to Contact You During Your Forbearance Plan – Offer Enclosed

Dear [BORROWER NAME(S)]:

We have been trying to reach you during your forbearance plan to discuss your situation and to provide information on options that may be available to you to resolve your delinquency. We would like to offer you an opportunity to enter into a more permanent solution. You have options, but you must act now. We are here to help. If you have questions about the options listed below, **please contact us immediately.**

Can You Resume Your Regular Monthly Mortgage Payment?

You have been approved for a payment deferral. This is a solution that brings your mortgage current, prevents foreclosure, and delays repayment of the mortgage payments you missed during your forbearance plan. If your hardship has been resolved and you are able to resume making your mortgage payments following your forbearance plan, a payment deferral may be the best option to immediately bring your mortgage current. **Please refer to the enclosed payment deferral agreement for more details on this offer and how to accept it.**

Do You Need More Affordable Monthly Mortgage Payments?

If your hardship has been resolved but you are not able to continue making your mortgage payments following your forbearance plan, you may be eligible for a loan modification that could lower your monthly mortgage payment. The loan modification changes the terms of the loan and targets lowering your monthly mortgage payment by extending the loan term to 40 years from the date of the modification. If you complete a loan modification, it will bring your loan current and prevent foreclosure. Contact us if you would like to explore a loan modification.

[Use only if the Borrower has been on forbearance for less than 12 months] Do You Need More Time to Resolve Your Hardship?

You may need more time to resolve your hardship before we can determine what long-term solution best works for you. If so, an extension of your forbearance plan may be available. To receive an extension, you must contact us to discuss your options.

Unable to Resolve the Delinquency or Prefer to Leave Your Home?

You may have other options to avoid foreclosure.

- A short sale: the sale of your property for a price that is less than the amount you still owe on your mortgage.
- A deed-in-lieu of foreclosure: the transfer of ownership of your property to us in exchange for release of some or all of the amount you still owe on your mortgage.

If you are approved for a short sale or deed-in-lieu of foreclosure and complete the necessary steps, we will cancel your remaining mortgage debt obligation. **Cancellation of debt may have tax consequences. Please consult a tax advisor to discuss potential tax consequences.**

QUESTIONS? CONTACT US

[SERVICER'S NAME]

Phone: [8XX-XXX-XXXX]

Email Address: [SERVICER'S EMAIL]

Website: [SERVICER'S WEBSITE]

We encourage you to review the enclosed payment deferral agreement which includes instruction on how to accept the offer. Thank you for your prompt attention to this matter. We are here to help you with your mortgage.

Sincerely,

Customer Support

[SERVICER NAME]