



Bulletin 2021-24

COVID-19 and Other Servicing Updates

Issued 06/30/2021

TO: Freddie Mac Servicers

SUBJECT: COVID-19 AND OTHER SERVICING UPDATES

This Guide Bulletin announces

- The expiration of the [COVID-19 foreclosure moratorium](#)
- Temporary changes to [Freddie Mac Flex Modification](#)[®] for Borrowers with a COVID-19 hardship
- Updates to [PAID](#)

COVID-19 FORECLOSURE MORATORIUM

The foreclosure moratorium last announced in [Guide Bulletin 2021-23](#) will expire on **July 31, 2021**. Between July 31, 2021 and when the Consumer Financial Protection Bureau (CFPB) final rule dated June 28, 2021 goes into effect on August 31, 2021, Servicers are prohibited from making any new foreclosure referrals or first legal filings that would be prohibited by CFPB's final rule. Once the CFPB rule is in effect, Servicers must comply with applicable law.

FLEX MODIFICATION FOR BORROWERS WITH A COVID-19 HARDSHIP

Effective August 31, 2021, but Servicers can implement the changes earlier, when operationally possible

We are announcing temporary changes to the Flex Modification to further assist Borrowers who have been negatively impacted by the COVID-19 pandemic and who may require additional payment relief beyond what is currently available. To provide this additional relief, we are adjusting the Flex Modification waterfall so that a Mortgage with a mark-to-market-loan-to-value (MTMLTV) ratio of less than 80% may receive an interest rate reduction. These temporary changes apply only to Borrowers who meet the following eligibility criteria:

- The Borrower must have a COVID-19 related hardship or be subject to an evaluation under the criteria described in [Bulletin 2020-15](#) for "Flex Modification evaluations for failed COVID-19 Payment Deferral"; and
- The Mortgage must have been current or less than two months delinquent as of the National Emergency Declaration effective date of March 1, 2020; and
- The Borrower must be at least 90 days delinquent as of the evaluation date for the COVID-19 Flex Modification or must be at least 60 days delinquent and subject to an evaluation under the criteria described in [Bulletin 2020-15](#) for "Flex Modification evaluations for failed COVID-19 Payment Deferral"

These changes impact the waterfall Servicers use to determine the terms of the Flex Modification. Most steps in the process will remain in effect. For ease of reference, we are including the waterfall below.

Effective August 31, 2021, Servicers must use the lesser of Freddie Mac's posted Flex Modification interest rate or the pre-modification interest rate, regardless of MTMLTV ratio, for all Borrowers who meet the criteria described in the above bullets. All other applicable Flex Modification requirements, including reduced eligibility requirements communicated in [Bulletins 2020-10](#) and [2020-15](#) and the requirements in [Guide Sections 9206.2 through 9206.19](#), remain in effect.

Determining the terms of the Flex Modification for eligible Borrowers

Servicers must follow the following steps to determine the terms of Flex Modification:

Step 1: Capitalize the arrearages in accordance with the requirements in [Section 9206.15](#).

Step 2: If the existing Mortgage is a fixed-rate Mortgage, including Step-Rate Mortgages and ARMs with no remaining steps or adjustments, use the lesser of Freddie Mac's posted interest rate for Flex Modifications or the pre-modification interest rate to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.

If the existing Mortgage is an ARM or Step-Rate Mortgage with subsequent steps or adjustments remaining, use the lesser of Freddie Mac's posted interest rate for Flex Mods or the maximum step-rate/lifetime cap note rate to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.

Step 3: Extend the amortization term to 480 months from the Modification Effective Date.

Step 4: For a Mortgage with a post-modification MTMLTV ratio (which includes capitalized amounts) greater than 100%, forbear principal until the earlier point at which (i) a post-modification interest-bearing MTMLTV ratio of 100%; or (ii) 30% of the post-capitalized UPB ("the Forbearance Cap") is achieved. The post-modification MTMLTV ratio is determined by dividing the sum of the interest-bearing UPB plus any applicable non-interest bearing UPB and/or capitalized arrearages by the property value obtained in accordance with [Section 9206.8](#). Interest will not accrue on the forbore (or deferred) principal. Deferred principal is payable upon maturity of the loan modification, sale or transfer of the property or refinance of the Mortgage or payoff of the interest-bearing UPB.

Step 5:

(A) Mortgages that are less than 90 days delinquent:

If Steps 1-4 do not achieve at least a 20% principal and interest (P&I) payment reduction and a post-modification housing expense to income (PMHTI) ratio (calculated in accordance with [Section 9206.10\(a\)\(iv\)](#)) that is equal to or less than 40%, the Servicer must continue to forbear principal in \$100 increments until whichever of the following occurs first:

- A 20% P&I payment reduction and PMHTI ratio equal to or just below 40% are both achieved
- An MTMLTV as close as possible to, but not below 80% is achieved; or
- The aggregate forbearance amount equals or is not less than \$100 below the Forbearance Cap

If the Forbearance Cap or 80% MTMLTV is reached first, the Servicer must offer the modification to the Borrower with the maximum permitted forbearance amount provided that the modification still results in a P&I payment that is less than or equal to the Borrower's pre-modification P&I payment. In this circumstance, neither the 20% payment reduction nor the 40% payment reduction is required to be obtained.

(B) Mortgages that are 90 or more days delinquent:

The Servicer must follow the modification steps above excluding the PMHTI component

Servicers must implement these requirements no later than **August 31, 2021**, but may implement earlier if they are operationally ready to do so.

WORKOUT PROSPECTOR

Servicers must submit requests for Flex Modifications for Borrowers with a PMHTI of less than 80% and that require a change in interest rate using the non-delegated path in Workout Prospector®. The Servicer must detail the terms of the modification in the Workout Prospector comments. Freddie Mac will update the terms in Workout Prospector and approve the loan as delegated.

Servicers must include the following information in the comment section when submitting through Workout Prospector:

- Submitting for note rate adjustment for COVID Impacted Borrower
- Post-Mod Note Rate XXXX%
- Post mod UPB
- Post mod P&I
- Interest Rate Change Date
- First payment Due Date

PAID UPDATES

In [Bulletin 2021-18](#), we announced PAID (Payment Automated Intelligent and Dynamic) will be available to all Servicers on September 27, 2021.

One of the key features of PAID is the bulk upload functionality that will provide Servicers the option to upload a single file (CSV, XLS, XLSX or TXT up to 20 MB) and automatically create multiple expenses or requests for pre-approval for one or more loans.

We are updating the PAID bulk file template to include **Expense Code** as a required data field. Servicers should refer to the **PAID homepage** [☞](#) for the file template and a detailed description of each data element.

Additionally, we are reminding Servicers that Freddie Mac will automatically provision existing Reimbursement System users who have "Active" Vendorscape credentials as of August 1, 2021 and are verified by the Servicer. To ensure they have "Active" Vendorscape credentials, existing Reimbursement System users should log into Reimbursement System no later than August 1, 2021.

Freddie Mac will contact Servicers in August to initiate the verification process.

ADDITIONAL RESOURCES

We encourage Servicers to review the following COVID-19 resources:

- Freddie Mac Single-Family web page on **COVID-19 resources** [☞](#)
- Freddie Mac **Servicing FAQs** [☞](#) on COVID-19

GUIDE UPDATES

The Guide will not be updated at this time to reflect these changes.

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