Fannie Mae

COVID-19 Frequently Asked Questions – Servicing

Updated: Feb. 13, 2024

In response to the COVID-19 national emergency, Fannie Mae and Freddie Mac have provided temporary guidance to lenders on several policy areas to support servicing mortgage loans. These FAQs provide additional information on the temporary policies and have been updated in accordance with the retirement of COVID-19 servicing policies as set forth in Lender Letters LL-2023-03, Impact of COVID-19 on Servicing and LL-2023-07, COVID-19 Payment Deferral and Fannie Mae Flex Modification for COVID-19 Impacted Borrowers.

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Retention Workout Options

Q1. **Are there any workout options to assist homeowners who may be facing a financial hardship related to COVID-19?**

The retention workout options in Fannie Mae's *Servicing Guide* are designed to assist borrowers in resolving their delinquencies regardless of hardship type. Now that we have entered a post-pandemic environment, the COVID-19 forbearance plan flexibilities as outlined in Lender Letter LL-2023-03, Impact of COVID-19 on Servicing, will be retired. On and after Nov. 1, 2023, the servicer must follow the requirements in *Servicing Guide* D2-3.2-01, Forbearance Plan for all forbearance plan evaluations, including evaluations for extensions to existing COVID-19 forbearance plans as of that effective date.

In addition, we will be retiring COVID-19 payment deferral and Fannie Mae Flex Modification in accordance with the reduced eligibility criteria for COVID-19 impacted borrowers (Fannie Mae Flex Modification for COVID-19 impacted borrowers). Prior to the retirement dates as provided below, we have updated the eligibility criteria for a COVID-19 payment deferral or a COVID Flex Modification to indicate that to be eligible

- a mortgage loan must be reported with reason for delinquency code 022 in the Nov. 2023 delinquency reporting period (which is for Oct. 2023 activity) for a COVID-19 hardship identified prior to Nov. 1, 2023, and continue to be reported with code 022 until the date of evaluation; and
- the evaluation must occur before Nov. 1, 2024.

A borrower may be evaluated (and if eligible, solicited) for a COVID-19 Flex Modification if the borrower becomes 60 days delinquent within 6 months of the COVID-19 payment deferral's effective date and the servicer is unable to achieve QRPC, even if the mortgage loan is not reported with reason for delinquency code 022 in the November 2023 delinquency reporting period for a hardship identified prior to Nov. 1, 2023 and continued to be reported until the date of evaluation for the COVID-19 Flex Modification.

We are also requiring that the modification effective date for a Fannie Mae Flex Modification for COVID-19 impacted borrowers be on or before May 1, 2025.

For evaluations on and after Nov. 1, 2023, not subject to the exceptions above and for all evaluations on and after Nov.

1, 2024, the servicer must evaluate borrowers for a workout option in accordance with the workout hierarchy as described in *Servicing Guide* F-2-10, Fannie Mae's Workout Hierarchy.

Q2. **What do we do if a borrower becomes ill with COVID-19?**

Any financial hardship that impacts the borrower's ability to make mortgage payments, including illness of the homeowner or a dependent, is an eligible hardship that would qualify them for a forbearance plan and/or consideration for other Fannie Mae workout options.

For a new hardship identified on and after Nov. 1, 2023, the servicer must not use reason for delinquency code 022, Energy-Environment Costs, which was repurposed during the pandemic to identify mortgage loans where the borrower has experienced a hardship resulting from COVID-19. Instead, the servicer must use the applicable reason for delinquency code for the underlying hardship (e.g., unemployment or illness) in accordance with Reason for Delinquency Codes in *Servicing Guide* F-1-21, Reporting a Delinquent Mortgage Loan via Fannie Mae's Servicing Solutions System. The servicer must not report a new reason for delinquency code 022 when reporting delinquency status information to Fannie Mae beginning with the December 2023 delinquency status reporting period (which is for November 2023 activity).

Q3. **What is a forbearance plan?**

A forbearance plan is a retention option in our workout hierarchy for a borrower with an eligible hardship that is temporary in nature and has not been resolved. A forbearance plan provides for a period of reduced or suspended contractual monthly mortgage payments, followed by a full reinstatement, mortgage loan payoff, or another workout option to enable the borrower to resolve the delinquency. For more information see *Servicing Guide* D2-3.2-01, Forbearance Plan.

Fannie Mae's COVID-19 forbearance plan flexibilities will be retired in accordance with Lender Letter LL-2023-03, Impact of COVID-19 on Servicing. On and after Nov. 1, 2023, the servicer must follow the requirements in *Servicing Guide* D2-3.2-01, Forbearance Plan, for all forbearance plan evaluations, including evaluations for extensions to existing COVID-19 forbearance plans as of that effective date.

Q4. **How will a COVID-19 hardship be verified when determining if the borrower needs a forbearance plan?**

Fannie Mae retired COVID-19 as a distinct hardship type as of Nov. 1, 2023. For a new hardship, the servicer must use the applicable reason for delinquency code for the underlying hardship (e.g., unemployment or illness) in accordance with Reason for Delinquency Codes in F-1-21, Reporting a Delinquent Mortgage Loan via Fannie Mae's Servicing Solutions System. The servicer must not report a new reason for delinquency code 022 (i.e., to indicate a COVID-19 hardship) when reporting delinquency status information to Fannie Mae beginning with the Dec. 2023 delinquency status reporting period (which is for November 2023 activity). See Lender Letter LL-2023-03, Impact of COVID-19 on Servicing, for additional information.

Q5. **What is the difference between a forbearance plan and a COVID-19 payment deferral?**

As noted in a previous FAQ, a forbearance plan is a retention option in our workout hierarchy for a borrower with an eligible hardship that is temporary in nature and has not been resolved. A forbearance plan provides for a period of reduced or suspended contractual monthly mortgage payments, followed by a full reinstatement, mortgage loan payoff, or another workout option to enable the borrower to resolve the delinquency. See *Servicing Guide* D2-3.2-01, Forbearance Plan for additional information.

COVID-19 payment deferral is a retention option for borrowers whose COVID-19 related hardship that has been resolved. To receive a COVID-19 payment deferral, the borrower must be able to resume making his or her mortgage payments (among other eligibility criteria). This solution brings the mortgage loan current by "deferring" the borrower's missed payments into a non-interest bearing balance.

All evaluations for a COVID-19 payment deferral must occur by Nov. 1, 2024. See Lender Letter LL-2023-07, COVID-19 Payment Deferral and Fannie Mae Flex Modification for COVID-19 Impacted Borrowers for additional information.

Reporting and Operational Processes

Q6. **What should I report for a delinquent mortgage loan when a borrower is impacted by COVID-19?**

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 a new hardship identified on and after Nov. 1, 2023, the servicer must not use reason for delinquency code 022, Energy-Environment Costs, which was repurposed during the pandemic to identify mortgage loans where the borrower has experienced a hardship resulting from COVID-19. Instead, the servicer must use the applicable reason for delinquency code for the underlying hardship (e.g., unemployment or illness) in accordance with Reason for Delinquency Codes in F-1-21, Reporting a Delinquent Mortgage Loan via Fannie Mae's Servicing Solutions System. The servicer must not report a new reason for delinquency code 022 when reporting delinquency status information to Fannie Mae beginning with the December 2023 delinquency status reporting period (which is for November 2023 activity).

When continuing to report delinquency status information for a mortgage loan already being reported with reason for delinquency code 022 in the November 2023 delinquency status reporting period (which is for October 2023 activity), the servicer must report 022 for as long as the COVID-19 related hardship continues, even if the borrower experiences another hardship concurrently (for example, a disaster event).

Q7**.** **Several state and local governments have instituted mortgage assistance programs for COVID-19 impacted borrowers, most of which programs make payments directly to the servicer on a borrower's behalf. Is a servicer authorized to accept and apply these funds toward the borrower's mortgage payment?**

Servicers must accept such funds on behalf of a borrower (i.e. treat as borrower-paid funds) and apply the funds in accordance with the state mortgage assistance program requirements, so long as doing so will not impair the borrower's rights under applicable law, including the CARES ACT, or Fannie Mae's rights under the mortgage. If such mortgage assistance funds are insufficient to bring the mortgage loan current, the servicer must not waive any rights under the mortgage to collect the unpaid amounts.

See *Servicing Guide* D2-3.1-05, Interacting with Mortgage Assistance Fund Program Providers for additional information.

Credit Reporting

Q8. **Will credit reporting be suppressed for borrowers that are impacted by COVID-19?**

Servicers must report the status of the mortgage loan to the credit bureaus in accordance with the Fair Credit Reporting Act, including as amended by the CARES Act, for borrowers affected by the COVID-19 emergency.

For all loans, the servicer must

- provide the status of each mortgage loan to each of the four major credit repositories as of the last day of each month;
- verify the appropriate reporting instructions with each of the four major credit repositories; and
- comply with all applicable laws when reporting to the four major credit repositories.

For additional information, see *Servicing Guide* C-4.1-01, Notifying Credit Repositories.