



# COVID-19 Frequently Asked Questions – Servicing

Updated: Apr. 06, 2021

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. We will be adding more FAQs; therefore, we encourage you to check in frequently for updates – refer to the “NEW” or “UPDATED” notations after the question.

## Contents

[General](#)

[Retention Workout Options](#)

[Reporting and Operational Processes](#)

[Credit Reporting](#)

[Appraisals and Inspections](#)

[Incentive Fees](#)

## General

**Q1. Do Fannie Mae’s existing disaster policies in the *Servicing Guide* apply to the COVID-19 pandemic?**

No. In accordance with *Servicing Guide* [D1-3.1-01, Evaluating the Impact of a Disaster Event and Assisting a Borrower](#), disasters are earthquakes, floods, hurricanes, or other catastrophes caused by either nature or a person or event beyond the borrower’s control resulting in devastation in terms of property damage and destruction. While we are aware the Federal Emergency Management Agency (FEMA) has made certain declarations that would potentially lead this national emergency to also be considered a disaster in certain areas, we have created specific requirements related to servicing mortgages impacted by COVID-19. Servicers must follow those specific requirements in Lender Letters [LL-2021-02, Impact of COVID-19 on Servicing](#) and [LL-2021-07, COVID-19 Payment Deferral and Fannie Mae Flex Modification for COVID-19 Impacted Borrowers](#). All guidance specific to COVID-19 will be communicated through Lender Letters.

**Q2. What are Fannie Mae’s expectations of a seller or servicer if its mortgage operation is impacted due to a pandemic?**

Consistent with the requirements in Business Continuity and Disaster Recovery in *Selling Guide* [A4-1-01 Maintaining Seller/Servicer Eligibility](#), we expect sellers and servicers to follow their own business continuity and resiliency plans. The plans must ensure the ability to regain critical business operations in the event of disruption or disaster.

**Q3. What is Fannie Mae doing to ensure homeowners can remain in their homes during this critical time?**

As set forth in Lender Letter [LL-2021-02, Impact of COVID-19 on Servicing](#), we have communicated temporary policies to enable servicers to better assist borrowers impacted by COVID-19. With Lender Letter [LL-2020-07, COVID-19 Payment Deferral](#) (now [LL-2021-07](#)), we introduced a new retention workout option, COVID-19 payment



deferral. The guidance released in these Lender Letters is in combination with Fannie Mae's existing loss mitigation policies

**Q4. Are there additional resources for borrowers impacted by COVID-19?**

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.

**Q5. Will the completion of a COVID-19 payment deferral impact a borrower's eligibility for a new mortgage loan?**

If a borrower's outstanding payments were resolved through a COVID-19 payment deferral, the borrower must have made three consecutive monthly payments after the completion of a COVID-19 payment deferral to be eligible for a new mortgage loan for sale to Fannie Mae. See Lender Letter [LL-2020-03](#), Impact of COVID-19 on Originations.

## Retention Workout Options

**Q6. Are there any workout options to assist homeowners who may be facing a financial hardship related to COVID-19?**

If a borrower contacts a servicer indicating they are impacted by COVID-19, the servicer must determine if the borrower has experienced an eligible hardship (for example, unemployment, reduction in regular work hours, or illness of a borrower/co-borrower or dependent family member).

For example, if a borrower is ill or quarantined and unable to work and, as a result, experiences a reduction in income that impacts the borrower's ability to make their monthly mortgage payment, the borrower may be eligible for one of our existing workout options (in accordance with our workout hierarchy). For this situation, a forbearance plan may be an ideal workout option to consider.

For more information, see Lender Letter [LL-2021-02](#), Impact of COVID-19 on Servicing and [LL-2021-07](#), COVID-19 Payment Deferral and Fannie Mae Flex Modification for COVID-19 Impacted Borrowers.

**Q7. 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 as a result of COVID-19, 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.

**Q8. 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](#).

Also, see Lender Letter [LL-2021-02](#), Impact of COVID-19 on Servicing, where we have communicated temporary policies to enable servicers to better assist borrowers impacted by COVID-19.

**Q9. How will a COVID-19 hardship be verified when determining if the borrower needs a forbearance plan?**

See Lender Letter [LL-2021-02](#), Impact of COVID-19 on Servicing.

**Q10. If a borrower has previously received a forbearance plan or completed a COVID-19 payment deferral, repayment plan or a mortgage loan modification, is he or she eligible for a COVID-19 related forbearance plan?**

Yes. Borrowers with a COVID-19 related hardship are not restricted from eligibility for a forbearance plan based on previous hardships or completed workout options.

**Q11. Is a borrower with a COVID-19 related hardship ineligible for a forbearance plan because he or she was already delinquent?**

No, previous delinquency does not impact forbearance plan eligibility for a borrower with a COVID-19 related hardship.

**Q12. During a suspended payment forbearance plan, what happens to the interest on the mortgage loan?**

During a forbearance plan, interest is not paid but still accrues. After the forbearance plan is complete, if the borrower is approved for another workout option, the type of workout option offered will determine how the interest is handled. For example, if the mortgage loan is brought current via a COVID-19 payment deferral, the missed principal and interest payments will not be capitalized into the new modified UPB. Instead, the borrower's missed payments will be placed into a non-interest bearing balance due at maturity of the mortgage loan or earlier payoff.

**Q13. Will borrowers who choose to enter into a COVID-19 related forbearance plan have their payment due in one lump sum?**

No. While a borrower's delinquency does increase during a forbearance plan, the delinquency does not necessarily need to be resolved via a lump-sum payment (a reinstatement) after the forbearance plan is complete. Fannie Mae's workout option hierarchy provides several options for resolving the delinquency if the borrower can't afford a reinstatement, including a repayment plan, a COVID-19 payment deferral, and a Fannie Mae Flex Modification.

**Q14. 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.

COVID-19 payment deferral is a retention option for borrowers with a hardship that is temporary in nature and 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. See Lender Letter [LL-2021-02](#), Impact of COVID-19 on Servicing, [LL-2021-07](#), COVID-19 Payment Deferral and Fannie Mae Flex Modification for COVID-19 Impacted Borrowers, and *Servicing Guide* [D2-3.2-01, Forbearance Plan](#) for additional information.

**Q15. If a borrower has already been approved for a workout option and then is impacted by COVID-19, can they still be reviewed for a forbearance plan? What if the borrower is already in a mortgage loan modification Trial Period Plan or if the mortgage loan modification has already been completed?**

An eligible borrower may transition directly from an active Trial Period Plan to a forbearance plan, and at the conclusion of the forbearance plan, that borrower may be evaluated for a new Trial Period Plan without the previous one being considered as “failed.” Borrowers subject to other active workout options must communicate to the servicer that they would prefer the forbearance plan, and the alternative option must be canceled by the servicer in favor of the forbearance plan. A borrower must not be subject to multiple active workout options at the same time. (Note: a previously completed mortgage loan modification is not considered an “active” workout option, as the mortgage loan terms have been permanently modified; this is not a bar to a borrower receiving a COVID-19 related forbearance plan).

**Q16. Does making a payment during the forbearance plan cancel the forbearance plan?**

No, a borrower may make payments during the forbearance plan without any impact to the length of the forbearance plan. If a borrower requests a shorter forbearance plan, the servicer must shorten the forbearance plan and, at the completion of the forbearance plan, evaluate the borrower for post-forbearance workout options.

**Q17. When the borrower is on a forbearance plan, is the servicer required to advance escrow? What if the mortgage loan is not escrowed?**

When the mortgage loan has an escrow account, the servicer must ensure the timely payment of all escrow and related charges in accordance with applicable law.

However, without regard to whether the mortgage loan has an escrow account, the servicer must protect Fannie Mae’s mortgage lien and the property securing the mortgage loan by monitoring the status of all escrow and related charges; this includes advancing escrow to protect Fannie Mae’s mortgage lien. See *Servicing Guide* [B-1-01, Administering an Escrow Account and Paying Expenses](#) for additional information.

**Q18. Some borrowers may have experienced a hardship prior to the COVID-19 pandemic but resolved their delinquency related to that hardship in a way that leaves them ineligible per policy for a COVID-19 payment deferral. For instance, a borrower may have successfully completed a modification Trial Period Plan in March and been brought current in Apr., but then was impacted by COVID-19 in May. Can the servicer consider that borrower current as of Mar. 1, 2020 so that he or she meets the delinquency eligibility requirements for a COVID-19 payment deferral or post-forbearance mortgage loan modification?**

This borrower would not be considered current under the terms of the COVID-19 payment deferral requirements released in [LL-2021-07](#), COVID-19 Payment Deferral and Fannie Mae Flex Modification for COVID-19 Impacted Borrowers. However, the servicer must submit a request for a COVID-19 payment deferral through Fannie Mae’s servicing solutions system for review and obtain prior approval from Fannie Mae.



Q19. **COVID-19 payment deferral requires that the borrower must be current or less than 31 days delinquent as of the effective date of the National Emergency declaration. Does this mean that as of Mar. 1, 2020, the borrower can be due for their Feb. 1, 2020 payment?**

Yes, the borrower may be due for his or her Feb. 1, 2020 payment (an LPI of Jan. 1, 2020).

## Reporting and Operational Processes

Q20. **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](#).

In an effort to enable Fannie Mae to identify mortgage loans where the borrower has experienced a hardship associated with COVID-19 while not resulting in a systems impact for either Fannie Mae or the servicer, the servicer must report reason for delinquency code 022, Energy- Environment Costs, when reporting the delinquency status of such mortgage loans to us. This reason for delinquency code indicating a hardship associated with COVID-19 must be reported regardless of whether another reason for delinquency code applies (for instance, 002 – Illness of Borrower may also be applicable but should not be substituted for 022).

Q21. **Are servicers expected to advance principal and interest (P&I) payments on mortgage loans subject to a forbearance plan?**

In accordance with Lender Letter [LL-2020-08](#), Changes to Servicer Principal and Interest Advance Requirements, the servicer must remit P&I on scheduled/scheduled remittance type mortgage loans, regardless of whether it receives payments from the borrower, for four months of missed payments.

Q22. **When can a servicer request reimbursement through a 571 claim for escrow and corporate advances?**

The servicer may submit requests for expense reimbursement through the 571 claims process as soon as the expense is incurred; Fannie Mae does not limit the number of supplemental claims. Refer to *Servicing Guide* [E-5-01, Requesting Reimbursement for Expenses](#) before submitting requests for expense reimbursement. Additionally, the following link provides more information on Fannie Mae's expense reimbursement processes and provides related job aids: <https://singlefamily.fanniemae.com/applications-technology/servicer-expense-reimbursement>.

Q23. **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? UPDATED**

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 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.



## Credit Reporting

### Q24. Will credit reporting be suppressed for borrowers that are impacted by COVID-19?

See Lender Letter [LL-2021-02](#), Impact of COVID-19 on Servicing.

## Appraisals and Inspections

### Q25. COVID-19 may cause issues with completion of appraisals and inspections. What if...

- the borrower will not let an appraiser into his or her home?
- an inspector does not feel safe completing a property inspection?
- a servicer cannot meet inspection and preservation timelines due to inaccessibility and vendor network constraints?

Until further notice, Fannie Mae is 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* and inspections related to hazard loss repairs as described in *Servicing Guide, B-5-01, Insured Loss Events*, as well as property preservation activities as described in *Servicing Guide E-3.2-12, Performing Property Preservation During Foreclosure Proceedings*, as a result of the impact of COVID-19.

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

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. Please also note that 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.

Servicers who have questions about property inspections for delinquent mortgage loans should contact [Property\\_Preservation@fanniemae.com](mailto:Property_Preservation@fanniemae.com); for questions regarding hazard loss inspections, contact [Hazard\\_Loss@fanniemae.com](mailto:Hazard_Loss@fanniemae.com).

### Q26. Is an interior inspection required to complete a short sale?

Until further notice, Fannie Mae will only require a single interior inspection by an appraiser or real estate agent when obtaining valuations for short sales. If the homeowner has access concerns, servicers should escalate to their customer relationship team or to the Vendor Management team at [VPM\\_team@fanniemae.com](mailto:VPM_team@fanniemae.com). See *Servicing Guide D2-3.3-01, Fannie Mae Short Sale* for more information on short sales.

### Q27. How should a servicer handle a request for an appraisal or a BPO for borrower-initiated termination of conventional mortgage insurance based on the original value of the property or on the current value of the property?



As a reminder, when a borrower requests mortgage insurance termination based on the original or current value of the property and a BPO or appraisal is required to verify the current value of the property, the property valuation must be based on an inspection of both the interior and exterior of the property. We acknowledge that the impact of COVID-19 may result in a delay in obtaining a BPO or appraisal. If a BPO or appraisal is required to verify the current value of the property, the servicer must notify the borrower that it will be unable to approve the termination request until the BPO or appraisal is completed (along with all other requirements for terminating the mortgage insurance being satisfied). See *Servicing Guide* [B-8.1-04, Termination of Conventional Mortgage Insurance](#) and [F-1-02, Escrow, Taxes, Assessments, and Insurance](#) for additional information.

## Incentive Fees

Q28. **If the mortgage loan transfers to a new servicer after the previous servicer has received the full \$1,000 in incentive fees under the cumulative incentive fee cap for retention workout options as set forth in *Servicing Guide* [F-2-02, Incentive Fees for Workout Options](#), is the new servicer eligible to receive any incentive fees for completed repayment plans, payment deferrals, or Fannie Mae Flex Modifications?**

No, the transferee servicer is not eligible to receive any incentive fees for these retention workout options if the cumulative incentive fee cap has already been met due to workout options completed by the transferor servicer. Incentive fee eligibility is tied to the mortgage loan, not to the individual servicer.