

A COVID-19 response resource for servicers. **Forbearance explained**

Use this resource to support your execution of policy introduced in Fannie Mae **Lender Letter LL-2020-02** and to better manage setting homeowner expectations.

Forbearance terms



Forbearance

A plan that allows for reduced or suspended mortgage payments for a designated period of time.



Length

Up to six months with the initial offer. Extension(s) may be granted thereafter for up to an additional six months. Shorter terms with extensions of the forbearance may be beneficial to the homeowner.



Payment amount

As low as \$0. However, if the homeowner can pay any amount, the delinquency will be less impactful when the forbearance completes and long-term solutions are considered.



Repayment

Repayment for missed payments is required, but a homeowner is not required to repay missed payments all at once. Repayment options include:

- Reinstatement: Paying the total amount back all at once at the end of the forbearance period.
- Repayment Plan: Paying a portion of the forbearance amount back gradually (over the course of up to 12 months).
- Payment Deferral: Repaying the entire forbearance amount all at once at the end of the loan (or when the home is sold or refinanced).
- Loan Modification: Permanently changing some of the terms of the loan to make monthly payments more affordable.

Understanding the hardship

Use probing, open-ended questions to understand the homeowner's unique position.

Use this **COVID-19 Forbearance Script** for assistance.



Long-Term vs. Short-Term

A long-term hardship is when a homeowner's financial position has no foreseeable end. A short-term hardship generally will be resolved within a few weeks or months.



Resolved vs. Unresolved

A resolved hardship is one where the homeowner knows their future financial condition and ability to pay, whereas with an unresolved hardship, they do not.

We don't have a good idea of the length of time nor the severity of COVID-19. Servicers must approve forbearance plans for borrowers impacted by COVID-19 in accordance with the CARES Act. Those borrowers must be provided an initial forbearance plan for a period up to 180 days, and that forbearance period may be extended for up to an additional 180 days at the request of the borrower.

Keep in mind



You must **provide a copy of the forbearance plan** to the homeowner.



A **Borrower Response Package (BRP)** is not required.

Learn more

Ready to initiate a forbearance request? Check out our **step-by-step instructions** for reporting to Fannie Mae using **Asset Management Network (AMN)**.

We're here for you. Learn more about **our approach to COVID-19** for all of our partners and stakeholders.

Trained financial counselors at **Fannie Mae's Disaster Response Network™** are available to work with homeowners who are financially impacted by COVID-19.

Still have questions? Call us at 1-800-2FANNIE and **follow these prompts**. Please note that hold times may be longer than expected due to high call volume.