



Private Mortgage Insurer Eligibility Requirements Guidance 2020-01

Guidance Effective Date: June 30, 2020

Pursuant to *Private Mortgage Insurer Eligibility Requirements (PMIERS)* Fannie Mae may, in its sole discretion, modify, waive, or amend any provision of the *PMIERS*. Further, Fannie Mae may issue guidance to each *approved insurer* to amend the *PMIERS* or to provide updates to or clarifications of *PMIERS* provisions (Guidance). Italicized terms in this Guidance have the meanings ascribed to them in the *PMIERS*.

Under FHFA’s oversight and in coordination with *Freddie Mac*, Fannie Mae is issuing this Guidance in response to the National Emergency related to COVID-19 declared on March 13, 2020. This Guidance supplements existing *PMIERS* requirements and, unless expressly noted below, it is not intended to supersede existing requirements. To the extent there is a conflict between this Guidance and the *PMIERS*, this Guidance shall control.

Fannie Mae, under the guidance of FHFA and working closely with *Freddie Mac*, has also issued Lender Letters to Single-Family Sellers and Servicers containing temporary guidance and flexibilities related to originations and servicing as a result of COVID-19.

I. Risk-Based Required Asset Amount Factors

Exhibit A (*Risk-Based Required Asset Amount Factors*), Table 8 (*Non-Performing Loans*), footnote 1 of the *PMIERS* is permanently amended and restated in its entirety as follows:

“For each *non-performing primary mortgage guaranty insurance* loan backed by a property located in a FEMA Declared Major Disaster Area eligible for Individual Assistance (“Major Disaster Declaration”) and that either 1) is subject to a forbearance plan granted in response to a Major Disaster Declaration, the terms of which are materially consistent with terms of forbearance plans offered by Fannie Mae or Freddie Mac, or 2) has an Initial Missed Payment occurring up to either (i) 30 days prior to the first day of the incident period specified in the Major Disaster Declaration or (ii) 90 days following the last day of the incident period specified in the Major Disaster Declaration, not to exceed 180 days from the first day of the incident period specified in the Major Disaster Declaration, the *risk-based required asset amount* factor for the *non-performing primary mortgage guaranty* loan will be the greater of a) the applicable *risk-based required asset amount* factor for a *performing primary mortgage guaranty insurance* loan were it not delinquent, and b) the product of a 0.30 multiplier and the applicable *risk-based required asset amount* factor for a *non-performing primary mortgage guaranty insurance* loan as determined in Table 8. In the case of 2) above, the 0.30 multiplier shall be applied to the *risk-based required asset amount* factor for a *non-performing primary mortgage guaranty insurance* loan for no longer than four calendar months from the date of the Initial Missed Payment absent a forbearance plan described in 1) above. For purposes of this footnote: x) loans subject to a forbearance plan in 1) include those that are either in a repayment plan or loan modification trial period following the forbearance plan unless reported to the *approved insurer* that the loan is no longer in such forbearance plan, repayment plan, or loan modification trial period; and y) Initial Missed Payment means the first



monthly payment the borrower failed to make, which payment was reported to the *approved insurer* as delinquent as of the last day of the month for which it was due (e.g., for a loan first reported to the *approved insurer* in June as having missed its payments due on April 1 and May 1, the Initial Missed Payment shall be deemed to have occurred on April 30 and the multiplier would be applied for May, June, and July assuming the Initial Missed Payment occurred after the first day of the incident period specified in the Major Disaster Declaration).”

With respect to *non-performing primary mortgage guaranty insurance* loans resulting from a COVID-19 hardship, Exhibit A (*Risk-Based Required Asset Amount Factors*), Table 8 (*Non-Performing Loans*) of the *PMIERS* is temporarily amended to add the following as footnote 2 to Table 8:

“For each *non-performing primary mortgage guaranty insurance* loan that 1) has an Initial Missed Payment occurring on or after March 1, 2020 and prior to January 1, 2021 (COVID-19 Crisis Period) or 2) is subject to a forbearance plan granted in response to a financial hardship related to COVID-19 (which shall be assumed to be the case for any loan that has an Initial Missed Payment occurring during the COVID-19 Crisis Period and is subject to a forbearance plan), the terms of which are materially consistent with terms of forbearance plans offered by *Fannie Mae* or *Freddie Mac*, the *risk-based required asset amount* factor for the *non-performing primary mortgage guaranty* loan will be the greater of a) the applicable *risk-based required asset amount* factor for a *performing primary mortgage guaranty insurance* loan were it not delinquent, and b) the product of a 0.30 multiplier and the applicable *risk-based required asset amount* factor for a *non-performing primary mortgage guaranty insurance* loan as determined in Table 8. In the case of 1) above, the 0.30 multiplier will be applicable for up to four calendar months from the date of the Initial Missed Payment absent a forbearance plan described in 2) above. For purposes of this footnote: x) loans subject to a forbearance plan in 2) include those that are either in a repayment plan or loan modification trial period following the forbearance plan unless reported to the *approved insurer* that the loan is no longer in such forbearance plan, repayment plan, or loan modification trial period; and y) Initial Missed Payment means the first monthly payment the borrower failed to make, which payment was reported to the *approved insurer* as delinquent as of the last day of the month for which it was due (e.g., for a loan first reported to the *approved insurer* in June 2020 as having missed its payments due on April 1 and May 1, the Initial Missed Payment shall be deemed to have occurred on April 30 and the multiplier would be applied for May, June, and July).”

If it is determined that the COVID-19 Crisis Period needs to be extended, this Guidance will be updated.

For the avoidance of doubt, the 0.30 multiplier referenced in Table 8, footnote 1 and 2 may not be applied simultaneously on the same *non-performing primary mortgage guaranty insurance* loan.

II. Capital Preservation

Due to the unprecedented nature of the COVID-19 crisis and its potential impact on *available assets*, Section 705 (Limitations Triggered by an *Available Assets Shortfall*) of the *PMIERS* is temporarily amended to add the following to the end of the Section:



“Through March 31, 2021, even if an *approved insurer* has an *available assets* surplus, the *approved insurer* must obtain *Fannie Mae*’s prior written approval before taking any of the following actions:

- a) Pay dividends, make payments of principal or increase payments of interest beyond those commitments made prior to the Guidance Effective Date associated with surplus notes issued by the *approved insurer*, make any other payments, unless related to expenses incurred in the normal course of business or to commitments made prior to the Guidance Effective Date, or pledge or transfer asset(s) to any affiliate or investor, or
- b) Enter into any new arrangements or alter any existing arrangements under tax sharing and intercompany expense-sharing agreements other than renewals and extensions of agreements in effect prior to the Guidance Effective Date.”

III. **Master Policy Alternatives and Flexibilities**

Again, due to the unprecedented nature of the COVID-19 crisis, Section 305 (*Master Policies*) of the *PMIERs* is temporarily amended to add the following at the end of the Section:

“During the COVID-19 Crisis Period, in the event one or more servicers are unable to meet their *master policy* requirements with respect to advancing the payment of premiums on delinquent loans, *approved insurers* have agreed to notify *Fannie Mae* of their intent to cancel coverage for non-payment of premium and give *Fannie Mae* the opportunity to pay the premium on behalf of the servicer to keep the coverage in force.”

IV. **Quality Control Reviews**

Sections 501 (Discretionary Reviews) and 502 (Post Closing Review) of the *PMIERs* are temporarily amended as follows:

A. **Early Payment Defaults**

Approved insurers currently have discretion to define what constitutes an “early payment default,” including the ability to review less than 100% of early payment defaults that are subject to natural disaster-related forbearance plans. We are clarifying that such discretion extends to early payment defaults that are subject to COVID-19-related forbearance plans.

B. **Completion Timeline**

During the COVID-19 Crisis Period and only if necessary, *approved insurers* may exercise discretion to extend the 120-day completion deadline by up to 60 days to give servicers more time to deliver the required origination and closing file documents and give themselves more time to complete reverifications. In addition, *approved insurers* may use any of the income, employment, and asset reverification flexibilities that *Fannie Mae* has extended to lenders in LL-2020-03.



C. Field Reviews

During the COVID-19 Crisis Period, in lieu of a field review and only if necessary, *approved insurers* may use any form of review that *Fannie Mae* has extended to lenders in LL-2020-03 for meeting their quality control, property value reverification requirements.