Private Mortgage Insurer Eligibility Requirements Guidance 2020-01 – Amended and Restated

Guidance Effective Date: Sections I through IV are effective June 30, 2020; Sections V and VI are effective December 31, 2020

This amended and restated Private Mortgage Insurer Eligibility Requirements Guidance 2020-01 revises and replaces the Private Mortgage Insurer Eligibility Requirements Guidance 2020-01 issued on June 30, 2020 to clarify Section I (*Risk-Based Required Asset Amount* Factors) and to include new Section V (Delinquency Reporting) and new Section VI (Glossary).

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 entirely 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 monthly 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 insurance* 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, absent a forbearance plan described in 1) 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 three calendar months beginning with the month the loan becomes a *non-performing primary mortgage guaranty insurance* loan by reaching two *missed monthly payments*. For purposes of this footnote, 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. For example, for a loan first reported to the *approved insurer* in May as having missed its payments due on April 1 and May 1, the initial *missed monthly payment* shall be deemed to have occurred on April 30. In this example, the loan would become a *non-performing primary mortgage guaranty insurance* loan in May and the 0.30 multiplier would be applied for May, June, and July, but not for August, assuming the loan was not subject to a forbearance plan by August 31 and the initial *missed monthly payment* occurred during the timeframe described in 2) above."

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 <u>temporarily</u> 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 monthly 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 monthly 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 insurance* 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, absent a forbearance plan described in 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 three calendar months beginning with the month the loan becomes a *non-performing primary mortgage guaranty insurance* loan by reaching two *missed monthly payments*. For purposes of this footnote, 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. For example, for a loan first reported to the *approved insurer* in May as having missed its payments due on April 1 and May 1, the initial *missed monthly payment* shall be deemed to have occurred on April 30. In this example, the loan would become a *non-performing primary mortgage guaranty insurance* loan in May and the 0.30 multiplier would be applied for May, June, and July, but not for August, assuming the loan was not subject to a forbearance plan by August 31 and the initial *missed monthly payment* occurred during the timeframe described in 1) above."

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

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 <u>temporarily</u> 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 <u>temporarily</u> 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 <u>temporarily</u> 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.

V. Delinquency Reporting

For clarification, effective December 31, 2020, Section 802 (Additional Quarterly Reports and Processes, #3 & #6), are deleted and <u>permanently</u> replaced with:

"3) Quarterly Portfolio and Financial Supplement (Exhibit D). For purposes of reporting *missed monthly payments* and calculating delinquency rates in Exhibit D, the *approved insurer* must reflect all scheduled borrower payments not reported as paid in the loan activity reports it receives from servicers by the last day of the last month of the reporting quarter. For example, if servicer loan activity reports received by the *approved insurer* by June 30 show that a loan was current through the April 1 payment, but that the May 1 and June 1 scheduled payments had not been fully paid, such loan must be reported in the *approved insurer's* second quarter Exhibit D as having missed 2 payments, reflected in the category "2-3 *missed monthly payments*, no claim filed" in the "Delinquent Loans" tab."

"6) Quarterly Portfolio Loan Level Dataset (Exhibit F). For purposes of reporting *missed monthly payments* in Exhibit F, the *approved insurer* must reflect all scheduled borrower payments not reported as paid in the loan activity reports it receives from servicers by the last day of the last month of the reporting quarter. For example, if servicer loan activity reports received by the *approved insurer* by June 30 show that a loan was current through the April 1 payment, all prior scheduled payments were paid timely, but that the May 1 and June 1 scheduled payments had not been fully paid, such loan must be reported in the *approved insurer's* second quarter Exhibit F as follows:

- Field 63: "6" (60 days past due)
- Field 64: "CCCCCCCCCCC6" (for this example, only reflecting the status of the most recent 12 months)
- Field 65: missed "2" payments
- Field 66: "A" (2-3 *missed monthly payments*)"

Approved insurers are encouraged to apply the Delinquency Reporting clarification set forth in this section immediately but must do so no later than December 31, 2020.

VI. Glossary

The Glossary is amended to add the following defined term:

"Missed Monthly Payment – A loan is considered to have a *missed monthly payment* when the borrower fails to pay all amounts due by the last day of the month in which the payment was due and the *approved insurer* has not received loan activity reporting from the servicer by the last day of the month evidencing the payment was made. For purposes of reporting delinquencies in *PMIERs* Exhibit D and Exhibit F, a loan with one *missed monthly payment* is considered 30 days past due, two *missed monthly payments* is considered 60 days past due, etc. See Section 802 Additional Quarterly Reports and Processes, #3 & #6 for examples."

All references to "*missed monthly payment*" in the *PMIERs* shall have the meaning of this defined term.