



## Payment Deferral and COVID-19 Payment Deferral: Master Servicing Frequently Asked Questions

Feb 21, 2023

**NOTE:** Throughout this document “payment deferral” refers to the 2-month payment deferral program, and “COVID-19 payment deferral” refers to the 18-month payment deferral program.

**NOTE:** Processing month is an additional month to allow servicers sufficient processing time to complete either payment deferral program.

### General FAQ

#### **Q1: Is payment deferral and COVID-19 payment deferral a one-time offering for eligible borrowers?**

Effective Feb. 10, 2021, Fannie Mae has updated eligibility criteria to eliminate the limit of one COVID-19 payment deferral and instead limit the COVID-19 payment deferral to a cumulative deferral of up to 18 months of past-due principal and interest (P&I) payments.

#### **Q2: Can loans in pools be qualified for the payment deferral and/or COVID-19 payment deferral programs?**

Loans in pools are in scope for the payment deferral and the COVID-19 payment deferral plans. The loans must not be reclassified, these programs allow the loans to remain in pools.

#### **Q3: How will payment deferral and COVID-19 payment deferral be identified in LSDU?**

In the Delinquency Modification Data section of LSDU, the Mod Program Type will show “Payment Deferral No Reclass Program” for payment deferrals and “Payment Deferral No Reclass Program 1 to 12 months” for COVID-19 payment deferrals.

#### **Q4: How will servicers know that a payment deferral has been successfully updated in Fannie Mae’s Servicing and Investor Reporting System?**

LSDU - Servicers can view the Transaction Tab under View Loan History of a loan’s detail in LSDU. The servicer can click the hyperlink “Delinquency Modification” to determine the UPB and LPI date updated on Fannie Mae's Servicing and Investor Reporting system.

FM Connect – Servicers can view the Del Mod Transaction Status column of The Delinquency Modification and Payment Deferral Closed report. This column will state “completed” if the payment deferral has successfully updated in Fannie Mae’s Servicing and Investor Reporting System.

#### **Q5: How is a servicer notified if a payment deferral has not successfully updated in Fannie Mae’s Investor Reporting System?**

FM Connect - The Delinquency Modification and Payment Deferral Failed Business Rules report is used to identify corrections needed for delinquency modifications and payment deferrals not updated by Fannie Mae's Servicing and Investor Reporting (SIR) system due to failed business rules.

#### **Q6: Do servicers need to send in a reclassification request before evaluating the loan for either payment deferral program?**



No. The servicer must not make a manual reclassification request for mortgage loans subject to a payment deferral. In addition, MBS mortgage loans subject to a payment deferral will not be scheduled for automatic reclassification as described in Servicing Guide section A1-3-06, Automatic Reclassification of MBS Mortgage Loans. Both payment deferral workout options allow loans to remain in pools.

**Q7: Are servicers required to report delinquency status information to Fannie Mae for loans subject to either payment deferral program? If yes, what delinquency status code should be used?**

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*.

Unlike Fannie Mae's other workout options, payment deferral does not have a unique workout option delinquency status code. As a result, in the month the payment deferral is completed and the mortgage loan is reflected as current in Fannie Mae's investor reporting system, if no other delinquency status code is applicable to a mortgage loan subject to a COVID-19 payment deferral, the servicer is not required to report delinquency status information to Fannie Mae.

As a reminder, in accordance with LL-2021-02, Impact of COVID-19 on Servicing, the servicer must report reason for delinquency code 022, Energy- Environment Costs, when reporting the delinquency status of such mortgage loans to Fannie Mae.

**Q8: Are servicers required to report a reason for delinquency code to Fannie Mae for loans subject to either payment deferral program? If yes, what reason for delinquency code should be used?**

Yes - the servicer must report reason for delinquency code 022, Energy- Environment Costs, when reporting the delinquency status of such mortgage loans to us.

**Q9: How will loans in payment deferral plans be excluded from reclassification?**

Servicers must continue delinquency reporting in accordance with the Servicing Guide Section F-1-22, Reporting a Delinquent Mortgage Loan via Fannie Mae's Servicing Solutions System in order to be excluded from reclass and remain Scheduled/Scheduled MBS.

**Q10: When does a payment deferral become effective once a case is closed in SMDU?**

The payment deferral payment effective date must be the month following the evaluation (processing month, if applicable).

**Q11: What happens if the borrower defaults after a payment deferral?**

As a reminder, servicers must inform the borrower that the payments which are the subject of a forbearance plan have only been delayed or reduced, not forgiven. Once the forbearance plan is complete, borrower must be evaluated for next steps.

For additional information please see "Evaluating the borrower for a payment deferral or mortgage loan modification after a forbearance plan" section of [Lender letter \(LL-2020-02\)](#) and "Default after completing a COVID-19 payment deferral" section of [Lender Letter \(LL-2020-07\)](#).

**Q12: Can servicers cancel a closed or completed payment deferral case in SMDU, then resubmit a payment deferral in the same day?**

No - The servicer must reach out to the loss mitigation team at [loss\\_mitigation@fanniemae.com](mailto:loss_mitigation@fanniemae.com) to request the cancellation. Once the payment deferral is cancelled, wait 24 hours to resubmit the new payment deferral.

**Q13: How will a servicer confirm the payment deferral has been cancelled?**



LSDU - Servicers can view the Transaction Tab under View Loan History of a loan’s detail in LSDU to confirm if a payment deferral cancellation has been processed in Fannie Mae’s Investor Reporting System (SIR). The servicer can click the hyperlink “Delinquency Mod Cancellation” to determine the UPB and LPI date updated on Fannie Mae’s Servicing and Investor Reporting.

FM Connect - The Delinquency Modification and Payment Deferral Cancellations report can be used to identify cancellations in Fannie Mae’s Servicing and Investor Reporting (SIR) system for servicer’s portfolio during the previous day’s activity.

**Q14: In cases where a borrower has multiple payment deferrals, are cancellations required to be submitted in a specific order?**

Yes - The payment deferrals must be cancelled in chronological order beginning with the most recent and ending with the oldest.

**Q15: After receiving a COVID-19 payment deferral, can the borrower make additional principal payments (principal curtailment) to lower or pay off the non-interest-bearing forbearance balance prior to paying off the interest-bearing UPB (unpaid principal balance)?**

**No** - If a principal curtailment being applied is **less than** the interest-bearing UPB, the servicer must apply the principal curtailment to the interest-bearing UPB. It is beneficial to the borrower to reduce the interest-bearing balance.

**Yes** - If the principal curtailment is **greater than or equal to** the interest-bearing UPB, then the servicer must apply the principal curtailment in the following order:

1. to the non-interest - bearing forbearance balance, if any; and
2. to the interest-bearing UPB.

*Email [etm\\_delmods@fanniemae.com](mailto:etm_delmods@fanniemae.com) to process the curtailment in the Investor Reporting (SIR) system. The request must include:*

- Servicer Number
- Fannie Mae Loan Number
- Amount of Curtailment
- Date funds will be remitted/drafted
- Actual UPB.

Payoff of the deferred non - interest bearing (forbearance) balance prior to payoff of the interest-bearing UPB is prohibited once a payment deferral has been completed.

See *Servicing Guide C-1.2-01*, Processing Additional Principal Payments and Lender Letter LL-2020-07, COVID-19 Payment Deferral for additional information.

**Q16: Will the completion of a payment deferral impact a borrower’s ability to originate a new loan?**

If a borrower’s outstanding payments were resolved through a payment deferral, the borrower must have made three consecutive monthly payments after the completion of a 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.

**Q17: How can I identify / distinguish between payment deferral types?**

The campaign ID on HomeSaver Solutions Network (HSSN) report on FM Connect can be used to identify the payment deferral type. The below chart provides the Campaign Name and Campaign ID with the referenced Lender Letter for additional information.

Lender Letter	Campaign Name	Campaign ID
Payment Deferral (LL-2020-05)	SMDU Payment Deferral	MODNRC20200001



Payment Deferral (LL-2020-05)	SMDU Payment Deferral - Non Delegated	MODNRC20200002
Payment Deferral (LL-2020-05)	Payment Deferral	MODNRC20200003
Payment Deferral (LL-2020-05)	Payment Deferral - Non Delegated	MODNRC20200004
COVID-19 Payment Deferral (LL-2020-07)	SMDU COVID-19 Payment Deferral	MODNRD20200001
COVID-19 Payment Deferral (LL-2020-07)	SMDU COVID-19 Payment Deferral - Non Delegated	MODNRD20200002
COVID-19 Payment Deferral (LL-2020-07)	COVID-19 Payment Deferral	MODNRD20200003
COVID-19 Payment Deferral (LL-2020-07)	COVID-19 Payment Deferral - Non Delegated	MODNRD20200004
Disaster Payment Deferral (LL-2020-11)	SMDU Disaster Payment Deferral	MODNRC20200005
Disaster Payment Deferral (LL-2020-11)	SMDU Disaster Payment Deferral - Non Delegated	MODNRC20200006
Disaster Payment Deferral (LL-2020-11)	Disaster Payment Deferral	MODNRC20200007
Disaster Payment Deferral (LL-2020-11)	Disaster Payment Deferral - Non Delegated	MODNRC20200008

**NOTE:** COVID-19 cumulative 18-month payment deferral program will utilize existing COVID-19 Payment Deferral Campaign Name and Campaign ID

## Reporting a Mortgage Loan Eligible for a payment deferral or COVID-19 payment deferral

### Q18: When do servicers need to report a payment LAR to close the case in SMDU in the evaluation month (processing month, if applicable)?

(Payment deferral) A: Servicer must report a LAR with the borrower’s full monthly contractual payment due in the month of evaluation (or in the processing month, if applicable) at least one business day prior to completing a payment deferral in SMDU.

(COVID-19 payment deferral) A: Servicer must report a LAR in the month of evaluation (or in the processing month, if applicable) at least one business day prior to completing a COVID-19 payment deferral in SMDU.

**NOTE:** Where the mortgage loan is 18 months delinquent as of the date of evaluation and the servicer has chosen to use a processing month, Servicer must report a LAR with LPI and UPB movement reflecting the “pre-COVID-19 payment deferral” activity. The payment LAR must be reported at least one business day prior to the last day of the calendar month.

### Q19: What happens when servicers don’t report a payment LAR with UPB and LPI movement in the evaluation month (processing month, if applicable)?



(Payment deferral) A: Servicers must report a payment LAR with the borrower’s full monthly contractual payment due in the month of evaluation (or due in the processing month, if applicable) at least one business day prior to completing a payment deferral in SMDU. Failure to do so can result in non-processing of payment deferral in the evaluation/ processing month.

(COVID-19 payment deferral) A: Reporting a payment LAR with LPI and UPB movement is only required if the mortgage loan is 18 months delinquent as of the date of evaluation and the servicer has chosen to use a processing month.

## Reporting a Mortgage Loan After a payment deferral or COVID-19 payment deferral

### Q20: What must be reported in the “Actual UPB” field in the reporting month following the acceptance of payment deferral or COVID-19 payment deferral?

The servicer must report the mortgage loan’s

- net UPB (gross UPB minus the principal portion of the payment deferral amount or COVID-19 payment deferral amount) in the “Actual UPB” field on the LAR if there is no LPI movement; or
- amortized UPB based on the net UPB minus the principal portion of the payment deferral amount or COVID-19 payment deferral amount) in the “Actual UPB” field on the LAR if there is LPI movement.

### Q21: What is included in the deferred amount?

(Payment deferral) A: The deferred amount of a payment deferral plan includes up to two months of delinquent principal and interest payments on a loan.

(COVID-19 payment deferral) A: The deferred payments of a COVID-19 payment deferral plan include up to 18 months of past-due principal and interest (P&I) payments; out-of-pocket escrow advances paid to third parties; and servicing advances paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by state laws.

### Q22: How should the deferred payments (forbearance) be reported on a payment LAR when a loan in a payment deferral program matures, pays off or gets repurchased?

(Payment deferral) A: the servicer must include the principal forbearance amount when reporting the principal remittance amount.

**NOTE:** Principal forbearance reported on the liquidation LAR consists of the deferred principal amount, the gross interest amount, and any prior principal forbearance on the mortgage loan. Attempting to report a payoff or a repurchase without including the principal forbearance amount will generate an exception (hard reject) upon submission of the LAR.

(COVID-19 payment deferral) A: the servicer must include the principal forbearance amount when reporting the principal remittance amount.

**NOTE:** Principal forbearance reported on the liquidation LAR consists of the deferred principal amount, the gross interest amount, escrow advances, servicing advances, and any prior principal forbearance on the mortgage loan. Attempting to report a payoff or a repurchase without including the principal forbearance amount will generate an exception (hard reject) upon submission of the LAR.

### Q23: Can servicers submit a payment LAR once a payment deferral is updated in in the current reporting month?

Yes, the servicer can report a payment LAR once a payment deferral has been processed if there was no movement in LPI within the current reporting month.



No, the servicer cannot report a payment LAR if there was movement in LPI within the current reporting month. The first payment LAR that Fannie Mae will accept after the payment deferral will be in the next reporting month.

## Delinquency Modification Reports

### Q24: What reports will be used for payment deferrals and how will they be identified on the reports?

Report Name	Usage	Payment Deferral Identification	COVID-19 Payment Deferral Identification
<b><i>Delinquency Modification and Payment Deferral Closed Report</i></b>	This report contains modifications and payment deferrals that successfully closed in Fannie Mae's Servicing Solution System and bridged over to Fannie Mae's Servicing and Investor Reporting (SIR) system for the specified month.	Payment Deferral No Reclass Program (Del Mod Program)	Payment Deferral No Reclass Program 1 to 12 months
<b><i>Delinquency Modification and Payment Deferral Cancellations</i></b>	This report contains modifications and payment deferrals that cancelled in Fannie Mae's Servicing Solution System requiring case cancellations in Fannie Mae's Servicing and Investor Reporting (SIR) system for servicer's portfolio.	Program type not identified	Program type not identified
<b><i>Delinquency Modification and Payment Deferral Failed Business Rules</i></b>	This report is used to identify corrections needed for delinquency modifications and payment deferrals not updated by Fannie Mae's Servicing and Investor Reporting (SIR) system due to failed business rules.	Del Mod Program = PDP2	Del Mod Program = "PDP12"
<b><i>S/S Delinquency Modification and Payment Deferral P&amp;I Reimbursement Report</i></b>	This report notifies servicers of reimbursed delinquent P&I advances for delinquency modifications and payment deferrals as well as funds that will be drafted from the servicer's account when a transaction is cancelled.	Program type not identified	Program type not identified

## Reimbursement /Drafting Instructions

### Q25: When would servicers be reimbursed for advanced principal and interest?

Servicer P&I advances will be reimbursed within 3-4 business days after a COVID-19 payment deferral has been accepted in Fannie Mae's investor reporting system.

### Q26: What would happen if a servicer is reimbursed P&I for a payment deferral program and then cancels the case?

The current modification cancellation process will be followed to cancel the payment deferral and create a servicer draft to recoup the previously reimbursed P&I advanced funds.

### Q27: How will servicers receive reimbursement for P&I advanced on S/S payment deferrals?

The existing S/S delinquency advance reimbursement process will be leveraged to reimburse servicers.



### **Q28: How will servicers be notified of delinquent P&I advances to be received?**

FM Connect - The DLRS Disbursement Notification report allows servicers to view the dollar amounts they will be reimbursed for the delinquent advanced principal and interest. To access loan level details, select the SS Delinquency and Payment Deferral P&I ADVANCE Reimbursement Report in the Loan Servicing Section of the FM Connect Report Center.

### **Q29: How will servicers be notified of reimbursable servicing fees, guaranty fees, and excess servicing fees (if applicable) upon completing a Payment Deferral in Fannie Mae's Investor Reporting system?**

Effective September 2021 loan activity reporting, Fannie Mae will notify the servicer of the reimbursable amounts via the Fannie Mae Connect DARTS Delinquency Modification and Payment Deferral Closed Report and LSDU's Loan Data Search via two new attributes:

- Payment Deferral Gross Servicing Fee Payable
- Payment Deferral Guaranty Fee Payable

### **Q30: Will Fannie Mae pay a SFee (servicing fee) on loans with a payment deferral?**

Fannie Mae will pay servicing fee on loans with a payment deferral plan at payoff or maturity. Under payment deferral, the interest portion of the forbearance (1-18 months of deferred P&I) is calculated at the gross note rate, not pass through rate. Therefore, the gross forbearance drafted at payoff or maturity will include servicing fee for the deferred payments. With regard to mortgage loans for which the payment deferral remains in effect, Fannie Mae will reimburse servicers for the servicing fee portion of the deferred principal that was drafted.

### **Q31: Will Fannie Mae collect a GFee (guaranty fee) on loans in payment deferral?**

Yes, Fannie Mae will collect a guaranty fee for SS SWAP loans each month. Under payment deferral, the interest portion of the forbearance (1-18 months of deferred P&I) is calculated at the gross note rate, not pass through rate. Therefore, the gross forbearance drafted at payoff or maturity will also include guaranty fee for the deferred payments. With regard to mortgage loans for which the payment deferral remains in effect, Fannie Mae will reimburse servicers for the guaranty fee drafted at payoff or maturity, since guaranty fee was already drafted each month.

### **Q32: At the time a Payment Deferral mortgage loan matures or is paid-in-full, how will Fannie Mae provide the reimbursement amounts for servicing fees, guaranty fees, and excess servicing fees (if applicable)?**

Scheduled/scheduled and scheduled/ actual loans - Fannie Mae will provide reimbursement through two adjustment types Payment Deferral Servicer Reimbursement Guaranty Fee Amount and Payment Deferral Servicer Reimbursement Gross Servicing Fee Amount. The total adjustment is netted against the Principal Amount Due and the net draft amount will be adjusted accordingly.

Actual/actual loans - Fannie Mae will provide a shortage/surplus adjustment through existing adjustment types (System from Clearing and System to Clearing).

### **Q33: Where will servicer see reimbursement adjustment amounts.**

Scheduled/scheduled and scheduled/ actual loans - These amounts will be available in LSDU Cash Position Adjustment Detail Downloads and Remittance Detail – Cash Adjustments Report on B2B. The total adjustment is netted against the Principal Amount Due and the net draft amount will be provided in Draft Amount Details Download on LSDU and in Remittance Detail – Principal & Interest Report on Fannie Mae Connect and B2B.

Actual/actual loans - These amounts will be available in LSDU Cash Position Adjustment Detail Download and on Fannie Mae Connect - Current Cycle Shortage/Surplus Adjustment report. The adjustment is applied against outstanding shortage/surplus balance.



**Q34: What is the timing and method Fannie Mae will use to reimburse servicers for drafted servicing fee and guaranty fee?**

Fannie Mae will make cash/draft adjustments to reimburse servicers for servicing fee and guaranty fee. Existing reports in Fannie Mae Connect and LSDU will reflect these cash/draft adjustments. The following table provides additional details related to servicing fee, excess servicing fee and guaranty fee reimbursement adjustments:

Remittance Type	Reimbursement Timing	Reimbursement Adjustment Type	Reports
S/S SWAP	Current Cycle	<ul style="list-style-type: none"> <li>Payment Deferral Servicer Reimbursement Guaranty Fee Amount</li> <li>Payment Deferral Servicer Reimbursement Gross Servicing Fee Amount</li> </ul>	<ul style="list-style-type: none"> <li>LSDU – Cash Position Search /Adjustment Details Download</li> <li>B2B - Remittance Detail Cash Adjustments file</li> <li>B2B - Remittance Detail Principal and Interest Report</li> <li>Fannie Mae Connect - Remittance Detail Principal and Interest Report</li> </ul>
S/S MRS (Cash & PFP) & S/A	S/S MRS - Current Cycle (CD18) S/A Current Cycle (CD20)	<ul style="list-style-type: none"> <li>Payment Deferral Servicer Reimbursement Guaranty Fee Amount</li> <li>Payment Deferral Servicer Reimbursement Gross Servicing Fee Amount</li> </ul>	<ul style="list-style-type: none"> <li>LSDU – Cash Position Search/ Adjustment Details Download</li> <li>B2B - Remittance Detail Cash Adjustments file</li> <li>B2B - Remittance Detail Principal and Interest Report</li> <li>Fannie Mae Connect - Remittance Detail Principal and Interest Report</li> </ul>
A/A	Current Cycle via Shortage/Surplus Adjustment (SSA)	<ul style="list-style-type: none"> <li>System from Clearing (Reimbursement)</li> <li>System to Clearing (Draft)</li> </ul>	<ul style="list-style-type: none"> <li>LSDU - Cash Position Search/ Adjustment Details Download</li> <li>Fannie Mae Connect - Current Cycle Shortage/Surplus Adjustment Report</li> </ul>

**NOTE:** The adjustments above will be performed at loan level for loans reported as paid-off or repurchased (action codes 60, 65 & 67). Loans reported with action code 70, 71 & 72, servicer should continue to follow the existing process

**Q35: Will an MBS servicer need to submit 1072 (Authorization for Automatic Transfer of Funds) in order to receive reimbursements and for Fannie Mae to draft reimbursements?**

No.

**Reimbursement /Drafting Instructions for loans delivered with SFC 919**

**NOTE:** SFC 919 S/S loans delivered delinquent and subsequently had Payment Deferral processed which includes the first delinquent payment in the payment deferral amount.

**Q36: Should servicers include the borrower first delinquent payment in the deferred amount at the time of payment deferral submission on S/S loans delivered delinquent at delivery with SFC 919 to Fannie Mae’s Servicing Solutions System?**

Yes.





**Q37: For loans delivered with SFC 919, will servicers be compensated for delinquent payment(s) not purchased at acquisition by Fannie Mae?**

1. The delinquent principal portion not purchased will be included in the automated P&I reimbursement that generally happens within 3 business days of successful processing the Payment Deferral in Fannie Mae’s Investor Reporting system.
2. The delinquent interest portion not purchased will be adjusted manually and email notification will be sent to impacted servicers.

Remittance Type	Reimbursement Adjustment Type	Timing	Example	Reports
S/S SWAP	9-Digit Servicer Level Draft Adjustment	Next Cycle	Loan with payment deferral processed in month will receive interest reimbursement by 18 <sup>th</sup> of subsequent month	MBS P&I Draft Notifications (Delinquent interest draft adjustment) Email notification with loan list to impacted by servicers
S/S MRS (Cash & PFP) & S/A	Loan Level Principal & Interest Adjustment	Next Cycle	Loan with payment deferral processed in the month will receive interest reimbursement by BD2 of subsequent month	LSDU Cash Adjustment Detail B2B Remittance Detail Cash Adjustments file Email notification with loan list to impacted by servicers

**Q38: What would happen if a servicer is compensated for the delinquent payment(s) included in the deferred amount for a payment deferral program and then cancels the case?**

The delinquent interest purchased will be adjusted manually via draft adjustment or Loan Cash Adjustment to recoup the previously compensated interest amount and email notification will be sent to impacted servicers.

**Q39: For loans delivered with SFC 919 and subject to payment deferral, can the payment deferral be submitted as delegated to Fannie Mae’s Servicing Solutions System?**

No, loans delivered with SFC 919 and remaining delinquent at time of payment deferral must be submitted as non-delegated

**Additional Information**

**Q40: Where can servicers find training related to the payment deferral programs?**

Servicers can review the [COVID-19 Payment deferral Webinar](#)

**Q41: Where can servicers find additional FAQs for servicing loans affected by COVID-19?**

Please visit the [COVID FAQs](#) on fanniemae.com

**removeQ39: Where can servicers find Servicing Announcements and Lender Letters related to payment deferral programs?**

Please visit [Servicing Policy Communications](#) on fanniemae.com