

# COVID-19 payment deferral: Escrow Account common inquiries

With the introduction of the new COVID-19 payment deferral, we want to assist you in working through this option with your customers. Here are the most common customer inquiries that we have received. Remember, we're here to help.

**Q:** What is the difference between an escrow shortage and an escrow advance?

**A:** An escrow shortage occurs when a borrower's current escrow balance falls short of the target balance of funds anticipated as sufficient to pay real estate taxes, insurance premiums (including flood insurance), or other charges at the time of escrow analysis. An escrow advance represents the additional funds paid on behalf of the borrower by the servicer when there are insufficient funds in the escrow account to satisfy the entire payment of an escrow account item that has come due.

**Q:** Which escrow amount do servicers include in the deferred balance for COVID-19 payment deferral?

**A:** Out-of-pocket escrow advances paid to third parties prior to the effective date of the payment deferral, must be deferred as a non-interest bearing balance, due and payable at maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB. Missed escrow payments included in the standard monthly payment, but not being made while the borrower is on a forbearance plan, would not be included in the deferred balance.

**Q:** What can be provided to assist borrowers moving from a forbearance to a COVID-19 payment deferral who are experiencing increases in the escrow portion of their payment?

**A:** While the P&I portion of the payment remains the same as prior to the COVID-19 hardship, advances for taxes and insurances or shortages in the escrow account may cause an increase in the escrow portion of the monthly mortgage payment. This impact can be minimized by spreading repayment of the escrow shortage for up to 5 years (60 months). An escrow analysis can be performed at the time of processing a COVID-19 payment deferral, however it is not required.

Please see **B-1-01: Administering an Escrow Account and Paying Expenses** and Lender Letter **LL-2020-07 COVID-19 Payment Deferral** for additional details.

## More information

Have more questions related to the payment deferral? Click here to review the **payment deferral matrix** or get more **COVID-19 information for servicers**.

## Questions?

Contact your Fannie Mae representative or the Fannie Mae Servicer Support Center at 800-2FANNIE.

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**Q:** Will servicers receive reimbursement for out of pocket escrow advances?

**A:** Yes. Fannie Mae will reimburse the servicer for real estate taxes and insurance premiums it advances to protect Fannie Mae's interests when there are insufficient funds in the escrow account to cover payments (or for a non-escrowed mortgage loan). Such escrow advances are reimbursable even if the expenses were advanced prior to the mortgage loan becoming delinquent. Servicers must submit their request for expense reimbursement for expenses advanced within 60 days of the completion of the COVID-19 payment deferral. Please see [E-5-01, Requesting Reimbursement for Expenses](#) for additional details.

**Q:** Can the borrower pay the outstanding escrow advance to prevent inclusion in the deferred balance of the COVID-19 payment deferral?

**A:** No. Outstanding escrow advance amounts must be deferred as a non-interest bearing balance, due and payable at maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB.

**Q:** Are servicers required to revoke an escrow waiver if the borrower qualifies for the COVID-19 payment deferral?

**A:** No. Servicers are not required to revoke any escrow deposit account waiver. If the servicer was not collecting escrow on the existing mortgage, the borrower is not required to establish an escrow deposit account as a condition of the COVID-19 payment deferral unless otherwise required by applicable law, or the servicer confirms the real estate taxes, insurance premiums, or other related charges have not been paid and are past due.

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