Fannie Mae

Financial Hardship **Messaging Playbook**

For Servicers

Key messages and resources to prepare servicers to engage with customers experiencing financial hardship

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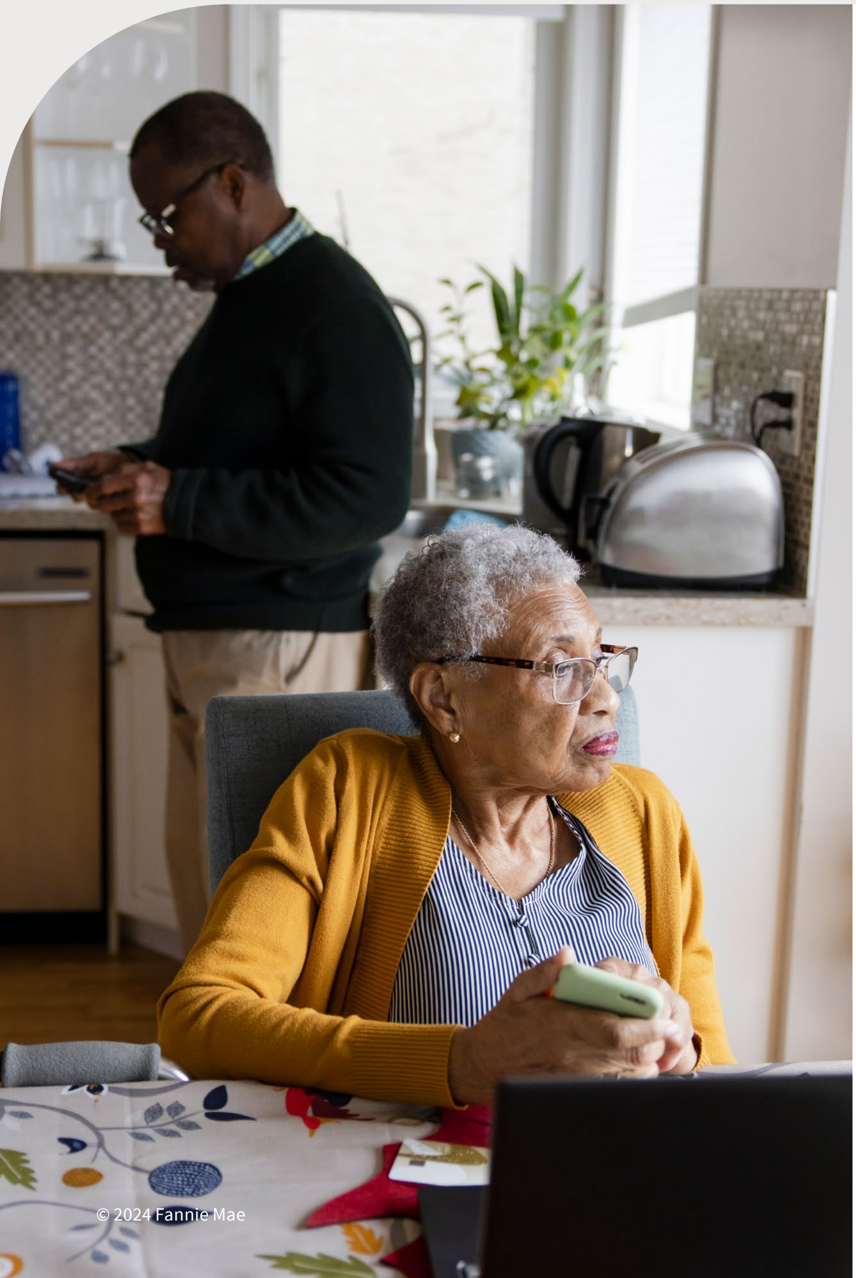


Introduction

Fannie Mae's mission is to facilitate equitable and sustainable access to homeownership and quality, affordable rental housing across America.

We also help our Single-Family partners support their customers in managing through unexpected financial challenges during homeownership. This messaging playbook may help guide your engagement with delinquent borrowers to either help them stay in their home or exit their home gracefully. Whether you're new to servicing or could benefit from a refresh, this playbook will help you navigate discussions with borrowers who are experiencing financial hardship.

Forbearance

An option for borrowers experiencing a temporary financial hardship

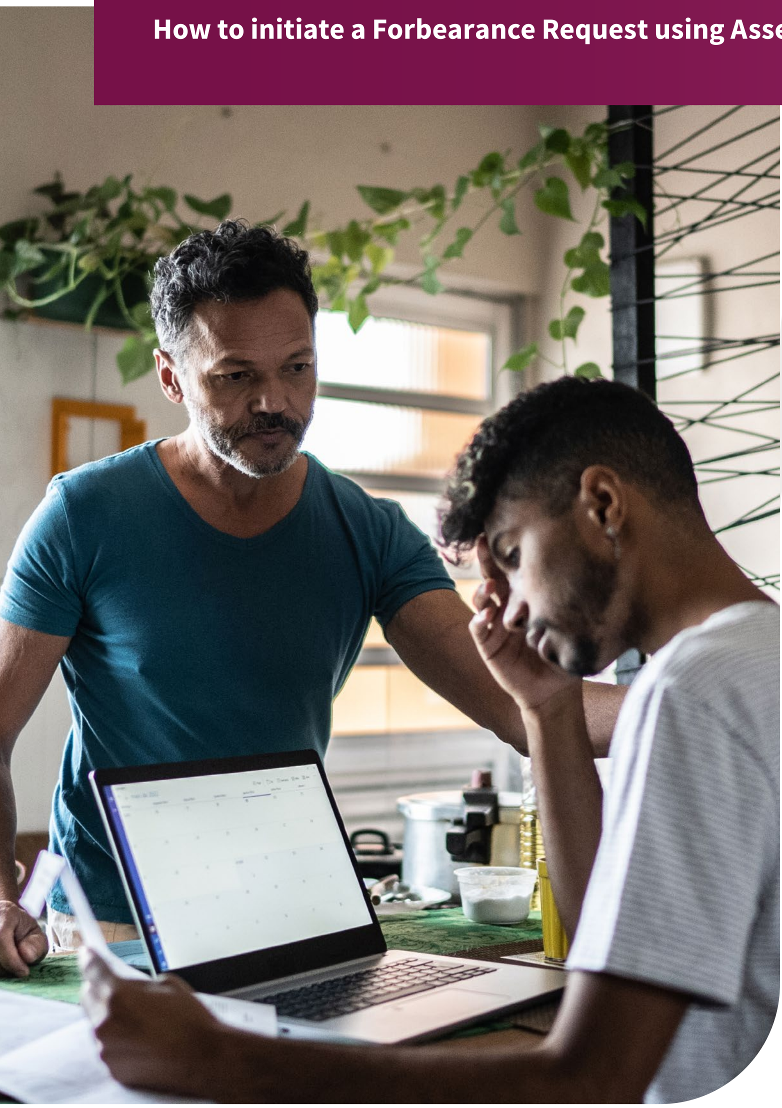
With rising inflation and other economic factors, some borrowers may experience a temporary financial hardship that impacts their ability to pay their mortgage. Examples of temporary hardship include unemployment, reduction in regular work hours, or illness of a borrower/co-borrower or dependent family member. This may be a difficult and emotional time for borrowers as they try to manage their options. Approach the conversation with empathy and understanding.

When interacting with impacted borrowers, consider a forbearance plan. A forbearance plan is an agreement between the mortgage servicer and the borrower to pause or reduce monthly mortgage payments for a certain period, allowing borrowers to resolve their short-term hardship.

Servicing Guide, **D2-3.2-01: Forbearance Plan (10/11/2023)** (Eligibility requirements, forbearance plan terms, requirements for contacting the borrower)

Additional resource

How to initiate a Forbearance Request using Asset Management Network (Job aid)



Key messages to borrowers

- A forbearance plan can help you deal with a temporary hardship by reducing or suspending your mortgage payment for a brief period of time; for example, pausing payments for a 3- or 6-month period while you regain your financial footing.
- There will be no additional fees or penalties added to your account during the forbearance period.
- A forbearance plan does not mean your payments are forgiven. You're required to pay back the missed payments eventually, but you won't have to repay the full amount all at once after your forbearance plan ends unless you are able to do so.

After forbearance

Repayment options after a resolved hardship

Once the forbearance plan ends, the borrower is required to pay back all reduced or suspended payments. Borrowers with a resolved hardship who are exiting a forbearance plan or otherwise resolving a delinquency have options for repayment. If the borrower would like to remain in their home, discuss the following options.

Servicing Guide, **F-2-10: Fannie Mae's Workout Hierarchy**

Reinstatement

If the borrower is able to resume making their regular monthly payments following a period of delinquency or forbearance plan, and can repay the missed amounts all at once, the mortgage can be reinstated.

Repayment plan

If the borrower can afford to resume the regular payment plus an additional amount each month, they can receive a repayment plan. They make their repayments along with their regular mortgage payment on a monthly basis until the loan is brought current.

Servicing Guide, **D2-3.2-02: Repayment Plan**

Payment deferral

A payment deferral adds missed principal and interest payments, out-of-pocket escrow advances, and servicing advances to the end of the mortgage loan term as a non-interest-bearing balance. The balance is due at the maturity date or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing balance of the loan. Upon completing the payment deferral, the borrower continues paying their regular monthly mortgage payment in accordance with the loan terms.

Servicing Guide, **D2-3.2-04: Payment Deferral**

Loan modification

Borrowers may be able to modify their original mortgage terms to lower the monthly principal and interest payment , if they are experiencing a permanent or long-term hardship. A loan modification adds eligible past-due amounts including accrued interest, out-of-pocket escrow advances, and eligible servicing advances to the mortgage loan balance and extends the loan term to 40 years. The modification may include an interest rate reduction, and a portion of the loan balance may be deferred as a non-interest bearing balance.

Servicing Guide, **D2-3.2-06: Fannie Mae Flex Modification**

Borrowers with a resolved hardship who are exiting a forbearance plan or otherwise resolving a delinquency have options for repayment.

Key messages to borrowers

- You have options to repay your forbearance amount.
- The amount you owe includes the missed payments and escrow (if applicable), and any other delinquency-related amounts (if applicable). If you were on a forbearance plan, you were not charged any penalties or late fees during the forbearance plan.

Option 1 – Reinstatement:

Are you able to resume making your monthly payment and also repay the missed payments right away?

- If **yes**, let's talk about reinstating your loan. We can offer you a full reinstatement of your loan, meaning you pay any missed payments and escrow (if applicable) and any other delinquency-related amounts that you owe (if applicable) to bring your mortgage loan to a current status and you can move on with your regular monthly payments.
- If **no**, we can discuss other options that may be more affordable for you.

Option 2 – Repayment Plan:

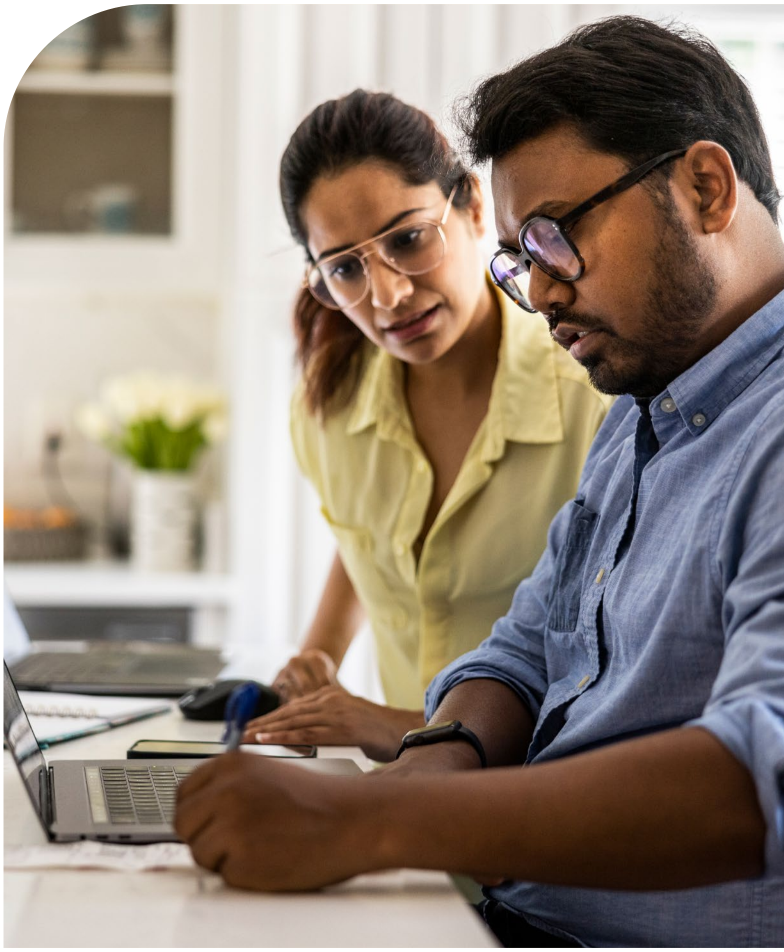
Would you be able to resume your monthly payment while also paying a little more each month to repay the missed payments?

- If **yes**, we can set up a repayment plan that will allow you to bring your mortgage current without having to repay the missed payments all at once. This option will let you repay the missed payments and escrow (if applicable) and any other delinquency related amounts that you owe (if applicable) gradually by making additional monthly payments along with your regular monthly mortgage payments. With the repayment plan, we'll spread the repayment of these amounts over a period of time.
- If **no**, we can discuss other options that may be more affordable for you.

Option 3 – Payment Deferral:

Are you able to continue making the same monthly principal and interest payment you were making before your temporary financial hardship?

- If **yes**, a payment deferral plan allows you to bring your mortgage current by deferring your missed principal and interest payments, out-of-pocket escrow advances, and servicing advances to end of your loan term. This option keeps the principal and interest portion of your monthly mortgage payment the same.
- If **no**, perhaps a loan modification is an option for you.



Option 4 – Loan Modification:

If your regular monthly payment is no longer affordable and you can't catch up on your missed payments, there may still be options to help you. Borrowers with long-term hardships may qualify for a loan modification; would you like to learn more about a loan modification?

- If **yes**, a loan modification might be a good option given your situation. Modifying the terms of your current mortgage loan could lower your monthly mortgage payment to a more affordable amount.
  - With a loan modification, your past-due amounts are added to your loan balance, and the term of your loan will be extended to 40 years (or 480 months) from the date the modification becomes effective.
  - By modifying your mortgage loan, your payment may be reduced. This will give you more of a cushion and create more affordability over the life of the loan. And, if your income situation allows, you can pay extra towards the payments to pay off your loan earlier.
  - Although a loan modification targets a payment reduction, you should also know that you may pay more total interest on the loan because you will be obligated to make payments for a longer period of time (40 years), unless you refinance or pay off the loan sooner.
  - Additionally, a loan modification requires a trial period plan of three months (4 months if you are current on your mortgage loan) to make sure you can successfully manage the new monthly mortgage payment. You will be required to sign and return a loan modification agreement before the loan modification can become effective.
- If **no**, let's discuss your options to move out of your home and relieve the burden of the mortgage.

Additional resource

For a detailed discussion guide, refer to the **Servicer Script for Borrowers with a Resolved Hardship** (Fannie Mae Connect™ credentials required.)

Avoid foreclosure

Options for homeowners who need a graceful exit

Borrowers who are experiencing a permanent or long-term hardship and can no longer afford to make regular monthly mortgage payments may need to leave their home. When staying in their home is no longer an option, servicers can offer options that help borrowers leave the home while avoiding foreclosure, allowing them a graceful exit.

When staying in their home is no longer an option, servicers can offer options that help borrowers leave the home while avoiding foreclosure, allowing them a graceful exit.

Sale with equity

If the home is worth more than the amount owed on the mortgage and other debts secured by the home, the borrower may be able to sell the property and keep the remaining proceeds as equity after the loan is paid off and any other debts secured by the property. Proactively taking action to sell the property can help limit the negative impact to the borrower's credit and/or help preserve available equity.

Short Sale

A short sale is the sale of the home for less than the balance remaining on the mortgage. In a short sale, the borrower sells their property at market value and Fannie Mae agrees to accept the proceeds to satisfy the mortgage debt. Depending on the situation, the borrower may be required to make a financial contribution toward the balance. In some cases, the borrower could receive $7,500 in relocation assistance to use toward moving expenses for new housing or other expenses. However, once the short sale is complete, the borrower is relieved of responsibility for paying any remaining balance.

Servicing Guide, **D2-3.3-01: Fannie Mae Short Sale**

Mortgage Release

Also known as a deed-in-lieu of foreclosure, a Mortgage Release™ allows the borrower to voluntarily transfer ownership of the property to Fannie Mae and be released from any further payments or financial responsibility for the mortgage. Depending on the situation, the borrower may be required to make a financial contribution toward the balance. In some cases, the borrower could receive up to $7,500 in relocation assistance to use toward moving expenses for new housing or other expenses. For a Mortgage Release, the borrower must choose from one of three graceful exit options:

- Immediate move
- A three-month transition period with no rent payments required
- A twelve-month lease at market rent payment

Servicing Guide, **D2-3.3-02: Fannie Mae Mortgage Release (Deed-in-Lieu of Foreclosure)**

Key messages to borrowers

Sale with equity:

- Selling your home may be a good option. It can help you eliminate your mortgage debt and avoid the damaging impact of foreclosure. By selling the property, you are responsible for selecting a real estate agent from your area to list and sell the property or listing for sale by owner.
- It helps to know if you have equity in your home. That's when the market value of your home is greater than your outstanding mortgage balance plus any other debts secured by the home. If you and your real estate agent determine you have equity in the property, selling will allow you to eliminate the balance on your mortgage and possibly receive proceeds if the property sells for more than the balance of your mortgage and any other debts secured by the home. Is selling your home an option?
    - If **yes**, it may be advisable to contact a real estate agent to identify if selling your home will cover the remaining mortgage debt plus any other debts secured by the home.
    - If the equity in your home won't cover the debt secured by the home, a short sale may be an option for you.

Short sale:

- If your property is worth less than the balance owed on your mortgage, you may still be able to sell the property through a short sale, which may include a required contribution. This will give you the opportunity to transition from the property without paying off the balance of the mortgage loan in full.
- Benefits of a short sale include the following:
    - eliminating your mortgage debt in full and receiving a waiver of deficiency, which means you will not be pursued for any outstanding balance on your first mortgage; and
    - you may be eligible for a Fannie Mae qualified loan in as little as 2 years vs. having to wait up to 7 years if you go through foreclosure.
- If you are occupying the property as your primary residence and you are approved for a short sale, you may be eligible to receive relocation assistance of $7,500.
- Are you interested in pursuing a short sale?
    - *If **yes**, the servicer should refer to Servicing Guide, **D2-3.3-01: Fannie Mae Short Sale** for detailed instructions.*
    - If a short sale is not an option, a Mortgage Release may be the best alternative to foreclosure.

Mortgage Release:

- A Mortgage Release, also known as a deed-in-lieu of foreclosure, is where you voluntarily transfer the ownership of the property to the owner of your mortgage. In exchange, you are released from your mortgage loan and payment even though the property may be worth less than you owe. If you are approved for and complete a Mortgage Release, the owner of your mortgage will then take on the responsibility of selling the property.
- If you complete a Mortgage Release, which may include a required contribution, benefits to you will include eliminating your mortgage debt in full and receiving a waiver of deficiency, which means you will not be pursued for any outstanding balance on your first mortgage.

- Other advantages of the Mortgage Release program are:
  - If you are eligible, under the Mortgage Release program we offer three exit options to help support your transition to new housing. These options are:
    - a) Immediate Move – If you do not require additional time to exit the property, we will work with you on an immediate transition out of the property once the final Mortgage Release is approved and executed;
    - b) Three (3) Month Transition Period (NOT AVAILABLE IN NEW YORK) – If you need a short period of time before you can transition into your new housing, you will be eligible to stay in the property for up to 3 months with no rent payment required; or
    - c) Twelve (12) Month Lease at Market Rent (NOT AVAILABLE IN NEW YORK) – If you require a longer transition period, we can evaluate you for the opportunity to lease the property for up to twelve months while you pay a fair market rent. This gives you time to make plans for your next home, start rebuilding your credit and, if you have any children, keep them in their current schools.
  - Also, if you are occupying the property as your primary residence and you are approved for a Mortgage Release, you may be eligible to receive up to $7,500 in relocation assistance, unless receiving relocation assistance from other sources. This will help offset some of your moving expenses and make the transition to new housing easier.
  - you may be eligible for a Fannie Mae qualified loan in as little as 2 years vs. having to wait up to 7 years if you go through foreclosure.
- Are you interested in pursuing a Mortgage Release?
  - *If **yes**, the servicer should refer to Servicing Guide, **D2-3.3-02: Fannie Mae Mortgage Release (Deed-in-Lieu of Foreclosure)** for detailed instructions.*
  - You need to take action as soon as possible. Just walking away from your home and choosing foreclosure can damage your credit. You can refer to **FannieMae.com/GetRelief** to review these options.

Additional resource

For a detailed discussion guide, refer to the **Script for borrowers who need a graceful exit** (Fannie Mae Connect™ credentials required.)

Conclusion

This is likely a difficult and emotional time for borrowers as they try to manage their options. If your customer could benefit from additional resources to understand their options, they can receive free, HUD-approved counseling by calling 1-855HERE2HELP.

If you need additional information, refer to the ***Servicing Guide*** or contact 1-800-2FANNIE.