StoneHill Group

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Agency Updates Related to COVID-19

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May 11, 2020 Updates

Fannie Mae

Verification of Employment

Fannie Mae is temporarily suspending employment validation within the Desktop Underwriter (DU) validation service in response to COVID-19's impact on employment. This update will apply to all new casefiles created in DU on or after May 4, 2020. Because the DU validation service will no longer validate employment, lenders must perform a verbal verification of employment in accordance with Selling Guide B3-3.1-07 (Verbal Verification of Employment) and follow the temporary policies outlined in LL-2020-03.

The DU Underwriting Findings report will issue the standard DU Verbal Verification of Employment (VVOE) message whenever employment information for a borrower is submitted to DU, instead of the DU validation service employment validation message. This update will apply to all new casefiles created in DU on or after May 4, 2020.

VVOE Message Example: Perform and document a verbal verification of employment for each borrower. For all borrowers who are not Self-Employed no more than 10 business days prior to the note date, or Self-Employed within 120 calendar days prior to the note date. Direct verification by a third-party employment verification vendor is acceptable if completed within the same timeframes, and the information is not more than 35 days old (120 days old if self-employed*) as of the note date. If the borrower is in the military, obtain either a Military Leave and Earnings Statement within 31 calendar days prior to the note date or a verification of employment through the Defense Manpower Data Center (https://mla.dmdc.osd.mil/mla/#/home). Lenders also have the option of obtaining the verbal verification of employment after the note date (and prior to delivery of the loan to Fannie Mae), but when using this option must ensure compliance with the Selling Guide

NOTE: **Lenders should reference the Selling Guide and LL-2020-03 flexibilities to satisfy the VVOE requirement message. In accordance with the Selling Guide and LL 2020-03, Employment verification reports provided by third-party vendors are acceptable for verbal employment verification requirements.*

Income and Asset Validation Remain Available

While employment validation is temporarily suspended, lenders will still be able to take advantage of the income and asset validation services. Income validation for a borrower remains dependent on the borrower being employed. Lenders should continue to verify the employment of the borrower as close to closing as possible, and in accordance with the Selling Guide B3-3.1-07. When income or assets are validated, lenders should continue to follow the close-by dates and instructions issued in DU messages. If the lender discovers that the borrower is no longer employed, the associated income can no longer be considered in the qualification of the borrower, and the employment and associated income information should be removed from the 1003 and the casefile should be resubmitted to DU.

The temporary age of documentation changes outlined in the April 18 Release Notes and LL-03-2020 still apply. Please refer to LL-03-2020 to align with recently announced policy updates and follow instructions in the DU messages.

Additions to Lender Letter on May 5, 2020:

Extension of Temporary Policies

We are extending the temporary policies in this Lender Letter to loans with application dates on or before Jun. 30, 2020 from May 17, 2020. Each applicable date has been updated in the remainder of this Lender Letter. All other effective dates remain unchanged.

Unemployment Benefits as Qualifying Income

We are reminding lenders of our current policy in the *Selling Guide* pertaining to the use of unemployment benefits. Per B3-3.1-09, Other Sources of Income, unemployment benefits cannot be used to qualify a borrower unless they are clearly associated with seasonal employment that is reported on the borrower's signed federal income tax returns. We recognize that many unemployed and furloughed individuals are eligible for unemployment benefits under the CARES Act; however, unemployment compensation is short-term in nature and is therefore not a reliable and predictable source of income for borrowers who are not established seasonal workers.

Furloughed Borrowers

The COVID-19 pandemic has resulted in an increase in furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee's position when the furlough period ends. Until furloughed employees actually return to work, they are unable to provide evidence of a stable and reliable flow of employment-related income and are therefore ineligible under our Temporary Leave Income policy in B3-3.1-09, Other Sources of Income.

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Age of Documentation

Effective: Lenders are encouraged to apply these updates to existing loans in process; however, they must be applied to loans with application dates on or after Apr. 14, 2020 through Jun. 30, 2020.

In order to ensure that the most up-to-date information is being considered to support the borrower's ability to repay, we are updating our age of documentation requirements for all loans (existing and new construction) as follows:

- We are modifying age of document requirements from four months (120 days) to two months (60 days) for most income and asset documentation. If an asset account is reported on a quarterly basis, the lender must obtain the most recently issued quarterly statement.

- When the lender receives employment and income verification directly from a third-party employment verification vendor, we are now requiring that the information in the vendor's database be no more than 60 days old as of the note date.
- There are no changes to the age of documentation requirements for military income documented using a Leave and Earnings Statement, Social Security, retirement income, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments, and the lender can continue to apply standard age of document requirements as stated in the *Selling Guide.*
- Due to the federal income tax filing extension granted through Jul. 15, 2020, we are eliminating the following documentation requirements. These normally apply for income types that require copies of federal income tax returns when the mortgage has an application or disbursement date between Apr. 15th and Jul. 15th:
    - a copy of the IRS Form 4868 (*Application for Automatic Extension of Time to File U.S. Individual Tax Return*), and
    - IRS Form 4506-T (*Request for Transcript of Tax Return*) transcript confirming "No Transcript Available" for the 2019 tax year.

All other requirements contained in B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns, continue to apply.

Conversion of Construction-to-Permanent Financing – Single-Closing Transactions

The *Selling Guide* currently allows certain single-closing construction-to-permanent transactions with credit documents dated more than 4 months but no more than 18 months at the time of conversion to permanent financing when certain conditions are met. (See B5-3.1-02, Conversion of Construction-to-Permanent Financing: Single-Closing Transactions). Among those conditions is a requirement that the credit documents are dated within 120 days of the original closing.

Consistent with the age of credit documentation requirements in this Lender Letter, this requirement is being updated to reflect that the income and asset documentation must be dated within 60 days of the original closing. All other conditions related to the age of credit documents contained in B5-3.1-02 continue to apply.

Verification of Self-Employment

Effective: Lenders are encouraged to apply these updates to existing loans in process; however, they must be applied to loans with application dates on or after Apr. 14, 2020 through Jun. 30, 2020.

When a borrower is using self-employment income to qualify, the lender must verify the existence of the borrower's business within 120 calendar days prior to the note date. Due to latency in system updates or recertifications using annual licenses, certifications, or government systems of record, lenders must take additional steps to confirm that the borrower's business is open and operating. The lender must confirm this within 10 business days of the note date (or after closing but prior to delivery).

Below are examples of methods the lender may use to confirm the borrower's business is currently operating:

- evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment);
- evidence of current business receipts within 10 days of the note date (payment for services performed);
- lender certification the business is open and operating (lender confirmed through a phone call or other means); or
- business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

See B3-3.1-07, Verbal Verification of Employment for our existing requirements.

Market-Based Assets

Effective: Lenders are encouraged to apply these updates to existing loans in process; however, they must be applied to loans with application dates on or after Apr. 14, 2020 through Jun. 30, 2020.

Stocks, Stock Options, and Mutual Funds

In light of current market volatility, we are making the following updates when the borrower is using stocks, stock options, or mutual funds for assets:

- When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

See B3-4.3-01, Stocks, Stock Options, Bonds and Mutual Funds for our existing requirements.

Lender Quality Control Requirements

Effective: These temporary flexibilities are effective immediately for all loans in the process of a post-closing quality control (QC) review and all loans selected for a post-closing QC review until Jun. 2020 QC selections.

QC processes are designed to inform organizations of the level of quality risk they are incurring, and are extremely important, especially during times of significant stress. We recognize the unique challenges in the market today related to COVID-19 and will allow temporary post-closing flexibilities related to reverifications and appraisal field reviews.

Reverifications

Any income, employment, and asset reverifications (required by D1-3-02, Lender Post-Closing Quality Control Review of Approval Conditions, Underwriting Decisions, and Documentation) that are typically mailed can be completed verbally or electronically. If a verbal or electronic reverification cannot be completed, the lender can complete the file review without the reverification. However, to take advantage of this flexibility, the lender must:

- internally track all loans that did not have a successful reverification attempt during this time, and
- conduct a special discretionary sample of such mortgages and perform the required reverifications on the sample population upon the expiration of these flexibilities.

As reminders:

- The reporting requirements of D1-3-06, Lender Post-Closing Quality Control Reporting, Record Retention, and Audit, continue to apply with respect to this special discretionary sample(s).
- Lenders are not required to perform post-closing QC reverifications if the loan has employment, income, and/or assets that have been fully validated through the DU validation service and the lender has complied with all DU messages.

Field Review of Appraisals

In lieu of obtaining field reviews on 10% of its random sample (as required by D1-3-04, Lender Post-Closing Quality Control Review of Appraisers and Appraisals) a lender may leverage Collateral Underwriter® and other third-party tools for this 10% sample.

- If the reviewer reaches a different opinion regarding the value of the property through this process, then if possible, the lender may obtain a field review to determine whether the property value can be supported. If a field review of the property is not possible then follow self-report procedures in D1-3-06, Lender Post-Closing Quality Control Reporting, Record Retention, and Audit.
- As a reminder, a desk review by the lender's QC staff is still required on the remaining 90% sample.

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Verbal Verification of Employment

Effective: These temporary flexibilities are effective immediately for all loans in process and remain in place for loans with application dates on or before Jun. 30, 2020.

Many lenders are reporting difficulty in obtaining the verbal verification of employment (VOE) due to disruption to operations of the borrower's employer. We expect lenders to attempt to obtain the verbal VOE in accordance with our existing requirements guidance. However, we will allow the following flexibilities:

- **Written VOE**: The *Selling Guide* permits the lender to obtain a written VOE confirming the borrower's current employment status within the same timeframe as the verbal VOE requirements. An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used in lieu of a verbal VOE. In addition, the lender may obtain the VOE after loan closing, up to the time of loan delivery (though we strongly encourage getting the verbal VOE before the note date).

- **Paystub**: The lender may obtain a year-to-date paystub from the pay period that immediately precedes the note date.
- **Bank statements**: The lender can provide bank statements (or other alternative documentation as permitted by B3-4.2-01, Verification of Deposits and Assets) evidencing the payroll deposit from the pay period that immediately precedes the note date.
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Continuity of Income

Given the current economic climate associated with COVID-19 and its impact on employment and income, we recommend that lenders practice additional due diligence to ensure the most recent information is obtained. Lenders are strongly encouraged to help ensure any disruption to borrowers' employment (or self-employment) and/or income due to COVID-19 is not expected to negatively impact their ability to repay the loan. During these uncertain times, it is our goal to partner with you to help ensure sustainable homeownership for the borrower.

As an example of additional due diligence for a self-employed borrower, lenders are encouraged to attempt to verify that the borrower's business is operational closer to the note date rather than rely on our current Guide requirements (e.g., within 15 days instead of 120 days).

Prefunding QC Reviews

Our prefunding review requirements in D1-2-01, Lender Prefunding Quality Control Review Process, already provide a great deal of flexibility to lenders regarding both sample size and scope of review (full file or component review). We do not dictate a certain review percentage but leave that to each lender based on its unique quality situation. In addition, reverifications are not required in the prefunding space. Accordingly, we are not changing any prefunding QC requirements at this time.

Freddie Mac

Extension of Temporary Changes from Previous Bulletins

We are extending the temporary requirements and flexibilities that were effective for Mortgages with Application Received Dates through May 17, 2020 to Mortgages with Application Received Dates through June 30, 2020 for the following:

- Credit underwriting requirements announced in Bulletins 2020-5 and 2020-8
- Appraisal and GreenCHOICE Mortgage® flexibilities announced in Bulletins 2020-5, 2020-8 and 2020-11
- Condominium Project flexibilities announced in Bulletin 2020-11

Freddie Mac **Selling FAQs** related to COVID-19

April 14, 2020 Update

Below you will find the most recent Fannie and Freddie updates related to the impact of COVID-19

LL-2020-04: Impact of COVID-19 on Appraisals– Fannie Mae

Flexibilities for condominium project review

We are offering additional guidance and temporary flexibilities for project eligibility reviews on condo projects.

Waiver of Project Review

We are extending project review waiver flexibilities for loans with LTV ratios greater than 80% and up to 90%. This flexibility applies to Fannie Mae-owned, limited cash-out refinance transactions for owner-occupied condo units only. Second homes and investment transactions are excluded. When applying this flexibility, lenders must confirm the project meets the following, existing requirements:

- the litigation requirements described in *Selling Guide* B4-2.1-03, Ineligible Projects, and
- all policies in *Selling Guide* B4-2.1-02, Waiver of Project Review, for all loans with LTV ratios greater than 80% using the waiver of review for Fannie Mae-owned limited cash-out refinance transactions.

Lenders must provide Project Type Code V in the loan delivery data file for these transactions. The use of other Project Type Codes may result in fatal edits at loan delivery.

Project Documents used in Project Reviews

Lenders have reported some HOAs are experiencing a delay in ratifying their 2020 budgets. When a budget review is required on an established project, we will accept the budget from the 2019 fiscal year if the current year's budget has not yet been ratified due to issues related to COVID-19. To utilize this flexibility, the lender must confirm the project currently meets the HOA dues delinquency requirements in *Selling Guide* B4-2.2-02, Full Review Process. All other project standards requirements in *Selling Guide* B4-2, Project Standards, continue to apply.

Note: New Projects are excluded from this flexibility.

Due to the impact of the COVID-19 pandemic on many businesses, we understand that lenders are having increased difficulties in obtaining project documents from some HOAs and property managers. Lenders may use other sources of condo project data to complete their project reviews including, but not limited to, appraisals, MLS records, plat map and site surveys, public records, state laws or local ordinances, and tax searches. Additionally, there are various vendor products available that provide project documents or information regarding project eligibility.

Some information and documents, such as the project's current budget, may only be available from the HOA or property manager. We recognize the lender may be unable to obtain this information immediately while the operations are closed for extended periods. We are reminding our lenders that if they previously completed a project review for an established condo project, that project review may be used for additional condo unit loans in the same condo project for up to one year (measured to the note date of the subsequent loans). For new condo projects, the timeframe is 180 days prior to the note date. Additionally, some lenders have found it helpful to use Fannie Mae's Condo Project Manager™ (CPM™) to help track and communicate project review status and review dates within their organizations.

Note: Lenders are responsible for obtaining mortgage insurance for all loans using these flexibilities when the loan's LTV ratio is above 80%

Virtual Inspections for Appraisals and Renovation Loans

Appraisers may use virtual inspection methods to augment the data and imagery that is used for either a desktop appraisal or an exterior-only appraisal. All traditional appraisals require the appraiser to perform a complete onsite interior and exterior inspection of the property. A virtual inspection cannot be used as a substitute for the onsite interior and exterior inspection for a traditional appraisal. Additionally, an onsite interior and exterior inspection is required for the *Appraisal Update and/or Completion Report* (Form 1004D) used to confirm completion of renovation for HomeStyle Renovation loans. Virtual inspections using video and photographs provided by the borrower or contractor can be used to evidence renovation progress to disburse additional renovation funds as described below.

Flexibilities for New Construction loans

For new construction properties where the appraisal is "subject to completion per plans and specifications," and also when the property is 100% complete but an interior and exterior inspection appraisal cannot be completed, we will permit a desktop appraisal on the forms identified in the following table. Lenders must adhere to the LTV ratio requirements in Temporary appraisal requirement flexibilities, including the requirement that second homes with LTV ratios above 85% require a traditional appraisal. These requirements apply to purchase transactions only and exclude all construction-to-permanent loans.

Property Type	**Acceptable Appraisal Form**
One-unit property, includinga unit in a planned unit development (PUD) or a detached condominium unit	*Uniform Residential Appraisal Report* (Form 1004)
Condominium unit	*Individual Condominium Unit Appraisal Report* (Form 1073)
Cooperative unit	*Individual Cooperative Interest Appraisal Report* (Fannie Mae Form 2090)

Two- to four-unit property	*Small Residential Income Property Appraisal Report* (Form 1025)
Manufactured home	*Manufactured Home Appraisal Report* (Form 1004C)

To accommodate the desktop appraisal on the existing Fannie Mae forms, the revised scope of work, statement of assumptions and limiting conditions, and certifications must accompany the form. Additionally, as noted below, the appraiser must identify a desktop appraisal was performed by populating the *Map Reference* field on the appraisal with "desktop."

Documentation Requirements for New Construction Loans

If construction of the property has not yet begun or is partially complete, and the appraisal report will be completed "subject to completion per plans and specifications," the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
    - If constructions has not yet begun, a photograph of the site and down the street in both directions
    - If construction is partially complete, a photograph is required of the following:
        - A front view of the subject property
        - A rear view of the subject property
        - A street scene (i.e., photograph down the street in both directions)
        - The following interior photos are required when construction is at a stage in which they are available
            - The kitchen of the subject property
            - All bathrooms of the subject property
            - The main living area of the subject property
            - Basement, including all finished rooms
    - A copy of the complete, ratified sales contract and all addenda

If construction of the property is 100% complete, and the appraisal report will be completed "as is," the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
    - A front view of the subject property
    - A rear view of the subject property
    - A street scene of the subject property (i.e., a photograph down the street in both directions)

    - The Kitchen of the subject property
    - All bathrooms of the subject property
    - The main living area of the subject property
    - Basement, including all finished rooms
- A copy of the complete, ratified sales contract and all addenda

Builder Certification

The lender must obtain a signed *Builder Certification* attesting that the information provided is true and correct. This certification must be included in the loan file.

Completion Reports for New Construction Properties

For new construction properties where the appraisal report was completed "subject to completion per plans and specifications," if the lender is unable to obtain a completed *Appraisal Update and/or Completion Report* (Form 1004D) as a result of COVID-19 related issues, we will accept the *Completion of Construction Certification*.

Use of Lender Variances and Temporary Appraisal Flexibilities

The appraisal flexibilities announced in this Lender Letter may be combined with existing lender variances unless Fannie Mae notifies the lender that it may not combine negotiated terms with these flexibilities.

Regardless of specific lender variances, only Fannie Mae-owned, limited cash-out refinance transactions being sold to Fannie Mae and purchase transactions are eligible for the appraisal flexibility shown in the following table:

Loan purpose	LTV ratio	Occupancy	Ownership of loan being refinanced	Permissible appraisals
Purchase transaction, including new construction properties*	Up to 97%	Principal residence	N/A	Traditional appraisal Desktop appraisal Exterior-only appraisal
	≤ 85%	Second homes and investment properties		Traditional appraisal Desktop appraisal Exterior-only appraisal
Limited cash-out refinance	As permitted in the Selling Guide	All	Fannie Mae-owned	Traditional appraisal Exterior-only appraisal

*Per guidance above, new construction loans are not eligible for exterior-only appraisals.

A traditional appraisal with an interior and exterior inspections are required for all of the following:

- Second home purchase transactions with LTV ratios > 85%
- Limited cash out refinance transactions when the loan being refinanced is not owned by Fannie, and
- Cash out refinance transactions

All other requirements for the use of temporary flexibilities included in this communication apply.

Desktop Appraisals

For purchase money transactions when an interior and exterior appraisal is not available, lenders are encouraged to obtain a desktop appraisal rather than an exterior-only appraisal.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information, and other third-party data sources to identify the property characteristics.

When a desktop appraisal is performed, reported on Form 1004 or Form 1073, and submitted to us through the Uniform Collateral Data Portal® (UCDP®), the appraisal will be scored by Collateral Underwriter® (CU®). All loans with a CU risk score of 2.5 or less will receive value representation and warranty relief under Day 1 Certainty. With desktop appraisals, lenders will have the added risk management and efficiency benefit of being able to use CU to aid in the appraisal review process.

The table below provides the appraisal report form that must be used to complete the desktop appraisal for each property type.

Property Type	**Acceptable Appraisal Form**
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	*Uniform Residential Appraisal Report* (Form 1004)
Condominium unit	*Individual Condominium Unit Appraisal Report* (Form 1073)
Cooperative unit	*Individual Cooperative Interest Appraisal Report* (Fannie Mae Form 2090)
Two- to four-unit property	*Small Residential Income Property Appraisal Report* (Form 1025)
Manufactured home	*Manufactured Home Appraisal Report* (Form 1004C)

As described below, Freddie Mac and Fannie Mae have worked together to develop documents that include modified appraisal report language for the scope of work, statement of assumptions and limiting conditions, and certifications that must be used with these appraisal forms.

As described below, Freddie Mac and Fannie Mae have worked together to develop documents that include modified appraisal report language for the scope of work, statement of assumptions and limiting conditions, and certifications that must be used with these appraisal forms.

Exhibits for Desktop Appraisals

Each desktop appraisal report must include the following exhibits:

- A location map indicating the location of the subject and comparables, and
- Photographs of the subject property. We recognize that it may be challenging in some instances to obtain photographs, however it is expected that the appraiser utilizes available means to obtain relevant pictures of the subject property.

Exterior-Only Inspection Appraisals

An exterior-only inspection appraisal may be obtained in lieu of an interior and exterior inspection appraisal for the following transactions:

- Purchase money loans
- Limited Cash out refinances where the loan being refinanced is owned by Fannie Mae

Lenders will not receive value representation and warranty relief under Day 1 Certainty® for loans with exterior-only appraisals.

The table below shows the appraisal report form that must be used to complete an exterior-only inspection appraisal for each property type. Because there are not appropriate exterior-only appraisal report forms available for two- to four-unit properties and manufactured homes, we will accept an exterior appraisal scope of work completed using the applicable forms listed below.

Property Type	**Acceptable Appraisal Form**
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	*Exterior-Only Inspection Residential Appraisal Report* (Form 2055)
Attached condominium unit	*Exterior-Only Inspection Individual Condominium Unit Appraisal Report* (Form 1075)

Cooperative unit	*Exterior-Only Individual Cooperative Interest Appraisal Report* (Fannie Mae Form 2095)
Two- to four-unit property	*Small Residential Income Property Appraisal Report* (Form 1025)
Manufactured home	*Manufactured Home Appraisal Report* (Form 1004C)

As further described below, Freddie Mac and Fannie Mae have worked together to develop documents that include modified appraisal report language for the scope of work, statement of assumptions and limiting conditions, and certifications that must be used with these appraisal forms.

Exhibits for Exterior-Only Inspection Appraisals

Lenders are reminded that the following exhibits to the appraisal report are required for an exterior-only inspection appraisal:

- A street map that shows the location of the subject property and of all comparable sales that the appraiser used,
- Clear, descriptive photographs (either black and white or color) that show the front of the subject property, and that are appropriately identified (photographs must be originals that are produced either by photography or electronic imaging), and
- Any other data as an attachment or addendum to the appraisal report form – that are necessary to provide an adequately supported opinion of market value.

Revisions to the Scope of Work, Statements of Assumptions and Limited Conditions, and Appraiser's Certification

We recognize that the existing appraisal report forms do not accommodate the revised scope of work, statement of assumptions and limiting conditions, and certifications for some of the scenarios presented. To accommodate the temporary flexibilities in this Lender Letter, Freddie Mac and Fannie Mae have jointly developed the following documents that include modified language to be used with desktop appraisal reports and exterior-only appraisal reports:

- Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions, and Certification for Desktop Appraisals
- Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions, and Certification for Appraisals with Exterior-only Inspection

These documents include modified language for the scope of work, statement of assumptions and limiting conditions, and certifications. It is important to note that certification #10 has been removed in recognition that the appraiser may have relied on information from an interested party to the transaction (borrower, realtor, property contact, etc.) and additional verification may not have been feasible. Appraisal reports submitted to us using the flexibilities provided in this Lender Letter must include these documents with the modified language for scope of work, statement of assumptions and limiting conditions, and certifications.

Additional Form Instructions for Appraisals

We are clarifying that the Map Reference field on the Appraisal Report for appraisals that use the flexibilities provided in this lender letter may only contain the word “desktop” or “exterior.” No other words or phrases may be used or included. The Map Reference field should reflect the appraisal type agreed to with the acceptance of the assignment and the minimum scope of work required for the assignment. The appraiser is responsible for determining what is the adequate scope of work for any assignment and may choose to expand the scope of work beyond the minimum required.

Bulletin 2020-11: Selling Guidance Related to COVID-19 – Freddie Mac

Temporary Flexibilities Regarding Seller’s Post-Funding Quality Control Requirements-Targeted Sampling

Freddie Mac recognizes the unique challenges in the market today related to COVID-19 and will allow the following additional temporary flexibility with respect to Seller's post-funding quality control review.

Effective Term: The QC Flexibilities announced in this Bulletin are effective immediately for all Mortgages currently in the process of a post-closing Seller in-house quality control review and will remain in place for all Mortgages selected through June 2020 for post-closing Seller in-house quality control reviews (includes 3rd party vendor reviews).

The requirement in Section 3402.4(b) for a Seller to select all Mortgages sold to Freddie Mac that become 60 days or more past due in the first six months following the Note Date for a targeted sample is amended to allow flexibility with respect to the sample size. In lieu of selecting all such Mortgages for its targeted sample, a Seller may select an appropriate risk-based sample. The risk-based sample population must include Mortgages that are past due as a result of COVID-19 hardships.

There is no change to the scope of review. The selected Mortgages must be carefully evaluated to determine the presence of any fraud or other deficiency.

Because quality control processes are especially important in times of significant stress, we encourage Sellers to adopt the QC Flexibilities only as they feel necessary.

Property Eligibility

Condominium Project Reviews

These temporary flexibilities are effective immediately for all Mortgages in process and remain in place for Mortgages with Application Received Dates on or before May 17, 2020.

Freddie Mac is offering temporary flexibilities and guidance to assist Sellers in Condominium Project reviews during the COVID-19 pandemic

Exempt From Review: LTV/TLTV/HTLTV ratios

We are temporarily extending Exempt from Review eligibility for maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC)TLTV (HTLTV) ratios from 80% to a maximum ratio of 90% for Freddie Mac owned "no cash-out" refinance Condominium Unit Mortgages secured by Primary Residences only. When using this new flexibility, Sellers must ensure that the Condominium Project meets the exempt from review requirements in Section 5701.7 and the project in litigation requirements in Section 5701.3(i) (now applicable to higher LTV ratios). Second Homes and Investment Properties are ineligible.

For each Condominium Unit Mortgage, Sellers must deliver ULDD Data Point, *Project Classification Identifier* (Sort ID 42) as "Exempt from Review."

Project Documents used in Condominium Project Reviews

Sellers have reported that some Homeowners Associations are experiencing a delay in ratifying their 2020 budgets because they are unable to meet in person to vote on a new budget. When an Established Condominium Project review is used, we will accept the budget from the 2019 fiscal year when the current year's budget has not yet been ratified due to issues related to COVID-19. This flexibility may not be used for New Condominium Project reviews. Sellers are reminded that all other applicable requirements must be met, including requirements relating to delinquent Homeowners Association assessments.

Due to the impact of the COVID-19 pandemic on many businesses, we understand that Sellers are having increased difficulties in obtaining Project Documents from Homeowners Associations and property managers. Sellers may use other sources of Condominium Project data to complete project reviews including, but not limited to, appraisals, MLS records, plat map/site surveys, public records, State laws or local ordinances, and tax searches. Additionally, there are various vendor products available that provide Project Documents and/or information regarding Condominium Project eligibility.

Some information and/or documents, such as the Condominium Project's current budget, may be available only from the Homeowners Association or property manager so Seller may be unable to obtain them if these operations are closed for extended periods. Sellers are reminded that, if they completed a project review for an Established Condominium Project during the one year period prior to the Note Date of the particular Mortgage, that project review may be used for multiple Condominium Unit Mortgages in the same Condominium Project for up to one year prior to the Note Date of the particular Mortgages. For New Condominium Projects, the time frame is 180 days prior to the Note Date.

Appraisal flexibilities

Map Reference Field for Desktop and Exterior-Only Appraisals

Freddie Mac is clarifying that the map reference field on the appraisal report may only contain the word "desktop" or "exterior." No other words or phrases may be used or included. The map reference field should reflect the appraisal type agreed to with the acceptance of the assignment and the minimum scope of work required for the assignment. The appraiser is responsible for determining what is the adequate scope of work for any assignment and may choose to expand the scope of work beyond the minimum requirements.

Property Valuations – Appraisal Flexibilities for New Construction Properties (Purchase Transactions)

In response to Seller inquiries, Freddie Mac is clarifying that the "permissible appraisal requirements" eligibility chart described in Bulletin 2020-5 apply to the appraisal flexibilities for new construction properties including the requirement that second homes with LTV ratios above 85% require an interior and exterior inspection appraisal.

Beginning on April 13, 2020, for Mortgages with property valuations completed in accordance with the appraisal flexibilities in Bulletin 2020-5, Loan Selling Advisor® will be updated to accept "Desktop Appraisal" and "Drive By" as valid values for ULDD Data Point, *Property Valuation Method Type* (Sort ID 89). Starting on this date, Sellers should use their best efforts to provide "Drive By" or "Desktop Appraisal," as applicable, in lieu of "Full Appraisal" for Sort ID 89. However, we recognize a Seller's systems may not be updated to accommodate this change and in these cases, the Seller may continue to deliver "Full Appraisal."

All other requirements for the use of temporary flexibilities apply. Refer to Bulletins 2020-5 and 2020-8 for complete requirements.

Virtual Inspections for Appraisals

Appraisers may use virtual inspection methods to augment the data and imagery that is used for either a desktop appraisal or an exterior-only inspection appraisal. All interior and exterior inspection appraisals require the appraiser to perform a complete onsite interior and exterior inspection of the property. A virtual inspection is not a substitute for an on-site interior and exterior inspection.

Remote Online Notarization

In Bulletin 2020-8, we announced that Electronic notarization may involve a remote process ("Remote Online Notarization") in the States listed in Attachment C to Bulletin 2020-8, *Permitted States for Remote Online Notarization*, provided that the system used for the remote notarization meets the minimum standards provided in the Bulletin.

With this Bulletin, we are adding Arkansas, Georgia and Hawaii to our list of permitted States for Remote Online Notarization (provided in Attachment C to Bulletin 2020-8) and clarifying that in the event the Seller wishes to include the seller of the Mortgaged Premises in the Electronic Closing process:

- The Borrower and seller of the mortgaged premises must give their individual, specific and express Electronic consent to their respective Electronic Signatures on an Electronic warranty deed and other purchase and sale documents
- The Electronic Warranty Deed must be recorded in the local recorders office in the state in which the mortgaged premises is located, in compliance with the requirements of the guide

We are also reminding Sellers that if they are interested in including an Electronic Note (eNote) in the electronic closing package containing other documents that are notarized through a Remote Online Notary process, they must obtain Freddie Mac approval to deliver such Mortgages. (See Chapter 1402 on eMortgages.)

The StoneHill Group is currently in the process of ensuring our checklists are up to date with the most current requirements related to the documents identified in the communication.

Other Resources:

Our **Selling FAQs** related to COVID-19

The Appraisal Institute's **Coronavirus-related Direction for Appraisers**

Other General Information

In addition to the above updates there has been some additional direction from the Federal Banking Regulators, including the FDIC, OCC and Board of Governors of the Federal Reserve System regarding a rule change allowing banks to postpone an appraisal on a residential or commercial property for 120 days after the loan is closed. This information specifically related to Banks who will **portfolio** product. Banks selling loans directly to Agencies, will still require an appraisal be obtained prior to closing.

A link to this direction is provided for review: https://www.housingwire.com/articles/banks-will-soon-be-able-to-postpone-some-appraisals-until-120-days-after-a-mortgage-closes/

On another front, we are starting to see where Investors are requiring that for loans closed on or after April 23, 2020, all borrowers must execute a COVID-19 Attestation or similar attestation within 3 days of closing. The attestation must be signed by the borrower and must contain a statement that:

- Income used to qualify for the loan is unchanged and not impacted,
- The Borrower is not aware of any future changes in employment status or income that will affect the ability to repay, and
- Language that informs the borrower that forbearance is not a substitute for the ability to repay.

Currently not all investors have this requirement, however we wanted you to be aware in case you were to see these type statements in the file. We will continue to monitor and if these statements become universal, we will update the checklist to reflect same.

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April 7, 2020 Update

As a result of the COVID-19 pandemic, Fannie and Freddie have issued additional temporary flexibilities around certain items noted below, including Age of Documentation, Verification of Self Employment, Lender Quality Control Requirements, Reverifications, Field Reviews and Pre-Funding. Throughout the communication and at the end of this information there are links directly to the Lender Letters issued by the Agencies for further review, including links to the FAQ's for both Fannie and Freddie.

Fannie Mae and Freddie Mac Guidance: March 31, 2020

Age of Documentation

Effective: Lenders are encouraged to apply these updates to existing loans in process; however, they must be applied to loans with application dates on or after Apr. 14, 2020 through May 17, 2020.

In order to ensure that the most up-to-date information is being considered to support the borrower's ability to repay, we are updating our age of documentation requirements for all loans (existing and new construction) as follows:

- We are modifying age of document requirements from four months (120 days) to two months (60 days) for most income and asset documentation. If an asset account is reported on a quarterly basis, the lender must obtain the most recently issued quarterly statement.
- When the lender receives employment and income verification directly from a third-party employment verification vendor, we are now requiring that the information in the vendor's database be no more than 60 days old as of the note date.
- There are no changes to the age of documentation requirements for military income documented using a Leave and Earnings Statement, Social Security, retirement income, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments, and the lender can continue to apply standard age of document requirements as stated in the *Selling Guide.*
- Due to the federal income tax filing extension granted through Jul. 15, 2020, we are eliminating the following documentation requirements. These normally apply for income types that require copies of federal income tax returns when the mortgage has an application or disbursement date between Apr. 15th and Jul. 15th:
    - a copy of the IRS Form 4868 (*Application for Automatic Extension of Time to File U.S. Individual Tax Return*), and
    - IRS Form 4506-T (*Request for Transcript of Tax Return*) transcript confirming "No Transcript Available" for the 2019 tax year.

All other requirements contained in B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns, continue to apply.

Conversion of Construction-to-Permanent Financing – Single-Closing Transactions

The *Selling Guide* currently allows certain single-closing construction-to-permanent transactions with credit documents dated more than 4 months but no more than 18 months at the time of conversion to permanent financing when certain conditions are met. (See B5-3.1-02, Conversion of Construction-to-Permanent Financing: Single-Closing Transactions). Among those conditions is a requirement that the credit documents are dated within 120 days of the original closing.

Consistent with the age of credit documentation requirements in this Lender Letter, this requirement is being updated to reflect that the income and asset documentation must be dated within 60 days of the original closing. All other conditions related to the age of credit documents contained in B5-3.1-02 continue to apply.

Verification of Self-Employment

Effective: Lenders are encouraged to apply these updates to existing loans in process; however, they must be applied to loans with application dates on or after Apr. 14, 2020 through May 17, 2020.

When a borrower is using self-employment income to qualify, the lender must verify the existence of the borrower's business within 120 calendar days prior to the note date. Due to latency in system updates or recertifications using annual licenses, certifications, or government systems of record, lenders must take additional steps to confirm that the borrower's business is open and operating. The lender must confirm this within 10 business days of the note date (or after closing but prior to delivery).

Below are examples of methods the lender may use to confirm the borrower's business is currently operating:

- evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment);
- evidence of current business receipts within 10 days of the note date (payment for services performed).
- lender certification the business is open and operating (lender confirmed through a phone call or other means); or
- business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

See B3-3.1-07, Verbal Verification of Employment for our existing requirements.

Market-Based Assets

Effective: Lenders are encouraged to apply these updates to existing loans in process; however, they must be applied to loans with application dates on or after Apr. 14, 2020 through May 17, 2020.

Stocks, Stock Options, and Mutual Funds

In light of current market volatility, we are making the following updates when the borrower is using stocks, stock options, or mutual funds for assets:

- When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

See B3-4.3-01, Stocks, Stock Options, Bonds and Mutual Funds for our existing requirements.

Lender Quality Control Requirements

Effective: These temporary flexibilities are effective immediately for all loans in the process of a post-closing quality control (QC) review and all loans selected for a post-closing QC review until June 2020 QC selections.

QC processes are designed to inform organizations of the level of quality risk they are incurring, and are extremely important, especially during times of significant stress. We recognize the unique challenges in the market today related to COVID-19 and will allow temporary post-closing flexibilities related to reverifications and appraisal field reviews.

> *Note: Recognizing the unprecedented amount of stress in the market from COVID-19 disruptions and significant volume pressure, we encourage lenders to only adopt the QC flexibilities they feel are necessary.*

Reverifications

Any income, employment, and asset reverifications (required by D1-3-02, Lender Post-Closing Quality Control Review of Approval Conditions, Underwriting Decisions, and Documentation) that are typically mailed can be completed verbally or electronically. If a verbal or electronic reverification cannot be completed, the lender can complete the file review without the reverification. However, to take advantage of this flexibility, the lender must:

- internally track all loans that did not have a successful reverification attempt during this time, and
- conduct a special discretionary sample of such mortgages and perform the required reverifications on the sample population upon the expiration of these flexibilities.

As Reminders

- The reporting requirements of D1-3-06, Lender Post-Closing Quality Control Reporting, Record Retention, and Audit, continue to apply with respect to this special discretionary sample(s).
- Lenders are not required to perform post-closing QC reverifications if the loan has employment, income, and/or assets that have been fully validated through the DU validation service and the lender has complied with all DU messages.

Field Review of Appraisals

Fannie Mae:

In lieu of obtaining field reviews on 10% of its random sample (as required by D1-3-04, Lender Post-Closing Quality Control Review of Appraisers and Appraisals) a lender may leverage Collateral Underwriter® and other third-party tools for this 10% sample.

- If the reviewer reaches a different opinion regarding the value of the property through this process, then if possible, the lender may obtain a field review to determine whether the property value can be supported. If a field review of the property is not possible then follow self-report procedures in D1-3-06, Lender Post-Closing Quality Control Reporting, Record Retention, and Audit.
- As a reminder, a desk review by the lender's QC staff is still required on the remaining 90% sample.

Freddie Mac:

Sellers may continue to select either of the two options set forth in Section 3402.5(e) for reverifications of property value. However, in place of the field reviews under either Option 1 or Option 2, Sellers may obtain a quality control review using Loan Collateral Advisor® or other third-party tools to validate that the data and information provided in the appraisal is accurate and supports the value of the Mortgages Premises. If the reviewer reaches a different opinion regarding the value of the Mortgaged Premises through the use of Loan Collateral Advisor and/or the third-party tools, then the Seller may obtain a field review to determine whether the original property value can be supported. In either case, if the review results in a different conclusion regarding the value of the Mortgaged Premises, the Seller must report the difference as a finding in accordance with Section 3402.10.

As a reminder, a desk review would still be required on the remaining nine Mortgages under Option 1.

Prefunding QC Reviews

Our prefunding review requirements in D1-2-01, Lender Prefunding Quality Control Review Process, already provide a great deal of flexibility to lenders regarding both sample size and scope of review (full file or component review). We do not dictate a certain review percentage but leave that to each lender based on its unique quality situation. In addition, reverifications are not required in the prefunding space. Accordingly, we are not changing any prefunding QC requirements at this time.

Additional Resources: Very Helpful

Fannie Mae - **Frequently Asked Questions**

Freddie Mac - Our **Selling FAQs** related to COVID-19

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Previous Communication – Issued March 23, 2020

Effective Date:

These additional temporary flexibilities are effective immediately for all loans in process and remain in place for loans with application dates on or before May 17, 2020

Verbal Verification of Employment:

Many lenders are reporting difficulty in obtaining the verbal verification of employment (VOE) due to disruption to operations of the borrower's employer. We expect lenders to attempt to obtain the verbal VOE in accordance with our existing requirements guidance. However, we will allow the following flexibilities:

- Written VOE: The Selling Guide permits the lender to obtain a written VOE confirming the borrower's current employment status within the same timeframe as the verbal VOE requirements. An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used in lieu of a verbal VOE. In addition, the lender may obtain the VOE after loan closing, up to the time of loan delivery (though we strongly encourage getting the verbal VOE before the note date).
- Paystub: The lender may obtain a year-to-date paystub from the pay period that immediately precedes the note date.
- Bank statements: The lender can provide bank statements (or other alternative documentation as permitted by Selling Guide B3-4.2-01) evidencing the payroll deposit from the pay period that immediately precedes the note date.

NOTE: If employment has been validated by the Desktop Underwriter® (DU®) validation service, the validation will remain eligible for representation and warranty relief on employment provided the lender complies with the "close by" date in the DU message. Otherwise, the guidance provided above applies.

Continuity of Income:

Given the current economic climate associated with COVID-19 and its impact on employment and income, we recommend that lenders practice additional due diligence to ensure the most recent information is obtained. Lenders are strongly encouraged to help ensure any disruption to borrowers' employment (or self-employment) and/or income due to COVID-19 is not expected to negatively impact their ability to repay the loan. During these uncertain times, it is our goal to partner with you to help ensure sustainable homeownership for the borrower.

As an example of additional due diligence for a self-employed borrower, lenders are encouraged to attempt to verify that the borrower's business is operational closer to the note date rather than rely on our current Guide requirements (e.g., within 15 days instead of 120 days).

Temporary Appraisal Requirements Flexibility:

Effective immediately, we are allowing temporary flexibilities to our appraisal inspection and reporting requirements. As described below, we will accept an alternative to the traditional appraisal required under Selling Guide Chapter B4-1, Appraisal Requirements, when an interior inspection is not feasible because of COVID-19 concerns. We will allow either a desktop appraisal or an exterior-only inspection appraisal in lieu of the interior and exterior inspection appraisal (i.e., traditional appraisal).

If a traditional appraisal is not obtained and there is insufficient information about the property for an appraiser to be able to complete an appraisal assignment with a desktop or exterior-only inspection appraisal, the loan will not be eligible for delivery to us.

Desktop Appraisals:

For purchase money transactions when an interior and exterior appraisal is not available, lenders are encouraged to obtain a desktop appraisal rather than an exterior-only appraisal.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information, and other third-party data sources to identify the property characteristics.

When a desktop appraisal is performed, reported on Form 1004 or Form 1073, and submitted to us through the Uniform Collateral Data Portal® (UCDP®), the appraisal will be scored by Collateral Underwriter® (CU®). All loans with a CU risk score of 2.5 or less will receive value representation and warranty relief under Day 1 Certainty. With desktop appraisals, lenders will have the added risk management and efficiency benefit of being able to use CU to aid in the appraisal review process.

Each desktop appraisal report must include the following exhibits: a location map indicating the location of the subject and comparables, and photographs of the subject property. We recognize that it may be challenging in some instances to obtain photographs; however, it is expected that the appraiser utilizes available means to obtain relevant pictures of the subject property.

Exterior Only Inspection Appraisals:

An exterior-only inspection appraisal may be obtained in lieu of an interior and exterior inspection appraisal for the following transactions: Purchase money loans Limited cash-out refinances where the loan being refinanced is owned by Fannie Mae Lenders will not receive value representation and warranty relief under Day 1 Certainty® for loans with exterior-only appraisals

Lenders are reminded that the following exhibits to the appraisal report are required for an exterior-only inspection appraisal:

- A street map that shows the location of the subject property and of all comparable sales that the appraiser used,

- clear, descriptive photographs (either in black and white or color) that show the front of the subject property, and that are appropriately identified (photographs must be originals that are produced either by photography or electronic imaging); and
- any other data–as an attachment or addendum to the appraisal report form–that are necessary to provide an adequately supported opinion of market value.

We recognize that the existing appraisal report forms do not accommodate the revised scope of work, statement of assumptions and limiting conditions, and certifications for some of the scenarios presented. To accommodate the temporary flexibilities in this Lender Letter, Freddie Mac and Fannie Mae have jointly developed the following documents that include modified language to be used with desktop appraisal reports and exterior-only appraisal reports:

- Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification for Desktop Appraisals
- Modified Set of Instructions, Scope of Work, Statement of Assumptions and Limiting Conditions and Certification for Appraisals with Exterior-only Inspection

These documents include modified language for the scope of work, statement of assumptions and limiting conditions, and certifications. It is important to note that certification #10 has been removed in recognition that the appraiser may have relied on information from an interested party to the transaction (borrower, realtor, property contact, etc.) and additional verification may not have been feasible. Appraisal reports submitted to us using the flexibilities provided in this Lender Letter must include these documents with the modified language for scope of work, statement of assumptions and limiting conditions, and certifications

Completion Reports:

We require the Appraisal Update and/or Completion Report (Form 1004D) to evidence completion when the appraisal report has been completed "subject to." For all loans for which a completion certification is not available due to issues related to COVID-19, with the exception of HomeStyle® Renovation and HomeStyle Energy loans, we will permit a letter signed by the borrower confirming that the work was completed. Lenders must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. All completion documentation must be retained in the loan file.

As per a recent communication by Partners, we are expecting to see delays in receiving Tax Transcripts. The IRS has closed one of its locations and have routed requests to other locations. As a result the IRS has communicated that it is expecting delays relating to Tax Transcritps.

Links related to updates:

https://singlefamily.fanniemae.com/media/22316/display

https://singlefamily.fanniemae.com/media/22321/display

https://guide.freddiemac.com/app/guide/content/a_id/1003723

Servicing Agency Updates

May 11, 2020 Update

VA Circular 26-20-12:

To better identify borrowers that are affected by COVID-19, the Department of Veterans Affairs (VA) has announced a new "Reason for Default" (RFD). The VA is replacing the reason for default of "Energy/Environmental Cost" with "National Emergency Declaration" in the Electronic Default Notice (END) event. When a borrower requests forbearance due to COVID-10, servicers should use the new reason for default when reporting the EDN and then report the Special Forbearance event. Effective June 1, 2020, VALERI will accept the new reason for default prior to the 61st day of delinquency.

Until the National Emergency Declaration reason for default is placed in VALERI, services should use the reason "Energy/Environmental Cost".

The related protections are outlined in VA Circular 26-20-12.

There have been no additional communications from VA, FHA or USDA at this time.

April 15, 2020 Update

USDA Rural Development

Single-Family Housing Effective March 19, borrowers with USDA single-family housing Direct and Guaranteed loans are subject to a moratorium on foreclosure and eviction for a period of 60 days. This action applies to the initiation of foreclosures and evictions and to the completion of foreclosures and evictions in process.

Direct Loan Program:

• USDA has waived or relaxed certain parts of the application process for Single-Family Housing Direct Loans, including site assessments, and has extended the time period that certificates of eligibility are valid.
• A Direct Loan borrower who is experiencing a reduction of income by more than 10 percent can request a Payment Assistance package to see if he/she is eligible for payment assistance or for more assistance than currently received.
• Moratorium Assistance is available for Direct Loan borrowers experiencing medical bill expenses (not covered by insurance) or job loss because of COVID-19. Qualifying borrowers can receive a moratorium on house payments for a period of time, repaid at a later date.

• Direct Loan questions should be directed to USDA's Customer Service Center at 800-414-1226 (7:00 a.m.-5:00 p.m. Eastern Time Monday-Friday) or https://www.rd.usda.gov/contact-us/loan-servicing. Call volume and wait times are high at this time.

Guaranteed Loan Program:

• Guaranteed Loan borrowers who are in default or facing imminent default due to a documented hardship can have payments reduced or suspended by their lender for a period not to exceed 12 months delinquency. Once the hardship is resolved, the lender can modify the loan to cure the delinquency or make up the missed payments based on the borrower's individual circumstances.

• USDA is granting lenders temporary exceptions pertaining to appraisals, repair inspections and income verification for the Single-Family Housing Guaranteed Loan Program (SFHGLP) due to the COVID-19 pandemic. Effective immediately, the following exceptions to Agency guidance found at HB-1-3555 are in effect for a period of 60-days. In accordance to the CARES Act, this guidance remains unchanged and in effect.

- Residential Appraisal Reports – Existing Dwelling: For purchase and non-streamlined refinance transactions, when an appraiser is unable to complete an interior inspection of an existing dwelling due to concerns associated with the COVID-19 pandemic, an "Exterior-Only Inspection Residential Appraisal Report", (FHLMC 2055/FNMA 2055) will be accepted. In such cases, appraisers are not required to certify that the property meets HUD HB 4000.1 standards. The appraisal must be completed in accordance with the Uniform Standards of Professional Practice (USPAP) and the Uniform Appraisal Dataset (UAD). This exception is not applicable to new construction properties or construction-to-permanent loans. As a reminder, appraisals are not required for streamlined and streamlined-assist refinance transactions.
- Repair Inspections – Existing Dwelling: For loans for which a completion certification is not available due to issues related to the COVID-19 pandemic, a letter signed by the borrower confirming that the work was completed is permitted. Lenders must also provide further evidence of completion, which may include photographs of the completed work, paid invoices indicating completion, occupancy permits or other substantially similar documentation. All completion documentation must be retained in the loan file. This exception is not applicable to rehabilitation and repair loans noted in section 12.28 of HB-1-3555.
- Verbal Verification of Employment: Lenders must document and verify the borrower's annual and repayment income in accordance with Agency regulations. Lenders should use due diligence in obtaining the most recent income documentation to re-verify the borrower's repayment ability prior to closing. When the lender is unable to obtain a Verbal Verification of Employment (VVOE) within 10 business days of loan closing due to a temporary closure of the borrower's employment, alternatives should be explored. For example, email correspondence with the borrower's employer is an acceptable alternative to a VVOE. If the lender is unable to obtain a VVOE or acceptable alternative, the requirement will be waived when the borrower has a minimum of two months cash reserves. In the case of a reduction of income, the borrower's reduced income must be sufficient to support the new loan payment and other non-housing obligations. Borrowers with no income at the time of closing are not eligible for SFHGLP loans regardless of available cash reserves.

- Expiration of Temporary Exceptions: These temporary exceptions will expire 60 days from the date of this notice.

To implement and align with the provisions of the CARES Act:

- Effective immediately upon receiving a request for a forbearance from a borrower who attests to financial hardship directly or indirectly caused by COVID-19, lenders shall provide immediate forbearance of the borrower's guaranteed loan payment for a period of up to 180 days. In addition, the initial forbearance period may be extended up to an additional 180 days at the borrower's request.
- During the forbearance options outlined above, no accrual of fees, penalties or interest may be charged to the borrower beyond the amounts calculated as if the borrower had made all contractual payments in a timely fashion.
- Upon completion of the forbearance, the lender shall communicate with the borrower and determine if the borrower is able to resume making regular contractual payments. If so, the lender shall offer the borrower a written re-payment plan to resolve any amount due or at the borrower's request, extend the loan term for a period that is at least the length of the forbearance.
- If the lender determines the borrower is financially unable to resume making contractual payments at the end of the forbearance, the borrower shall be evaluated for all available options presented in the Loss Mitigation Guide which is found at Attachment 18-A in Chapter 18 of our 3555 Technical Handbook: https://www.rd.usda.gov/sites/default/files/3555-1chapter18.pdf
- Effective period: Lenders may approve the initial 180-day COVID-19 Forbearance no later than October 30, 2020.
- Guaranteed Loan servicing questions should be directed to: sfhgld.program@usda.gov.
- For more information, visit the following web pages:
    - SFHGLP Lending Partner Webpage: https://www.rd.usda.gov/page/sfh-guaranteed-lender.
    - SFHGLP webpage: https://www.rd.usda.gov/programs-services/single-family-housingguaranteed-loan-program
    - USDA LINC Training and Resource library https://www.rd.usda.gov/programsservices/lenders/usda-linc-training-resource-library
    - Procedure Notices: https://www.rd.usda.gov/resources/directives/procedures-notices

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April 8, 2020 Update

As a result of the COVID-19 pandemic, Fannie and Freddie have issued temporary flexibilities around certain items noted below. At the end of this information there are links directly to the Lender Letters issued by the Agencies for further review.

Updates included in the communication come from, Freddie Mac, Fannie Mae and VA

Bulletin 2020-10 – Freddie Mac

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.
Below is additional temporary servicing guidance related to COVID-19

This Bulletin provides revised temporary guidance in response to feedback from Servicers, including questions relating to the impact of the recently enacted Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). In an effort to provide enhanced clarity for our Servicers, we are updating requirements pertaining to the below listed topics, while also reminding Servicers that they must always comply with all applicable federal, State and local laws, ordinances, regulations, orders and regulatory guidance. Topics addressed in this Bulletin include:

- Credit Reporting Requirements
- Foreclosure Moratorium
- Bankruptcy motions for relief from Automatic Stay
- Forbearance Plans
- Quality Right Party Contact (ORPC)

Additionally, we are clarifying that our requirements for the Servicing of Mortgages for Freddie Mac Borrowers impacted by COVID-19 related hardships (as described in Bulletin 2020-4) are separate and distinct from our requirements for the Servicing of Mortgages and Borrowers impacted by an Eligible Disaster. While we are leveraging certain aspects of our disaster Servicing practices, the requirements for how we are applying those and other COVID-19 requirements are described in Bulletins 2020-4, 2020-6, 2020-7 and this Bulletin. Servicers must not submit disaster reporting codes to Freddie Mac or otherwise leverage disaster related requirements that have not been expressly approved for application as part of our COVID-19 response in one of the previously referenced Bulletins or related Purchase Documents. This includes but is not limited to: i) proactively applying forbearance without any communication with the Borrower and, ii) suppression of credit reporting (see updated credit reporting requirements below). Going forward, we will continue to address the COVID-19 pandemic as unique and distinct from Eligible Disasters, unless otherwise stated in future communications from Freddie Mac, regardless of any past, present or future Federal Emergency Management Agency (FEMA) declarations.

Credit Reporting Requirements

For any Borrower impacted by COVID-19, the Servicer must report activity to the credit bureaus in accordance with applicable law, including the Fair Credit Reporting Act and the CARES Act.

Foreclosure Moratorium

As provided in the CARES Act, Servicers must suspend all foreclosure actions, including foreclosure sales, through **May 17, 2020**. This includes initiation of any judicial or non-judicial foreclosure process, move for foreclosure judgment or order of sale. This foreclosure suspension does not apply to Mortgages on properties that have been determined to be vacant or abandoned.

Bankruptcy – Filing Motions for Relief from Automatic Stay

Freddie Mac generally requires Servicers to file a motion for relief from automatic stay upon certain milestones based on the length of delinquency or post-petition payments per Guide Sections 9401.6 and 9401.7. In light of the CARES Act and other impacts resulting from the COVID-19 National Emergency, we are notifying Servicers that we are temporarily relieving them of their responsibility to meet these timelines. Servicers must continue to work with their bankruptcy counsel to determine the appropriate time to file such a motion.

Forbearance Plans

In addition to the forbearance plan requirements described in Guide Chapter 9203, and the temporary measures announced in Bulletin 2020-4, we are temporarily making the following adjustments to our requirements for forbearance plan evaluations for Borrowers with a COVID-19 related hardship:

- Waiving the requirement that a forbearance plan may not extend beyond a date that would cause the Delinquency to exceed a cumulative total of 12 months of the Borrower's contractual monthly Mortgage payment, as described in Sections 9203.12 and 9203.13(a)
- Affirming that an eligible Borrower may be given an initial forbearance plan for up to 180 days, and thereafter one or more forbearance plan term extensions, provided the total forbearance terms do not exceed 12 months
- Affirming that after the terms of the forbearance plan have been determined, Servicers must send the Borrower the forbearance plan agreement to the Borrower, in accordance with Section 9203.13(c), and may use the template provided in Guide Exhibit 93, appropriately modified to reflect the terms of the COVID-19 forbearance

As required by the Guide, Bulletin 2020-4 and this Bulletin, the Servicer must make good faith efforts to establish QRPC with the Borrower in order to evaluate the Borrower for a forbearance plan, and the length of each forbearance plan term must be for an appropriate length, based on the Borrower's individual circumstances and nature of the hardship, and must be agreed upon with or requested by the Borrower. In the event the Servicer and Borrower cannot agree on an appropriate forbearance length, or further communication with the Borrower is not possible under the circumstances, the Servicer must provide the term requested by the Borrower, not to exceed 180 days.

QRPC

As described in Section 9102.3(b), QRPC occurs when a Servicer establishes contact with the Borrower and discusses with the Borrower, co-Borrower or trusted advisor, such as a housing counselor, the most appropriate options for Delinquency resolution. Freddie Mac maintains these principles and reaffirms their applicability when working with COVID-19 impacted Borrowers to ensure the Servicer understands the Borrower's circumstances and determines the best possible outcome for resolving the Borrower's Delinquency. In the event the Servicer is unable to achieve full QRPC and offers a forbearance plan to a COVID-19 impacted Borrower in compliance with applicable law, the Servicer is considered to be in compliance with the Guide.

Outside of the forbearance requirements above, the Servicer must make good faith efforts to establish limited QRPC, in lieu of the full requirements of Section 9102.3(b), as described below for the purpose of determining the best loss mitigation strategy for the Borrower and answering the Borrower's questions relating to repayment of forborne amounts when the forbearance period has ended:

- Determining the reason for the Delinquency and whether the reason is temporary or permanent in nature
- Determining the Borrower's ability to repay the debt
- Setting payment expectations and educating the Borrower on the availability of alternatives to foreclosure as appropriate
- Obtaining a commitment from the Borrower to either resolve the Delinquency through traditional methods (paying the total delinquent amount) or engaging in an alternative to foreclosure solution

Additional Resources

We encourage Servicers to review the following resources:
Our Single-Family web page on **COVID-19 resources**, which will include Servicing FAQs in the future

Joint guidance and FAQs for Servicers during the COVID-19 crisis issued by federal and State regulators, including the Consumer Financial Protection Bureau

Lender Letter 2020-2 – Fannie Mae

In response to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Fannie Mae is updating requirements relating to forbearance plans, achieving QRPC with a borrower in regards to a forbearance plan, credit bureau reporting, and suspension of foreclosure activities and certain bankruptcy requirements. Servicers are reminded that in accordance with *Servicing Guide* A2-1-08, Compliance with Requirements and Laws, they must comply with applicable law even where a provision of the *Servicing Guide* may conflict with applicable law.

As described in *Servicing Guide* D2-2-01, Achieving Quality Right Party Contact with a Borrower, QRPC is a uniform standard for communicating with the borrower, co-borrower, or a trusted advisor (collectively referred to as "borrower") about resolution of the mortgage loan delinquency. We reaffirm the applicability of QRPC when working with a borrower impacted by COVID-19 to ensure the servicer understands the borrower's circumstances and determines the best possible workout option for resolving the borrower's delinquency. In the event that the servicer is unable to achieve full QRPC and offers a forbearance plan to a borrower impacted by COVID-19 in compliance with the CARES Act, the servicer is considered to be in compliance with our *Servicing Guide*.

In response to servicer inquiries and in accordance with *Servicing Guide* A4-2.1-04, Establishing Contact with the Borrower, among other requirements, the servicer is authorized to use various outreach methods to contact the borrower as permitted by applicable law, including, but not limited to:

- Mail,
- Email,
- Texting, and
- Voice response unit technology.

Reporting a Reason for Delinquency Code

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. For all mortgage loans that are greater than 30 days delinquent, the servicer must advise us of the action it plans to take or has taken until the mortgage loan becomes current (or liquidated) by reporting, among other information, the reason for delinquency.

In an effort to enable us to identify mortgage loans where the borrower has experienced a hardship associated with COVID-19 while not resulting in a systems impact for us or you, the servicer must report reason for delinquency code 022, Energy-Environment Costs, when reporting the delinquency status of such mortgage loans to us. For mortgage loans where the servicer would have reported reason for delinquency code 022, Energy-Environment Costs, the servicer must now use reason for delinquency code 007, Excessive Obligations.

Property Inspections and Preservation

As a result of the impact of COVID-19, we are temporarily providing flexibility with respect to the completion of property inspections, including:

- inspections for properties securing a delinquent mortgage loan as described in *Servicing Guide* D2-2-10, Requirements for Performing Property Inspections;
- inspections related to hazard loss repairs as described in *Servicing Guide* B-5-01, Insured Loss Events; and
- property preservation activities as described in *Servicing Guide* E-3.2-12, Performing Property Preservation During Foreclosure Proceedings.

Note: The servicers inability to complete property inspections due to COVID-19 related impacts must not impact the servicer's disbursement of insurance loss proceeds.

As a reminder, *Servicing Guide* D2-2-10, Requirements for Performing Property Inspections authorizes a curbside (drive-by) inspection if there is potential danger to the inspector. Additionally, the *Property*

Preservation Matrix and Reference Guide authorizes servicers to utilize alternative data or other means available to determine occupancy status when inspection results are unknown due to lack of access.

Forbearance Plan Terms

With the Mar. 18, 2020 Lender Letter, we communicated that servicers must achieve QRPC with the borrower prior to offering a forbearance plan, that the property securing the mortgage loan may be either a principal residence, a second home, or an investment property, and that the servicer must otherwise follow the requirements in *Servicing Guide* D2-3.2-01, Forbearance Plan. In response to the CARES Act, the servicer must approve forbearance plans for borrowers impacted by COVID-19 in accordance with the CARES Act.

The CARES Act states that a forbearance plan must be provided to any borrower who requests a forbearance with an attestation of the financial hardship caused by the COVID-19 emergency; and no additional documentation other than the borrower's attestation to a financial hardship caused by the COVID-19 emergency is required. Such a borrower must be provided an initial forbearance plan for a period up to 180 days, and that forbearance period may be extended for up to an additional 180 days at the request of the borrower. In accordance with the *Servicing Guide* D2-3.2-01, Forbearance Plan, the servicer may provide an initial forbearance period, and any extended forbearance period, in separate, shorter increments. If the borrower's COVID-19 related hardship has not been resolved during an incremental forbearance period, the servicer must extend the borrower's forbearance period, not to exceed 12 months total. For a borrower impacted by COVID-19, we are temporarily eliminating the requirement that the servicer must receive our prior written approval for a forbearance plan that would result in the mortgage loan becoming greater than 12 months delinquent.

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, and that once the forbearance plan is complete, one of the following must occur:

- The mortgage loan must be brought current through a reinstatement,
- The borrower is approved for another workout option,
- The mortgage loan is paid in full, or
- The servicer refers the mortgage to foreclosure in accordance with applicable law.

The servicer must also inform the borrower that he or she may shorten a forbearance plan term at any time to reduce the amount of payments which are being delayed or reduced.

As stated in the *Servicing Guide* D2-3.2-01, Forbearance Plan, the forbearance plan terms must be provided to the borrower using the appropriate Evaluation Notice, which must be revised in accordance with applicable law. In addition, the servicer must document in the individual mortgage loan file the borrower's request for forbearance and attestation as to a financial hardship caused by the COVID-19 emergency, and the terms of the initial and any extended forbearance, including the duration of the forbearance period.

Evaluating the Borrower for a Payment Deferral or Mortgage Loan Modification after a Forbearance plan.

For borrowers who have received a forbearance plan in response to COVID-19, the servicer must begin attempts to contact the borrower no later than 30 days prior to the expiration of the forbearance plan term, must continue outreach attempts until either QRPC is achieved or the forbearance plan term has expired. When evaluating the borrower for a workout option prior to expiration of the forbearance plan, we are providing flexibility with regard to achieving QRPC. We are eliminating the requirement that the servicer determine the occupancy status of the property and will consider the servicer obtaining the following as achieving QRPC for purposes of evaluating a borrower who has experienced a hardship resulting from COVID-19:

- Determining the reason for the delinquency and whether it is temporary or permanent in nature
- Determining whether or not the borrower has the ability to repay the mortgage loan debt,
- Educating the borrower on the availability of workout options, as appropriate, and
- Obtaining a commitment from the borrower to resolve the delinquency

Credit Bureau Reporting

In response to the CARES Act, we are acknowledging that the servicer must report the status of the mortgage loan to the credit bureaus in accordance with the FCRA, including as amended by the CARES Act, for borrowers affected by the COVID-19 emergency. This supersedes our guidance on Mar. 18, 2020, which instructed servicers to suspend reporting the status of a mortgage loan to credit bureaus during an active forbearance plan, or a repayment plan or Trial Period Plan where the borrower is making the required payments as agreed, even though payments are past due, as long as the delinquency is related to a hardship resulting from COVID-19.

Suspension of Foreclosure Activities and Certain Bankruptcy Requirements

On Mar. 18, 2020, we instructed servicers that they must suspend all foreclosure sales for the next 60 days, unless the property securing the mortgage loan had been determined to be vacant or abandoned.

In response to the CARES Act, we are acknowledging that the servicer must now suspend foreclosure-related activities in accordance with the requirements of the CARES Act , which provides: “Except with respect to a vacant or abandoned property, a servicer of a Federally backed mortgage loan may not initiate any judicial or non-judicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale for not less than the 60-day period beginning on Mar. 18, 2020.”

Fannie Mae generally requires servicers to file motions for relief from the automatic stay in bankruptcy cases upon certain milestones. In light of the CARES Act and other impacts resulting from the COVID 19 National Emergency, Fannie Mae is temporarily relieving servicers of the obligation to meet these timelines. This temporary suspension shall be in effect for not less than the 60-day period beginning on Mar. 18, 2020. Servicers must continue to work with their bankruptcy counsel to determine the appropriate time to file such motions.

VA – Circ. 26-20-12 Extended Relief under the CARES Act for those Affected by COVID-19

Purpose and Background. During the COVID-19 national emergency the Department of Veterans Affairs (VA), through its home loan program, continues to work toward keeping Veterans and stakeholders safe. On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), Public Law 116-136. The CARES Act protects borrowers with Federally backed mortgage loans who are experiencing financial hardship due to the COVID-19 national emergency. These protections are outlined below. The servicer must ensure the borrower has been given every opportunity to pursue all possible loss mitigation options in order to bring their loan current. Failure to do so could impact a future claim payment and could lead to other legal or administrative action(s) against the servicer. The Cares Act preempts section 3 of Circular 26-20-7, "Special Relief for those Potentially Impacted by COVID-19."

Eligibility. A borrower with a VA-guaranteed or VA-held loan, including a Native American Direct Loan or a vendee loan, who is experiencing a financial hardship due, directly or indirectly, to the COVID–19 emergency may request a loan forbearance, regardless of delinquency status, by:

- Submitting a request to the borrower's servicer; and
- Attesting that the borrower is experiencing financial hardship due to the COVID-19 emergency

Forbearance. The borrower may request an initial forbearance period of up to 180-days, regardless of the borrower's delinquency status. If the borrower makes the attestation discussed above, the servicer must grant the forbearance request, with no additional documentation. This forbearance must be extended, at the borrower's request, for an additional period of up to 180 days. When a borrower contacts the servicer, VA expects the servicer to inform the borrower of the borrower's forbearance rights. The borrower, not the servicer, is entitled to determine the period of the forbearance, subject to the statutory limit of up to 360 days.

Accrual of Fees, Penalties, and Interest / Credit Reporting. During a period of forbearance described above, servicers shall not charge fees, penalties, or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract. When reporting credit information to credit bureaus, servicers must follow the CARES Act requirements for reporting a borrower's account as current or delinquent.

Existing Forbearance:

Servicers should consider all the loss mitigation options described by Chapter 5 of the VA Servicer Handbook M26-4 (including those related to disasters) in determining how to account for payments that were subject to a CARES Act forbearance. Such loss mitigation options include, but are not limited to:

- Repayment Plans,
- Loan Modifications,
- Streamline Modifications,
- VA Affordable modifications,
- VA Disaster modifications, and
- Disaster Extended modifications

Servicers are not to require a borrower who receives a CARES Act forbearance to make a lump sum payment, equating to what would have been due if a forbearance was not in effect, after the forbearance period ends. However, a lump sum is acceptable if it is to be paid back at the end of the loan or if a borrower opts to make a lump sum payment instead of pursuing the options discussed above.

Servicers should review loan files for all possible loss mitigation options no later than 30 days before the forbearance period is scheduled to end. Servicers should document such reviews in their loan servicing systems. If no loss mitigation options are possible, in cases where the home has equity, servicers must refer the file to the relevant Regional Loan Center for VA's consideration of a loan refunding. Where a such a refunding is not possible, servicers should consider alternatives to foreclosure including compromise sales (short sales) and deeds in lieu of foreclosure.

<u>Foreclosure Moratorium.</u> Except with respect to a vacant or abandoned property, a servicer of a Federally-backed mortgage loan may not initiate any judicial or non-judicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale for not less than the 60-day period beginning on March 18, 2020.

March 24, 2020

Freddie Mac Temporary Servicing Guidance Related to COVID-19

<u>Effective Date:</u>

The credit reporting, forbearance plan, and loan modification guidance announced in this Bulletin is effective immediately.

Freddie Mac will continue to monitor the situation and may revise or revoke this temporary guidance at any time, as appropriate.

In response to the challenges resulting from the outbreak and spread of the coronavirus disease (COVID-19), under FHFA direction and in alignment with Fannie Mae, Freddie Mac is announcing guidance with respect to the following items to assist impacted Borrowers:

- Credit reporting requirements
- Forbearance plans
- Loan modifications
- Foreclosure sale moratorium

These temporary measures will support Servicers' efforts to assist Borrowers who experience a hardship resulting from COVID-19. This includes both Borrowers who have and have not contracted COVID-19, provided their ability to make timely Mortgage payments has been negatively affected as a result of COVID-19 ("COVID-19 related hardship"). The Servicer will determine what constitutes a COVID-19 related hardship and must treat all Borrowers equally when making this determination.

Credit Reporting Requirements:

The Servicer must not report to the credit repositories a Borrower who is on an active forbearance plan, repayment plan or Trial Period Plan as a result of a COVID-19 related hardship.

Forbearance Plans

In response to industry inquiries, we are clarifying that a COVID-19 related hardship is an eligible hardship under existing Guide requirements. Impacted Borrowers meet Freddie Mac's forbearance hardship requirements as described in Guide Section 9202.2. This may include long-term or permanent disability/serious illness of a Borrower/co-Borrower or dependent family member, reduction in income, death or other eligible hardship reasons. The Servicer must achieve quality right party contact with the Borrower to verify the hardship, and once verified must work with the Borrower to apply the appropriate solution, including the application of a forbearance plan, if applicable. In accordance with existing Freddie Mac forbearance plan requirements described in Section 9203.13, no documentation is required from the Borrower in order to verify the hardship.

As part of our temporary guidance announced in this Bulletin, we are further authorizing Servicers to approve forbearance plans for all Borrowers who have a COVID-19 related hardship, regardless of property type. While the Guide currently provides that only Mortgages secured by Primary Residences are eligible for a forbearance plan, until further notice the Mortgaged Premises may be a Primary Residence, second home or Investment Property.

Loan Modifications

Guide Bulletin 2017-25 announced the Freddie Mac Extend Modification for Disaster Relief ("Extend Modification"). Section 9206.4 provides the requirements for the Freddie Mac Capitalization and Extension Modification for Disaster Relief (referred to in the Bulletin as the "Disaster Relief Modification," but referred to herein as the "Cap and Extend Modification"). These modifications were developed as tools for Servicers to assist Borrowers who were impacted by an Eligible Disaster.

With this Bulletin, we are requiring Servicers to evaluate Borrowers with a COVID-19 related hardship for the Extend Modification and the Cap and Extend Modification in accordance with the requirements described in Bulletin 2017-25 and Section 9206.4 (and all additional Guide sections referenced therein), including the order of evaluation provided in the "Borrower contact requirements and disaster loss mitigation hierarchy" section of Bulletin 2017-25. For Servicer convenience, we have reproduced this guidance in this Bulletin, in the below section, titled "Borrower contact requirements and COVID-19 loss mitigation hierarchy." Servicers must conduct Extend Modification and Cap and Extend Modification evaluations in accordance with all existing requirements, with the following adjustments:

Current requirement	Requirement for Borrowers impacted by COVID-19
The Borrower's Mortgaged Premises or place of employment must be located in an Eligible Disaster Area.	The Borrower must have a COVID-19 related hardship (e.g., unemployment or reduction in regular work hours).

Note: For Extend Modifications only, the Eligible Disaster Area designation must have been made on or after August 25, 2017.	Note: The Servicer is not required to obtain documentation to verify the borrower's hardship.
The Borrower must have been current or less than 31 days delinquent (i.e., must not have missed more than one monthly payment) at the time of the disaster and the Borrower's hardship must have been caused by an Eligible Disaster	The Borrower must have been current or less than 31 days delinquent (i.e., must not have missed more than one monthly payment) as of the date of the National Emergency declaration related to COVID-19, March 13, 2020
Processing and reporting	
Processing and reporting requirements for the Extend Modification are described in Bulletin 2017-25, and for the Cap and Extend Modification in the **Workout Prospector Users' Guide** and Freddie Mac's **Disaster Relief Reference Guide**.	Servicers must continue to follow existing processes, with the following exception: When instructed to provide program title information in the Workout Prospector or Guide Form 1128, *Loss Mitigation Transmittal Worksheet*, as applicable, the Servicer must label the modifications as "Extend Modification for COVID-19" and "Cap and Extend Modification for COVID-19," respectively.

Borrower Contact Requirements and COVID-19 Loss Mitigation Hierarchy

The Servicer must initiate outreach attempts no later than 30 days prior to the end of the Borrower's COVID-19 related forbearance. The Servicer must attempt to contact the Borrower until quality right party contact (QRPC) has been established or until the forbearance plan has expired.

If QRPC is established with a Borrower who was 31 days or more delinquent (i.e., had missed more than one monthly payment) prior to the National Emergency declaration, then the Borrower is not eligible for the Extend Modification (or Cap and Extend Modification), and the Servicer must evaluate the Borrower in accordance with the standard evaluation hierarchy.

If QRPC is established with a Borrower who was current or less than 31 days delinquent (i.e., the Borrower had not missed more than one monthly payment) prior to the National Emergency declaration, and the Borrower is unable to resolve the Delinquency through a reinstatement or repayment plan, the Servicer then must evaluate the Borrower for the loss mitigation options set forth in the following COVID-19 related evaluation hierarchy:

1. Extend Modification
2. Cap and Extend Modification
3. Freddie Mac Flex Modification®
4. Short sale
5. Deed-in-lieu of foreclosure

If QRPC is not established at the end of the COVID-19 related forbearance, and the Borrower is eligible for a streamlined offer for a Flex Modification, the Servicer must send the Borrower an offer for a Flex Modification.

Foreclosure Sale Moratorium

Servicers must suspend all foreclosure sales for the next 60 days. This foreclosure suspension does not apply to Mortgages on properties that have been determined to be vacant or abandoned.

Links to related updates:

https://guide.freddiemac.com/app/guide/content/a_id/1003722

Fannie Mae Temporary Servicing Guidance Related to COVID-19

Effective Date:

The policies in this Lender Letter are effective immediately and are effective until Fannie Mae provides further notice.

Forbearance Plan Eligibility:

To assist borrowers who have experienced a hardship resulting from COVID-19 (for example, unemployment, reduction in regular work hours, or illness of a borrower/co-borrower or dependent family member) which has impacted their ability to make their monthly mortgage loan payment, the servicer should evaluate the borrower for a forbearance plan in accordance with Servicing Guide D2-3.2-01, Forbearance Plan. The servicer must achieve quality right party contact (QRPC) with the borrower prior to offering a forbearance plan. With this Lender Letter, when determining eligibility for a forbearance plan for a borrower impacted by COVID-19, the property securing the mortgage loan may be a principal residence, a second home, or an investment property. The servicer must otherwise follow the requirements in D2-3.2-01, Forbearance Plan.

NOTE: The servicer is not required to obtain documentation of the borrower's hardship.

For borrowers who have received a forbearance plan in response to COVID-19, the servicer must begin attempts to contact the borrower no later than 30 days prior to the expiration of the forbearance plan term, must continue outreach attempts until either QRPC is achieved or the forbearance plan term has expired, and analyze each case carefully in accordance with the requirements in the table below before determining which mortgage loan modification is most appropriate for the borrower.

With LL-2017-09R Fannie Mae introduced the Fannie Mae Extend Modification for Disaster Relief (Extend Mod), a temporary post-disaster forbearance mortgage loan modification, as well as the order of evaluation for Extend Mod and other post forbearance mortgage loan modifications when the property securing the mortgage loan or the borrower's place of employment is located in a FEMA-Declared Disaster Area eligible for Individual Assistance. With this Lender Letter, we are extending the availability of these post-forbearance mortgage loan modifications to borrowers impacted by COVID-19. The following table provides guidance and the order of evaluation for the mortgage loan modification.

Utilize this link: https://singlefamily.fanniemae.com/media/22261/display to access the tables that more fully define the guidance and the order of evaluation for the mortgage loan modification.

Credit Bureau Reporting:

The servicer must suspend reporting the status of a mortgage loan to credit bureaus during an active forbearance plan, or a repayment plan or Trial Period Plan where the borrower is making the required payments as agreed, even though payments are past due, as long as the delinquency is related to a hardship resulting from COVID-19.

Suspension of Foreclosure Sales:

Servicers must suspend all foreclosure sales for the next 60 days. This foreclosure suspension does not apply to mortgage loans on properties that have been determined to be vacant or abandoned.

Link to the related updates:

https://singlefamily.fanniemae.com/media/22261/display