Freddie Mac
Single-Family

Bulletin

TO: Freddie Mac Servicers

May 13, 2020 | 2020-15

SUBJECT: FREDDIE MAC COVID-19 PAYMENT DEFERRAL

With Bulletin 2020-6, Freddie Mac announced the Payment Deferral, a loss mitigation solution for Borrowers who became delinquent due to a short-term hardship that has since been resolved. As we continue to monitor and respond to the COVID-19 pandemic, and in response to Servicer feedback, we are announcing the Freddie Mac COVID-19 Payment Deferral.

The COVID-19 Payment Deferral leverages a similar concept to the recently announced Payment Deferral solution. Under the terms of a COVID-19 Payment Deferral an eligible Borrower will be brought current by deferring delinquent amounts to create a non-interest bearing balance that will become due at the earlier of the Mortgage maturity date, payoff date, or upon transfer or sale of the Mortgaged Premises. The remaining Mortgage term, interest rate schedule (i.e., whether a fixed-rate Mortgage, an ARM or Step-Rate Mortgage) and maturity date of the Mortgage will all remain unchanged.

KEY DIFFERENCES FROM A STANDARD PAYMENT DEFERRAL

We have made several adjustments to the requirements of the standard Payment Deferral to create the COVID-19 Payment Deferral, which is designed specifically to assist Borrowers who have a COVID-19 related hardship. All relevant requirements are described in detail in this Bulletin. However, there are several key differences between the previously announced solution and the COVID-19 Payment Deferral, including:

- The Borrower's Delinquency must have been the result of a COVID-19 related hardship, as described in Bulletin 2020-4, and that hardship must be resolved
- The Borrower must have been current or less than 31 days delinquent as of the effective date of the National Emergency declaration date, March 1, 2020
- The Mortgage may be up to 12 months delinquent as of the evaluation date
- The Borrower is not required to make consecutive payments immediately prior to executing a COVID-19 Payment Deferral (i.e., there is no rolling delinquency requirement)
- The Servicer must defer all delinquent principal and interest payments (P&I), but for a COVID-19 Payment Deferral must also defer any other amounts that are permitted to be capitalized as part of a Freddie Mac Flex Modification®, and as described in Guide Section 9206.15
- Certain eligibility restrictions of the Payment Deferral are not applicable to the COVID-19 Payment Deferral (e.g., there is no origination seasoning requirement or any restrictions regarding a previous non-COVID-19 Payment Deferral or a recently failed Flex Modification or Flex Modification Trial Period Plan)
- Under certain circumstances, the Servicer must proactively send an eligible Borrower an offer for a COVID-19 Payment Deferral without first establishing quality right party contact (as described in the "Solicitation for a COVID-19 Payment Deferral" section below)

Servicers must complete a COVID-19 Payment Deferral in accordance with all requirements described in the below sections of this Bulletin.

EFFECTIVE DATE

Servicers must begin evaluating eligible Borrowers for a COVID-19 Payment Deferral on and after **July 1, 2020**.

FREDDIE MAC COVID-19 PAYMENT DEFERRAL

Eligibility requirements and exclusions

To be eligible for the COVID-19 Payment Deferral, all of the following requirements must be met:

COVID-19 Payment Deferral eligibility requirements and exclusions	
Borrower eligibility	The Servicer must achieve quality right party contact in accordance with the requirements specified in Bulletin 2020-10 ("Limited QRPC"). In addition to the information required to achieve Limited QRPC, the Servicer must confirm that the Borrower: • Has a resolved COVID-19 hardship • Is capable of continuing to make the existing contractual monthly Mortgage payment • Is unable to afford a repayment plan or full reinstatement of the Mortgage If the Borrower's Mortgage was previously modified under the Home Affordable Modification Program℠ (HAMP®) and the Borrower is in "good standing" when they entered into a COVID-19 forbearance plan and the Borrower transitions directly to a COVID-19 Payment Deferral, then the Borrower will not lose good standing as a result of the forbearance plan or as a result of a COVID-19 Payment Deferral.
	Delinquency/Payment requirements The Mortgage must: • Have been current or less than 31 days delinquent as of March 1, 2020, the effective date of the National Emergency declaration related to COVID-19, and • Be 31 or more days delinquent but less than or equal to 360 days delinquent as of the date of evaluation Note: If a Borrower had a COVID-19 related hardship but was 31 or more days delinquent as of the effective date of the National Emergency declaration (March 1, 2020), and the Servicer determines the Borrower can maintain the existing monthly contractual payment, the Servicer must transmit an exception request via Workout Prospector® to Freddie Mac.
Mortgage/property eligibility	The Mortgage: • Must be a conventional First Lien Mortgage currently owned or guaranteed by Freddie Mac; and • May be a fixed-rate Mortgage, an ARM or a step-rate Mortgage The property may be a Primary Residence, second home or Investment Property and may be vacant or condemned.
	Mortgages subject to indemnification agreements If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the COVID-19 Payment Deferral requirements of this Bulletin, the Servicer has the discretion to approve the COVID-19 Payment Deferral provided the following conditions are met: • The Mortgage receiving the COVID-19 Payment Deferral retains its credit enhancement • If the Servicer is not the credit enhancement provider, the Servicer must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a COVID-19 Payment Deferral that complies with the requirements of this Bulletin • The Servicer remits to Freddie Mac an annual payment for the amount of COVID-19 Payment Deferral related costs (e.g., interest rate shortfall). The loss amount calculation for the COVID-19 Payment Deferral will be determined in the same

	manner as the Modification Loss Amounts as described in Bulletins 2016-5 and 2017-1. **Note**: The Servicer is not eligible to receive an incentive for completing a COVID-19 Payment Deferral on a Mortgage that is subject to an indemnification agreement.
	Mortgage insurance If the Mortgage is subject to mortgage insurance, and the mortgage insurance company is not included on our list of **delegated mortgage insurance companies** for Mortgage modifications, the Servicer must obtain delegation of authority from the MI or seek approval from the MI to complete the COVID-19 Payment Deferral.
	Texas Equity Section 50(a)(6) Mortgages If the Borrower is eligible and qualifies for the COVID-19 Payment Deferral, the Servicer must offer the COVID-19 Payment Deferral to the Borrower. If the Servicer receives Borrower notification classifying the COVID-19 Payment Deferral as a modification and claiming that the terms of the modification agreement do not comply with the provisions of Article XVI Section 50(a)(6) of the Texas Constitution, the Servicer must notify Freddie Mac within seven Business Days of receipt of such objection or complaint to Freddie Mac at **Distressed_Property@freddiemac.com** and include the following: • Freddie Mac loan number • Servicer loan number • Transaction type (e.g., Texas Home Equity modification) • Accounting Cycle in which Freddie Mac settled the workout • Servicer's analysis (e.g., a Borrower complaint received related to a provision) Upon receipt of Freddie Mac's instructions, the Servicer must comply with any required response time frames to claims of defects and any other complaint in accordance with Section 8104.1 and the Texas Constitution.
Borrower documentation	The Servicer must not require a complete Borrower Response Package (BRP) to evaluate the Borrower for a COVID-19 Payment Deferral if the Borrower has been evaluated in accordance with all requirements described in this Bulletin and the eligibility criteria are satisfied.
Eligibility exclusions	The following Mortgages and Borrowers are ineligible for the COVID-19 Payment Deferral: • FHA, VA and Guaranteed Rural Housing Mortgages • Mortgages subject to recourse • The Mortgage was subject to a previous COVID-19 Payment Deferral • Mortgages that are subject to an approved short sale or deed-in-lieu of foreclosure transaction • The Mortgage is currently subject to an unexpired offer to the Borrower for a mortgage modification or other alternative to foreclosure • Borrowers who are currently performing under a modification Trial Period Plan, a non-COVID-19 forbearance plan or repayment plan

Determining the terms of the COVID-19 Payment Deferral

The steps to determine the terms of the COVID-19 Payment Deferral are described in the table below:

Determining COVID-19 Payment Deferral Terms	
Delinquent Payment Deferral	The Servicer must follow the steps below when determining the terms of the COVID-19 Payment Deferral. If the existing Mortgage includes a non-interest bearing UPB as a result of a prior modification, the terms impacting that non-interest bearing UPB will remain unchanged. The Servicer must apply the COVID-19 Payment Deferral forbearance as follows: • Defer the delinquent P&I and any other expenses or amounts due that are permitted to be capitalized under Flex Modification capitalization rules (described in Section 9206.15(b)), into an existing or newly created non-interest-bearing UPB (Deferred UPB). The aggregate Deferred UPB will become due on the earlier of: ➢ The Mortgage maturity date ➢ The Mortgage payoff date (e.g., refinance or payoff of the interest-bearing UPB); or ➢ Upon transfer or sale of the Mortgaged Premises The Servicer must: • Advance the DDLPI to bring the Mortgage to current status • Ensure that the remaining payment schedule associated with the interest-bearing UPB remains unchanged from the Mortgage's pre-COVID-19 Payment Deferral payment schedule • Waive all accrued and unpaid late charges upon completion of the COVID-19 Payment Deferral When offering the COVID-19 Payment Deferral, the Servicer must ensure all other terms of the existing Mortgage remain unchanged including, but not limited to, the: • Remaining amortization schedule • Monthly P&I portion of the existing contractual monthly Mortgage payment • Interest rate (this includes maintaining the existing rate adjustment schedule for an ARM or a Step-Rate Mortgage); and • Maturity date NOTE: The maximum number of monthly payments that may be deferred as part of a COVID-19 Payment Deferral is twelve.
Escrow	***Escrow analysis*** The Servicer is not required to perform an Escrow analysis in conjunction with a COVID-19 Payment Deferral and may continue to perform the Escrow analysis as regularly scheduled. If the Servicer chooses to perform an Escrow analysis, any Escrow account shortage that is identified at the time of the COVID-19 Payment Deferral must not be capitalized and the Servicer is not required to fund any existing Escrow account shortage. Any Escrow advances must be included in the deferred balance, as described in the "Delinquent COVID-19 Payment Deferral" section, above. In addition, the Servicer is not required to revoke any Escrow account waiver.

Completing a COVID-19 Payment Deferral

The Servicer must send a COVID-19 Payment Deferral Agreement provided as Attachment A to this Bulletin, or the Servicer's customized equivalent of the COVID-19 Payment Deferral Agreement, to the Borrower no later than five days after completion (e.g., a closed /settled workout option) of the COVID-19 Payment Deferral. In the event the Servicer elects to require the Borrower to sign and return the COVID-19 Payment Deferral Agreement, it must receive the fully executed COVID-19 Payment Deferral Agreement prior to the settlement date.

The use of Attachment A to this Bulletin is optional; however, it reflects the minimum level of information that the Servicer must communicate. The Servicer must ensure the COVID-19 Payment Deferral Agreement complies with applicable law.

The Servicer must complete the COVID-19 Payment Deferral in the same month it determines the Borrower is eligible. If the Servicer is unable to complete the COVID-19 Payment Deferral within this timeframe, the Servicer may, at its option, use an additional month to allow for sufficient processing time ("processing month") to complete the COVID-19 Payment Deferral. The Servicer must treat all Borrowers equally in applying the processing month, as evidenced by a written policy (i.e., the criteria for when a processing month is required must be the same for all Borrowers). Additionally, the Servicer is not permitted to defer more than twelve months of payments as part of a Payment Deferral, so if a processing month is used for a borrower who is already twelve months delinquent, the Servicer must require a payment during the processing month. Otherwise, the Borrower is not required to submit a payment during the processing month for a COVID-19 Payment Deferral.

The Servicer must process a COVID-19 Payment Deferral Agreement in compliance with the requirements for processing a regular Payment Deferral Agreement, as described in Section 9203.23. This includes the requirements for recordation, title endorsement and Document Custodian. The table below provides some of the key criteria:

<table>
<tr><th colspan="2">COVID-19 Payment Deferral Agreement</th></tr>
<tr><td rowspan="3">COVID-19 Payment Deferral conditions</td><td>Recordation
The Servicer must ensure that the Mortgage subject to the COVID-19 Payment Deferral retains its First Lien position and continues to be fully enforceable in accordance with its terms at the time of completion of the COVID-19 Payment Deferral, throughout the term of the Mortgage, and during any bankruptcy or foreclosure proceeding involving the Mortgage.
The Servicer must record the COVID-19 Payment Deferral Agreement only when doing so is necessary to ensure its compliance with this First Lien retention and the COVID-19 Payment Deferral enforcement requirement.</td></tr>
<tr><td>Title endorsement
• The Servicer is responsible for ensuring that the Mortgage subject to the COVID-19 Payment Deferral complies with applicable law, retains Freddie Mac's First Lien position, and is enforceable against the Borrower(s) in accordance with its terms
• The Servicer must obtain a title endorsement or similar title insurance product issued by a title insurance company if the COVID-19 Payment Deferral Agreement will be recorded</td></tr>
<tr><td>Document Custodian
• If the COVID-19 Payment Deferral Agreement is not required to be signed by the Borrower, the Servicer must send a copy of the Servicer-executed COVID-19 Payment Deferral Agreement to the Document Custodian within 25 days of the effective date of the COVID-19 Payment Deferral
• If the COVID-19 Payment Deferral Agreement must be recorded, the Servicer must:
  ➢ Send a certified copy of the fully executed COVID-19 Payment Deferral Agreement to the Document Custodian within 25 days of the effective date of the COVID-19 Payment Deferral; and
  ➢ Send the original COVID-19 Payment Deferral Agreement when returned from the recorder's office to the Document Custodian within five Business Days of receipt
• If the COVID-19 Payment Deferral Agreement must be signed by the Borrower but not recorded, the Servicer must send the fully executed original COVID-19 Payment Deferral Agreement to the Document Custodian within 25 days of the effective date of the COVID-19 Payment Deferral</td></tr>
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Evaluation hierarchy

To be eligible for a COVID-19 Payment Deferral, a Borrower must have been current or less than 31 days delinquent as of the effective date of the National Emergency declaration (March 1, 2020). Otherwise, the Servicer must conduct all loss mitigation evaluations in accordance with our standard loss mitigation evaluation hierarchy, as described in Section 9201.2 (or must submit an exception request for Freddie Mac approval, as described above).

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

1. COVID-19 Payment Deferral
2. Flex Modification (in accordance with the requirements described in Bulletin 2020-7, if applicable)
3. Standard Short Sale
4. Standard Deed-in-Lieu of Foreclosure

NOTE: In most cases, Borrowers with a COVID-19 related hardship who qualify to be evaluated for a COVID-19 Payment Deferral (as described in this section) will be transitioning from a COVID-19 forbearance, but forbearance is not a prerequisite in order to be eligible.

Extend Modification and Capitalization and Extend Modification

Upon the mandatory effective date of the COVID-19 Payment Deferral on July 1, 2020, we are revising the guidance we provided in Bulletin 2020-4 by eliminating the Extend Modification and the Capitalization and Extend Modification as options in the COVID-19 evaluation hierarchy and replacing those options with the COVID-19 Payment Deferral, as shown in the hierarchy described above. Prior to the July 1 effective date, Servicers must continue to evaluate Borrowers based on the existing guidance from Bulletin 2020-4, which includes the Extend Modification and Cap and Extend Modification.

Solicitation for a COVID-19 Payment Deferral

The Servicer must proactively solicit the Borrower to offer a COVID-19 Payment Deferral within 15 days after the expiration of the forbearance plan if:

- The Servicer is not able to establish Limited QRPC during the COVID-19 related forbearance plan, and
- The Mortgage was current or less than 31 days delinquent as of the effective date of the National Emergency declaration (March 1, 2020), and
- The Mortgage does not meet any of the criteria described in the “Eligibility Exclusions” section of this Bulletin

We have provided a solicitation letter template as Attachment B to this Bulletin that the Servicer may use at its discretion, but the solicitation letter must, at a minimum, provide the details of the COVID-19 Payment Deferral and instructions on how to accept the offer. The Borrower may accept the COVID-19 Payment Deferral offer via:

- Contacting the Servicer directly in accordance with any acceptable outreach and communication method as described in Bulletin 2020-7, or
- Returning an executed COVID-19 Payment Deferral Agreement, if applicable, or
- Any other method evidencing the Borrower’s acceptance, in compliance with applicable law (e.g., making the monthly payment due under the terms of the COVID-19 Payment Deferral offer*)

The solicitation letter must also include language that additional forbearance options are available, as applicable, if the Borrower’s hardship is ongoing, or a Flex Modification may be available if the Borrower needs payment relief.

*If permitting payment to constitute acceptance of the COVID-19 Payment Deferral offer, the Servicer must require the Borrower’s payment to be submitted so that it is received by the Servicer in the same month as the Payment Deferral offer is sent. This requirement must be described in the Solicitation Letter, if applicable.

Solicitation for a Flex Modification

If the Borrower is ineligible for a solicitation for a COVID-19 Payment Deferral, as described above, then the Servicer must evaluate the Borrower for a streamlined offer for a Flex Modification (provided that as of the evaluation date the Borrower is at least 90 days delinquent or is at least 60 days delinquent and has a Step-Rate Mortgage). Flex Modifications for Borrowers with a COVID-19 related hardship who were current or less than 31 days delinquent as of March 1, 2020 must be completed in accordance with the streamlined Flex Modification evaluations described in the section below, under “Reduced Flex Mod Requirements.” Otherwise, the Servicer must evaluate in accordance with our standard requirements in Section 9206.5. The Servicer must send a streamlined offer for a Flex Modification to an eligible Borrower within 15 days after the expiration of the forbearance plan.

If the Borrower was eligible for a solicitation for a COVID-19 Payment Deferral, but did not accept the offer, then the Servicer must evaluate the Borrower for a streamlined offer for a Flex Modification following the same requirements as described in the above paragraph, except that the Servicer must send the streamlined offer to an eligible Borrower within 15 days of the expiration of the COVID-19 Payment Deferral offer.

Flex Modification evaluations for failed COVID-19 Payment Deferral

If the Borrower accepts a COVID-19 Payment Deferral and subsequently becomes 60 days delinquent within six months of the effective date, then the Servicer must evaluate the Borrower for a Flex Modification based on the special eligibility criteria described below, and the Servicer is not required to first establish quality right party contact or collect a complete Borrower Response Package. A Flex Modification offer must be sent to an eligible Borrower under these requirements no later than the 75th day of Delinquency.

Reduced Flex Modification requirements

In lieu of the regular Guide requirements for Flex Modification eligibility as described in Sections 9206.5 and 9206.6, the Servicer will exclude only the following Mortgages from eligibility in these instances:

- The Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage
- The Mortgage is subject to recourse
- The Mortgage is currently performing under another forbearance plan, Trial Period Plan or repayment plan
- The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure
- The Mortgage is currently subject to an unexpired offer to the Borrower for another modification or other foreclosure prevention alternative, such as a forbearance plan or repayment plan

If the Servicer was not collecting Escrows on the existing Mortgage, the Borrower is not required to establish an Escrow account as a condition of the modification unless otherwise required by applicable law, or the Servicer confirms that the taxes and insurance premiums have not been paid and are past due.

Workout Prospector®

Workout Prospector® is being updated to accommodate the submission and settlement of COVID-19 Payment Deferrals. Although Servicers must begin their evaluations on and after July 1, 2020, the Payment Deferral path described below will not be available until July 13, 2020. Therefore, settlements using Workout Prospector should be withheld until July 13, 2020, even when the evaluation may have been conducted on or after July 1, but before July 13.

To model the terms of the COVID-19 Payment Deferral and complete the settlement process, Servicers must use the "Payment Deferral" path in Workout Prospector. Servicers must comply with the requirements in Section 9203.24 and the instructions provided in the **Workout Prospector Users' Guide** to complete the submission and settlement process for a COVID-19 Payment Deferral.

Servicers may use a proprietary system or third-party system to generate the terms of the COVID-19 Payment Deferral; however, this data also must be entered in its entirety into Workout Prospector. The Servicer must ensure that its results comply with the requirements in Sections 9203.18 through 9203.25 and are the same as the data entered into Workout Prospector prior to sending the COVID-19 Payment Deferral Agreement to the Borrower.

Reporting requirements

In most cases, the COVID-19 Payment Deferral does not have an associated unique EDR status code. For each Mortgage subject to the COVID-19 Payment Deferral, the Servicer must continue reporting the appropriate delinquency status information to Freddie Mac through EDR in accordance with requirements in Section 9102.7 and Guide Exhibit 88, *Servicing Tools*. Once the COVID-19 Payment Deferral has been completed and the Mortgage is brought current, the EDR status code must reflect the Mortgage as current.

However, the Servicer must report Event Code H6, *Payment Deferral Offer*, to notify Freddie Mac that the Mortgage is subject to an active COVID-19 Payment Deferral offer in the following instances:

- The forbearance period ends prior to settlement of an accepted COVID-19 Payment Deferral (e.g. if the Servicer elected to use a processing month and the forbearance plan expires), or
- The Servicer has made a proactive offer following the expiration of a forbearance plan in accordance with the "Solicitation for a COVID-19 Payment Deferral" section above

In these instances, the Servicer must continue to report Event Code H6 until the offer has expired, or the Payment Deferral has been completed.

Other requirements

Other requirements for the COVID-19 Payment Deferral include:

- **Reimbursement of expenses**: Servicers may use the Reimbursement System to request reimbursement for the following fees associated with the COVID-19 Payment Deferral in accordance with Section 9203.25:
    - Recordation fees
    - Title costs
    - Notary fees
- **Credit reporting**: For each Mortgage that receives the COVID-19 Payment Deferral, the Servicer must provide a "full file" status report describing the status of the Mortgage to each of the four major credit repositories in accordance with the credit bureau standards as provided by the Consumer Data Industry Association, and subject to applicable law (e.g. the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and the Fair Credit Reporting Act).
- **Incentive payment**: Servicer incentive for the COVID-19 Payment Deferral will be announced at a later date.
- **Servicing fee**: There are no adjustments being made to the servicing fee, referred to as the Servicing Spread. The Servicer will continue to receive the Servicing Spread it was receiving prior to completing a COVID-19 Payment Deferral.
- **Future Flex Modification evaluations**: If the Servicer is evaluating a Borrower for a future Flex Modification, the COVID-19 Payment Deferral will not count as a previous loan modification for purposes of calculating the number of times the Mortgage has previously been modified.
- **Future Payment Deferral evaluations**: If the Servicer is evaluating a Borrower for a future (non-COVID-19) Payment Deferral in accordance with Bulletin 2020-6, the COVID-19 Payment Deferral will not cause the Borrower to be ineligible.
- **No Trial Period Plan**: The COVID-19 Payment Deferral does not include a Trial Period Plan. The Borrower does not need to complete a Trial Period Plan prior to entering into a COVID-19 Payment Deferral.
- **Reimbursement of advanced interest, taxes and insurance**: The interest the Servicer advances during the Delinquency, along with any advances for escrow, taxes or insurance, will be reimbursed to the Servicer upon settlement of the COVID-19 Payment Deferral.

ADDITIONAL RESOURCES

We encourage Servicers to review the following COVID-19 resources:

- Freddie Mac Single-Family web page on **COVID-19 resources**
- Freddie Mac **Servicing FAQs** on COVID-19
- **Joint guidance and FAQs** for Servicers during the COVID-19 crisis issued by federal and State regulators, including the Consumer Financial Protection Bureau

GUIDE UPDATES

The Guide will not be updated at this time to reflect these changes.

CONCLUSION

We appreciate the support that Servicers continue to extend to Borrowers coping with hardships attributed to COVID-19. If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,

Bill Maguire
Vice President, Servicing Portfolio Management