



Lender Letter (LL-2020-06)

Updated: Oct. 21, 2020
Sep. 24, 2020
Aug. 27, 2020
Jul. 31, 2020
May 19, 2020
Apr. 22, 2020

To: All Fannie Mae Single-Family Sellers Selling Loans in Forbearance Due to COVID-19

The COVID-19 pandemic has caused job loss, income reduction, and other issues impacting businesses and borrowers. As it continues to put strain on the mortgage industry, Fannie Mae and Freddie Mac, under the guidance of FHFA, are working together to assist our customers and provide liquidity to the market.

While lenders are putting in place additional due diligence to ensure borrowers have stable income with which to repay their loans, there is an increase in loans going into forbearance after loan closing and before sale to us. This Lender Letter addresses the eligibility and delivery requirements for these loans.

Updates to Lender Letter on Oct. 21, 2020

- [Effective dates](#): extended eligible note dates to Nov. 30 and delivery to Jan. 31, 2021

Updates to Lender Letter on Sep. 24, 2020

- [Effective dates](#): extended eligible note dates to Oct. 31 and delivery to Dec. 31

Updates to Lender Letter on Aug. 27, 2020

- [Effective dates](#): extended eligible note dates to Sep. 30 and delivery to Nov. 30

Updates to Lender Letter on Jul. 31, 2020

- [Effective dates](#): extended eligible note dates to Aug. 31 and delivery to Oct. 31

Updates to Lender Letter on Jun. 11, 2020

- [Effective dates](#): extended eligible note dates to Jul. 31 and delivery to Sep. 30

Updates to Lender Letter on May 19, 2020

- [Effective dates](#): extended eligible note dates to Jun. 30 and delivery to Aug. 31

Lender Letter content published Apr. 22, 2020, Updated May 19, 2020, Jun. 11, 2020, Jul. 31, 2020, and Aug. 27, 2020

- [Overview](#): providing liquidity options for certain loans that have been placed into forbearance after loan closing but prior to loan sale
- [Effective dates](#): delivery to begin May 1, 2020 for loans with notes dated Feb. 1, 2020 through Jun. 30, 2020 **UPDATED May 19, 2020, Jun. 11, 2020, Jul. 31, 2020, Aug. 27, 2020, Sep. 24, 2020, and Oct. 21, 2020** to extend eligible note and delivery dates
- [Eligibility requirements for sale of loans in forbearance](#): including purchase and limited cash-out refinance transactions that are no more than one-month delinquent at the time of sale or securitization
- [Representations and warranties](#): notwithstanding this temporary purchase of loans in forbearance, reminding lenders of their responsibility for selling loans that meet our requirements **UPDATED May 19, 2020** to clarify that loans in forbearance with an acceptable payment history are eligible for enforcement relief
- [Reporting forbearance after delivery](#): reminding servicers about reporting forbearance following loan delivery
- [Additional resources](#): listing of COVID-19 policy communications and resources **UPDATED May 19, 2020**



Overview

In accordance with long standing policy, mortgage loans must be current at time of sale to us. Loans that have been placed into forbearance prior to sale are not considered current and are currently ineligible.

Due to the unprecedented and swift nature of the COVID-19 pandemic and its impact on the nation’s employment, we are providing liquidity options for certain loans that have been placed into forbearance after loan closing but prior to loan sale. We will temporarily be purchasing (or securitizing) loans that are in forbearance that would otherwise be ineligible based on our current policies. Our focus is to provide liquidity to the market, while also managing credit risk. As a result, we will review the volume of loans sold to us under these temporary provisions and may adjust our requirements as necessary.

Defining forbearance

A forbearance plan is a workout option for borrowers with a temporary unresolved hardship that provides a period of reduced or suspended payments. For the purpose of this temporary sale flexibility, we define forbearance as beginning when the borrower:

- attested to or otherwise informed the lender or servicer that, after the note date, he or she has suffered financial hardship caused directly or indirectly by COVID-19 and requested forbearance; or
- was approved for a forbearance plan based on a COVID-19 related financial hardship that occurred after the note date.

A general inquiry from a borrower about forbearance without a request for forbearance does not automatically define the loan as in forbearance. Furthermore, a loan may be in forbearance without regard to whether a borrower made their first payment (for example, a borrower requests forbearance but continues to make their payments).

NOTE: *In connection with loans a lender intends to sell to Fannie Mae, lenders should not in any way discourage borrowers from contacting them or encourage borrowers to delay notifying them either before or after the note date if they are experiencing a COVID-19 related financial hardship.*

Effective dates **UPDATED May 19, 2020, Jun. 11, 2020, Jul. 31, 2020, Aug. 27, 2020, Sep. 24, 2020, Oct. 21, 2020**

Loans in forbearance due to a COVID-19 hardship with note dates on or after Feb. 1, 2020 and on or before Nov. 30, 2020 may be delivered to Fannie Mae beginning May 1, 2020 according to the following schedule.

| Note Dates Feb. 1 – March 31 | | | |
|---|--------------------------------|-------------------------|-----------------|
| Actual Last Paid Installment Date | Last Day to Submit Whole Loans | MBS | |
| | | Last Day to Submit Pool | MBS Issue Month |
| February 1 | Not eligible | Not eligible | Not eligible |
| March 1 | May 15 | May 15 | May |
| April 1 | May 31 | May 22 | May |
| May 1 | May 31 | May 22 | May |
| Note Dates April 1 – November 30 | | | |
| April 1 | June 15 | May 22 | May |
| | | June 15 | June |
| May 1 | July 15 | May 22 | May |
| | | June 24 | June |
| | | July 15 | July |



| | | | |
|-------------|------------------|------------------|--------------|
| June 1 | August 15 | June 24 | June |
| | | July 27 | July |
| | | August 15 | August |
| July 1 | September 15 | July 27 | July |
| | | August 25 | August |
| | | September 15 | September |
| August 1 | October 15 | August 25 | August |
| | | September 24 | September |
| | | October 15 | October |
| September 1 | November 15 | September 24 | September |
| | | October 26 | October |
| | | November 15 | November |
| October 1 | December 15 | October 26 | October |
| | | November 23 | November |
| | | December 15 | December |
| November 1 | January 15, 2021 | November 23 | November |
| | | December 24 | December |
| | | January 15, 2021 | January 2021 |
| December 1 | January 31, 2021 | December 24 | December |
| | | January 25, 2021 | January 2021 |

All dates in this table are in 2020 unless otherwise noted.

These dates will ensure compliance with the payment history policy below. For single-closing construction-to-permanent transactions, the date the loan converts to permanent financing will be used in place of the note date.

NOTE: We expect loans sold to us under this option to be representative in both profile and volume of a lender's agency-eligible loan originations typically sold to Fannie Mae.

Eligibility requirements for sale of loans in forbearance

Loans in forbearance due to a COVID-19 hardship will be eligible for sale to us if the loans comply with the following requirements.

| Criteria | Terms |
|-------------------------|--|
| Eligible transactions | <ul style="list-style-type: none"> ▪ Purchase ▪ Limited cash-out refinance |
| Ineligible transactions | <ul style="list-style-type: none"> ▪ Cash-out refinance |
| Payment history | Loans in forbearance cannot be more than one-month delinquent at the time the lender submits the loan data in Loan Delivery for whole loan purchase or MBS execution (refer to the effective dates above for implementation details) |



| Criteria | Terms |
|---|--|
| MBS pools (including TBA-eligible UMBS pools) | All standard pooling policies apply (with exception allowed for inclusion of loans in forbearance and one-month delinquency) |
| Fannie Majors® | Loans are eligible for delivery in Fannie Majors based on the above MBS effective dates |
| Special Feature Code | All loans must be delivered with SFC 919, COVID Forbearance |
| Loan Delivery data | Lenders must deliver <ul style="list-style-type: none"> ▪ Actual Unpaid Principal Balance (whole loan and MBS) ▪ Actual Last Paid Installment Date (whole loan and MBS) ▪ Scheduled MBS Issue Date Unpaid Principal Balance (MBS) ▪ First-time homebuyer data elements, if applicable (whole loan and MBS) Refer to the Job Aid for additional guidance on delivering COVID-19 loans in forbearance. |
| Loan-level price adjustment (LLPA) | <ul style="list-style-type: none"> ▪ 500 basis points (5.000%) for loans where any borrower is a first-time homebuyer (as defined in the <i>Selling Guide</i>), or ▪ 700 basis points (7.000%) for all other loans This LLPA is in addition to any other price adjustments that are otherwise applicable to the particular transaction. |

Representations and Warranties

In response to the pandemic, we reminded lenders of their obligations related to determining continuity of income and income stability in Lender Letter [LL-2020-03](#) and the related [Frequently Asked Questions](#). We have recommended that lenders practice additional due diligence to ensure the most recent information is obtained and strongly encourage lenders to help ensure any disruption to borrowers' employment (or self-employment) or income, or changes in financial position due to COVID-19 are not expected to negatively impact their ability to repay the loan.

Notwithstanding the temporary flexibility allowing the sale of loans in forbearance, the lender remains responsible for compliance with all other requirements in the *Selling Guide*, as modified by the COVID-19 Lender Letters. The lender must ensure the borrower is qualified for the loan, according to the *Selling Guide*, as of the note date. The lender's representation and warranty obligations remain unchanged.

Enforcement relief for loans in forbearance **UPDATED May 19, 2020**

The enforcement relief framework in the *Selling Guide* currently states that loans subject to a forbearance agreement are not eligible for relief based on the borrower's payment history but may be eligible based on a quality control review. We are clarifying that we will define a loan as having an acceptable payment history if the borrower continues to make timely payments during the forbearance period and the loan meets all other Version 2 requirements.

NOTE: *This clarification applies to all loans that go into forbearance after sale to us, not only loans sold to us under this temporary sale flexibility. The Selling Guide was updated to reflect this clarification.*

See [A2-3.2-02](#), Enforcement Relief for Breaches of Certain Representations and Warranties Related to Underwriting and Eligibility, for additional information and also see [Scenarios: Loans in Forbearance Due to COVID-19 and Representations and Warranties](#) for additional guidance.



Reporting forbearance after delivery

As a reminder, servicers are required to report any forbearance to Fannie Mae the next reporting month following loan delivery. Refer to the *Servicing Guide*, [C-4.3-01](#), *Servicer Responsibilities Related to Investor Reporting*, for information on reporting forbearance to Fannie Mae. Also see the related [Job Aid](#) on reporting COVID-19 related forbearance to Fannie Mae.

Additional resources **UPDATED May 19, 2020**

As a reminder, we have published other Lender Letters and helpful information regarding policies related to COVID-19.

- [Originating and Underwriting](#) resources
- [Servicing](#) resources
- [Ask Poli® Selling](#)
- [Ask Poli® Servicing](#)

Lenders who have questions about this Lender Letter should contact their Fannie Mae Account Team.