Freddie Mac Disaster Relief

Reference Guide

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Freddie Mac is committed to providing payment relief and other assistance to borrowers when they have been impacted by a disaster. When a borrower's mortgaged premises or place of employment is impacted by a natural or man-made disaster, you must attempt to establish quality right party contact with the borrower, assess the extent of the damage, and work with the borrower to resolve the delinquency resulting from the disaster.

This reference guide outlines Freddie Mac requirements for assisting borrowers whose mortgaged premises or places of employment are located in an Eligible Disaster Area.

If you have any questions after reviewing this reference guide, refer to the following:

- *Single-Family Seller/Servicer Guide* (Guide) Chapter 8404
- Guide Bulletins 2017-14, 2017-16, 2017-19, 2017-21, and 2017-25
- Frequently Asked Questions – Disaster Relief
- Freddie Mac Disaster Relief
- Managing Distressed Properties Quick Reference
- Customer Support Contact Center (800-FREDDIE)

What is an Eligible Disaster?

An Eligible Disaster is a disaster, either man-made or natural, which results in an area being designated as an Eligible Disaster Area.

What is an Eligible Disaster Area?

An Eligible Disaster Area is an area comprised of counties or municipalities that have been declared by the President of the United States to be a major disaster area where federal aid in the form of individual assistance is being made available. Refer to the Federal Emergency Management Agency's (FEMA) web site to determine if a borrower's mortgaged premises or place of employment is located in an Eligible Disaster Area.

Late Charges

You must not assess late charges while the borrower is on a forbearance plan or paying as agreed on a repayment plan. Late charges may accrue during a trial period subject to the requirements in Guide Section 9102.2. However, all accrued and unpaid late charges must be waived if the mortgage is modified.

Reporting to Credit Repositories

You must not report borrowers who are on a disaster-related (a) forbearance plan, (b) repayment plan or (c) Trial Period Plan to the credit repositories.

Protecting the Property Following a Disaster

You must perform the following activities to protect properties that have been impacted by a disaster:

- Ascertain the number of mortgages impacted and the extent of the damage caused by the disaster. To do this,
  - Determine the status of each property through discussions with the borrower, and/or
  - Complete a property inspection. Refer to Guide Section 9701.9 for additional information.
- Secure the property if it has been abandoned and has not sustained significant or total damage.
- Provide assistance to the borrower regarding options for local, state or federal disaster aid.
- Monitor and coordinate the insurance claim process and the progress of repairs.

If you determine that a disaster has impacted the mortgaged premises and there is a Risk of Property Ownership (as defined by the Guide Glossary), you must notify Freddie Mac within three business days of learning of the situation. To do this, send an email to Distressed_Property@FreddieMac.com. Attach Form 1013, *Property Inspection Report*, and any other information pertaining to the risk of property ownership.

Temporary Process for Requesting Reimbursement for Property Inspections

You may need to conduct a property inspection of a mortgaged premises located in an Eligible Disaster Area that would not be reimbursable in accordance with Guide Sections 9202.12 and 9701.9. Therefore, in Guide Bulletin 2017-21, we announced the process outlined below that you must use to seek Freddie Mac reimbursement of actual costs, subject to applicable expense limits, for exterior property inspections completed in accordance with Guide Section 8404.2 and interior inspections completed in accordance with Guide Section 8202.11. If you already ordered or obtained a "FEMA inspection" where the cost exceeded the expense reimbursement limits, we will reimburse those amounts if incurred prior to September 25, 2017.

This temporary process is effective for all property inspections conducted on and after August 29, 2017 of mortgaged premises located in an Eligible Disaster Area.

Following are the expense codes and expense limits associated with exterior and interior property inspections.

Type of Property Inspection	Expense Code	Expense Limit
Exterior	404005	$15
Interior	404007	$20

To request reimbursement, you must submit a spreadsheet once a month to NPL_Invoices@FreddieMac.com.

The spreadsheet must include the following information for all mortgages for which you are seeking reimbursement that month:

- Freddie Mac loan number
- Seller/Servicer Payee Code
  (If you are unsure of your Seller/Servicer Payee Code, send an email to 104_Expense@FreddieMac.com.)
- Expense code
- Reimbursement request amount
- Property inspection expense date paid
- Vendor name

Note: If a property inspection was completed on a mortgage that was 60 days or more delinquent, that inspection would have already been required and would be eligible for reimbursement via the normal expense reimbursement process.

Delinquency Management for Borrowers Impacted by an Eligible Disaster

When a borrower requires a relief option or the mortgaged premises has damage that poses a risk of property ownership to Freddie Mac, you may place the borrower into a forbearance plan, which could be for up to 12 months. You must reassess each borrower on a regular basis during the forbearance period to determine if you should extend the forbearance or if the hardship has been resolved. **If you believe forbearance beyond 12 months is warranted, you must make that recommendation to Freddie Mac.**

Short-term Forbearance	Long-term Forbearance
A written agreement between you and the borrower to suspend payments for up to three months or reduce payments up to six months from the date of the agreement.	A written agreement between you and the borrower to reduce or suspend payments for a period of six months to 12 months from the date of the agreement.

If the borrower is unable to send or receive documentation, you may waive the requirement that the forbearance plan be in writing. In these cases, enter the borrower into a short- or long-term forbearance plan through a verbal agreement.

For additional information about short- and long-term forbearance, refer to Guide Sections 9203.12 through 9203.21.

Refer to the following table to determine how to manage the delinquency when an Eligible Disaster results in a hardship for the borrower.

<table>
<tr><th>If:</th><th>And:</th><th>Then:</th></tr>
<tr><td rowspan="2">You achieve quality right party contact</td><td>The borrower does not require a relief option and there is no risk of property ownership to Freddie Mac due to damage caused by the disaster</td><td>Continue to service the mortgage in accordance with Guide requirements.</td></tr>
<tr><td>The borrower does require a relief option or there is risk of property ownership to Freddie Mac due to damage caused by the disaster</td><td>At your discretion, you may place the borrower into a forbearance plan for up to 12 months.
▪ You may offer the borrower up to six months of forbearance without obtaining a complete Borrower Response Package. Note: If forbearance exceeds six months, you must attempt to obtain a complete Borrower Response Package.
▪ You may offer the borrower successive forbearance plans (not to exceed 12 months aggregate) without obtaining a complete Borrower Response Package if the borrower is unable to produce financial documentation.</td></tr>
<tr><td>You do not achieve quality right party contact</td><td>The borrower is, or becomes, 31 days or more delinquent</td><td>At your discretion, you may place the borrower into a short-term forbearance plan per Guide Sections 9203.12 through 9203.16.
Assess the following as you make your determination:
▪ The extent of the property damaged based on property inspections, and/or
▪ The financial impact the Eligible Disaster has had on the borrower.
Note: The short-term forbearance may not exceed 90 days without achieving quality right party contact or receiving approval from Freddie Mac.
If you do not achieve quality right party contact by the end of the short-term forbearance period, then you must comply with the requirements in Guide Section 8404.6(b).</td></tr>
</table>

Transitioning after Disaster-Related Forbearance

Prior to the conclusion of the disaster-related forbearance period, you must attempt to establish quality right party contact with the borrower to determine if the hardship has been resolved and how to resolve the delinquency.

There are several factors you must consider, including, but not limited, to:

- Whether you were able to achieve quality right party contact.
- The borrower's current financial circumstances, including the borrower's ability to resume making monthly mortgage payments.
- The status of the mortgage at the time of the disaster.

<u>When You are Able to Establish Quality Right Party Contact</u>

Refer to the following table to determine how to proceed when you are able to establish quality right party contact.

<table>
<tr><th>If:</th><th colspan="2">Then:</th></tr>
<tr><td rowspan="4">The borrower was current or less than 31 days delinquent (had not missed more than one monthly mortgage payment) just prior to the date the Eligible Disaster struck</td><td colspan="2">Determine if the borrower is able to resolve the delinquency through a reinstatement or repayment plan.</td></tr>
<tr><th>If:</th><th>Then:</th></tr>
<tr><td>The borrower is able to resolve the delinquency through a reinstatement or repayment plan</td><td>Accept a reinstatement and/or enter into a repayment plan with the borrower in accordance with Guide Chapter 9203.</td></tr>
<tr><td>The borrower is not able to resolve the delinquency through a reinstatement or repayment plan</td><td>Evaluate the borrower in accordance with the following disaster evaluation hierarchy:
1. Extend Modification
2. Disaster Relief Modification
3. Freddie Mac Flex Modification®
Refer to Guide Chapter 9206 and our publication, Freddie Mac Flex Modification Reference Guide, for additional information.
4. Freddie Mac Standard Short Sale
Refer to Guide Chapter 9208 for additional information.
5. Freddie Mac Standard Deed-in-Lieu of Foreclosure
Refer to Guide Chapter 9209 for additional information.</td></tr>
<tr><td>The borrower was 31 days or more delinquent (had missed more than one monthly mortgage payment) just prior to the date the Eligible Disaster struck</td><td colspan="2">The borrower is not eligible for an Extend or Disaster Relief Modification.
You must evaluate the borrower in accordance with the loss mitigation evaluation hierarchy in Guide Section 9201.2.</td></tr>
<tr><td>The borrower was performing in accordance with the terms of a Trial Period Plan at the time he or she was placed on forbearance as a result of an Eligible Disaster</td><td colspan="2">Determine if the borrower is eligible for a new Flex Modification Trial Period Plan under streamlined terms.</td></tr>
</table>

When You are Not Able to Establish Quality Right Party Contact

If you are not able to establish quality right party contact at the end of the disaster-related forbearance period, determine if the borrower is eligible for a streamlined offer for a Flex Modification.

If the borrower is eligible for a streamlined offer for a Flex Modification in accordance with the requirements of Section 9206.5(e), you must send the borrower the Streamlined Modification Trial Period Plan Notice, amended as set forth in Guide Exhibit 93 for Eligible Disasters, and Exhibit 1191A, *Flex Modification Post-Disaster Forbearance Solicitation Letter*. You must amend the Streamlined Modification Trial Period Plan Notice for Eligible Disasters and Exhibit 1191A to conform to the Flex Modification program terms.

Freddie Mac Extend Modification for Disaster Relief

The Freddie Mac Extend Modification for Disaster Relief ("Extend Modification") is a temporary offering available to assist borrowers who were current or less than 31 days delinquent (i.e., have not missed more than one monthly mortgage payment) as of the date the Eligible Disaster occurred. The Extend Modification is similar to the Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification"); however, it does not permit capitalization of arrearages and instead extends the term of the mortgage by the number of missed monthly mortgage payments.

You must obtain mortgage insurance (MI) approval before offering a Trial Period Plan or ensure that the applicable MI has provided you with a delegation of authority allowing you to offer a Trial Period Plan and associated modification.

For additional information, refer to Guide Bulletin 2017-25.

Eligibility Requirements for Extend Modifications

The following table highlights the borrower, property and mortgage eligibility requirements for an Extend Modification. For more information on these eligibility requirements refer to Guide Section 9206.4.

Extend Modification Eligibility Requirements	
Borrower	▪ The borrower's hardship must have been caused by an Eligible Disaster. ▪ The borrower's mortgaged premises or place of employment must be located in an Eligible Disaster Area designated as such on or after August 25, 2017. ▪ The borrower must have been current or less than 31 days/one payment delinquent as of the date of the disaster. ▪ The borrower must have been more than 31 days/one payment delinquent and less than 360 days/12 payments delinquent at the time you evaluated the borrower for the mortgage modification. ▪ The borrower indicates that he or she can resume making the existing contractual monthly payment on the mortgage (with escrow adjustments, if necessary).
Property	▪ The existing mortgaged property must be a primary residence, second home or investment property, and may be vacant or condemned.
Mortgage	▪ The mortgage must be a conventional first-lien mortgage currently owned, in whole or part, or guaranteed by Freddie Mac. ▪ If the mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the borrower a Trial Period Plan. ▪ If the mortgage is subject to an indemnification agreement, and is otherwise eligible under the requirements of Guide Chapter 9206, you have discretion to approve the mortgage modification provided the following conditions are met: – The modified mortgage retains its credit enhancement. – If you are not the credit enhancement provider, you 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 modification agreement that complies with the requirements in Guide Chapter 9206; and

Extend Modification Eligibility Requirements, continued	
Mortgage, continued	– You remit to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac in accordance with Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified mortgage. If the mortgage is subject to a partial indemnification, each year you will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Freddie Mac will determine the Modification Loss Amounts in accordance with a process described in Guide Bulletins 2016-5 and 2017-1. **Note:** You are not eligible to receive an incentive for completing a modification on a mortgage that is subject to an indemnification agreement. Refer to Guide Section 9204.6 for more information.

Escrow Shortages and Advances

If an escrow shortage exists and the borrower is unable to pay the amount in a lump sum payment, the borrower must pay the shortage as part of the monthly payment, spread equally over a period of at least 12 months, not to exceed 60 months. You must also take into account any remaining unpaid amount of the escrow shortage in any subsequent escrow analysis to ensure that the borrower is able to continue to pay all escrow shortage amounts over the remaining portion of either the current remaining escrow shortage repayment period or a period up to 60 months. You may not accelerate or compress the remaining escrow shortage amount into a new escrow payment or shorter repayment period as a result of a future escrow analysis.

If you advanced funds, or there are funds to be advanced and paid to a third party for the payment of real estate taxes and insurance premiums prior to the date the borrower executes the modification agreement, you must recoup the funds from the borrower via lump sum payment or spread the amount equally over a period of at least 12 months, not to exceed 60 months.

For additional information, refer to Guide Bulletin 2017-25.

Mortgages that are Ineligible for an Extend Modification

Mortgages ineligible for an Extend Modification include:

- Mortgages that were 31 days/one payment or more delinquent at the time of the Eligible Disaster.
- FHA/VA and Guaranteed Rural Housing loans.
- Mortgages subject to recourse.
- Mortgages subject to an approved short sale or deed-in-lieu of foreclosure.
- Borrowers who are currently performing under another Trial Period Plan, forbearance plan or repayment plan, including:
  - With the exception of a streamlined offer, mortgages that are currently subject to an unexpired offer to the borrower for another modification or other alternative to foreclosure, such as a forbearance or repayment plan.
  - With the exception of a disaster forbearance plan, mortgages that are currently performing under another forbearance plan or repayment plan.

Note: The number of prior modifications of a mortgage does not impact eligibility for the Extend Modification. You may ignore warnings on this point that appear in Workout Prospector.

Documentation Requirements for Extend Modifications

The borrower is not required to provide a Borrower Response Package to be considered for and offered an Extend Modification.

How to Determine Trial Period and Final Modification Terms for Extend Modifications

Complete the steps outlined below to determine eligibility for an Extend Modification Trial Period Plan. Perform these steps during your evaluation of a borrower for a Trial Period Plan and, then again, to determine the final modification terms. If the existing mortgage includes a non-interest bearing UPB as a result of a prior modification, the non-interest bearing UPB will remain deferred under the Extend Modification.

1. Determine the interest rate you will use to calculate the Trial Period Plan payment*:

If the existing mortgage is:	Then:
A fixed-rate mortgage (This excludes step-rate mortgages.)	You must use the existing interest rate on the mortgage to calculate the Trial Period Plan payment.
An ARM or step-rate mortgage with no additional interest rate steps scheduled	You must use the existing interest rate to calculate the Trial Period Plan payment.
An ARM or step-rate mortgage with additional interest rate steps scheduled	You must use the lesser of: ▪ Freddie Mac's modification interest rate in effect and posted on http://www.freddiemac.com/singlefamily/service/modrate.html as of the date you evaluate and determine the borrower is eligible for a Trial Period Plan, or ▪ The maximum step-rate/lifetime cap note rate to calculate the Trial Period Plan payment.

*You must use this same interest rate when establishing the terms of the permanent modification.

2. Extend the term of the mortgage by the same number of payments missed during the disaster forbearance period.
3. Advance the DDLPI to bring the mortgage to current status.

Sometimes, the Extend Modification will result in an increase in the borrower's monthly mortgage payment, including when the following occurs:

- An adjustable-rate mortgage or step-rate mortgage changes to a fixed-rate mortgage.
- You must recover funds you advanced for delinquent taxes and insurance premiums and the borrower is unable to pay the amount in a lump sum payment. Refer to Escrow Shortage and Advances in this reference guide or Guide Bulletin 2017-25. for additional information.
- You have identified an escrow shortage and the borrower is unable to pay the escrow shortage as a lump sum payment.

In these instances, the borrower may decide to decline the offer for an Extend Modification, in which case you must then evaluate the borrower for a Disaster Relief Modification, which is the next option in the disaster evaluation hierarchy.

Refer to Escrow Shortage and Advances in this reference guide or Guide Bulletin 2017-25. for additional information.

Calculation Example for an Extend Modification

Below is an example of how to calculate the Trial Period Plan and final modification terms for an Extend Modification. The steps identified in the example below correspond to the specific steps outlined in the procedure on page 8 in this reference guide.

- Interest-bearing: $300,000
- Non-interest bearing UPB: $5,000
- Current P&I Payment: $1,732.86
- Taxes: $100.00
- Insurance: $50.00
- Homeowner Association Fees: $25.00
- Escrow Shortage: $1,600.00
- Primary Residence
- Interest Arrearage: $4,000
- Estimated Escrow Advance: $800
- Fixed-rate Mortgage
- Current Interest Rate: 4.5 percent
- Remaining Term prior to modification: 240
- Number of payments missed during disaster forbearance period: 6
- Remaining Term as of the effective date of the modification: 246
- DDLPI prior to modification: 08/01/2017

If there is an existing non-interest bearing UPB, do not add that amount to the interest-bearing UPB when calculating the P&I payment for the Extend Modification.

Step 1: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The mortgage is a fixed-rate mortgage. Therefore, you must use the existing interest rate on the mortgage, which is 4.5 percent, to calculate the Trial Period Plan payment and establish the terms of the permanent modification.

Step 2: Extend the term of the mortgage by the same number of payments missed during the disaster forbearance period.

In this example, the borrower missed six monthly payments during the disaster forbearance period. Therefore, we will adjust the remaining term of the mortgage from 240 to 246 months.

Step 3: Advance the DDLPI to bring the mortgage current.

In this example, the total number of payments missed during the forbearance disaster period is six and the DDLPI prior to modification is 08/01/2017. Therefore, we will advance the DDLPI six months, to 02/01/2018, to bring the mortgage to a current status, as of the start of the trial period.

You may proceed to offering the Trial Period Plan.

Estimated P&I	$1,732.86
+ Taxes	$ 100.00
+ Insurance	$ 50.00
+ Escrow Shortage (spread over 60 months)	$ 26.67
+ Estimated Escrow Advance (spread over 60 months)	$ 13.33
Trial Period Plan Payment:	$1,922.86

In this example, the monthly payment increased due to the escrow shortage of $1,600 and estimated escrow advance of $800 being spread over a 60-month period.

In this instance, the borrower may decide to decline the offer for an Extend Modification, in which case you must then evaluate the borrower for a Disaster Relief Modification, which is the next option in the disaster evaluation hierarchy.

The Trial Period Plan payment is $1,922.86, which includes $150 for escrowed taxes and insurance, $26.67 to pay the escrow shortage over a period of 60 months, and $13.33 to pay the estimated escrow advance over a period of 60 months. The amortization term is 246 months. **Note:** Homeowner association fees are not escrowed. The trial period begin date is 03/01/2018, and the trial period end date is 5/31/2018.

Capitalization and Extension Modification for Disaster Relief

The Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification") is a modification that provides borrowers who have been impacted by an Eligible Disaster, the ability to resolve the delinquency by capitalizing arrearages and extending the amortization term, if applicable, in accordance with the requirements outlined in *Single-Family Seller/Servicer Guide* (Guide) Section 9206.4.

You must obtain mortgage insurance (MI) approval before offering a Trial Period Plan or ensure that the applicable MI has provided you with a delegation of authority allowing you to offer a Trial Period Plan and associated modification.

Eligibility Requirements for Disaster Relief Modifications

The following table highlights the borrower, mortgage, and property eligibility requirements for a Disaster Relief Modification. For more information on these eligibility requirements refer to Guide Section 9206.4.

Note: The number of prior modifications on a loan does not affect eligibility or delegated approval authority for Disaster Relief Modifications, despite warnings you may encounter in Workout Prospector.

Disaster Relief Modification Eligibility Requirements	
Borrower	▪ The borrower's hardship must have been caused by an Eligible Disaster. ▪ The borrower's mortgaged premises or place of employment must be located in an Eligible Disaster Area. ▪ The borrower must have been current or less than 31 days delinquent as of the date of the disaster, and must be at least 31 days/one month but less than 360 days/12 months delinquent at the time of evaluation for the modification. ▪ You have achieved quality right party contact with the borrower and the borrower indicates that he or she can resume making the existing contractual monthly payment on the mortgage.
Mortgage	▪ The mortgage must be a conventional first-lien mortgage currently owned, in whole or part, or guaranteed by Freddie Mac. ▪ If the mortgage is subject to an indemnification agreement, and is otherwise eligible under the requirements of Guide Chapter 9206, you have discretion to approve the mortgage modification provided the following conditions are met: – The modified mortgage retains its credit enhancement. – If you are not the credit enhancement provider, you 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 modification agreement that complies with the requirements in Guide Chapter 9206; and – You remit to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac in accordance with Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified mortgage. If the mortgage is subject to a partial indemnification, each year you will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Freddie Mac will determine the Modification Loss Amounts in accordance with a process described in Guide Bulletins 2016-5 and 2017-1. **Note:** You are not eligible to receive an incentive for completing a modification on a mortgage that is subject to an indemnification agreement. Refer to Guide Section 9204.6 for more information.

Disaster Relief Modification Eligibility Requirements, continued	
Mortgage, continued	▪ If the mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the borrower a Trial Period Plan.
Property	▪ The existing mortgaged property must be a primary residence, second home, or investment property, and may be vacant or condemned.

Mortgages that are Ineligible for a Disaster Relief Modification

Mortgages ineligible for a Disaster Relief Modification include the following:

- FHA/VA and Guaranteed Rural Housing loans
- Mortgages subject to recourse
- Mortgages subject to an approved short sale or deed-in-lieu of foreclosure
- With the exception of a disaster-related forbearance plan, mortgages where the borrower is currently performing under another forbearance or repayment plan
- With the exception of an existing offer for a Freddie Mac Flex Modification®, mortgages currently subject to an unexpired offer to the borrower for another modification or other foreclosure prevention alternative, such as a disaster-related forbearance or repayment plan

Note: The number of prior modifications of a mortgage does not impact eligibility for the Disaster Relief Modification. You may ignore warnings on this point that appear in Workout Prospector.

Documentation Requirements for Disaster Relief Modifications

The borrower is not required to provide a Borrower Response Package to be considered for and offered a Disaster Relief Modification.

Soliciting Borrowers for a Disaster Relief Modification

At the end of the disaster forbearance period, you must reassess the borrower's circumstances based on updated property inspections and borrower financial information, if required by the relief or workout options, to determine if forbearance should continue to be extended, whether the borrower is eligible for another relief or workout option, or whether you should initiate or resume collection or foreclosure proceedings. If, as part of this assessment, you determine a loan modification is necessary and the borrower is eligible, you must send a solicitation letter and a Disaster Relief Modification Trial Period Plan Notice within 15 days of your eligibility determination. You may use Guide Exhibit 1191A, *Flex Modification Post-Disaster Forbearance Solicitation Letter*, and the Disaster Relief Modification Trial Period Plan Notice in Guide Exhibit 93, *Evaluation Model Clauses*. You must modify these documents as necessary to conform to the Flex Modification program terms, comply with applicable law, and address specific situations such as the inclusion or exclusion of certain escrow language. See Trial Periods for Extend Modifications and Disaster Relief Modifications in this reference guide for more information.

How to Determine Trial Period and Final Modification Terms for Disaster Relief Modifications

Complete the steps outlined below to determine eligibility for a Disaster Relief Modification Trial Period Plan. Perform these steps during your evaluation of a borrower for a Trial Period Plan and, then again, to determine the final modification terms, when the final capitalized amounts are known.

Note: Reasonable changes in capitalization amounts between what was estimated at the time of evaluation for a Trial Period Plan and the final modification terms may not impact the previous eligibility determination.

1. Capitalize known and estimated arrearages per the requirements of Guide Section 9206.15 to arrive at the post-modification interest-bearing UPB.
   Note: Actual capitalization of these amounts into the UPB may only occur in connection with the final modification; however, the calculation of the estimated post-modification interest-bearing UPB is necessary to determine the Trial Period Plan payment.

> **Important:**
> If the existing mortgage includes a non-interest bearing UPB as a result of a prior modification, the non-interest bearing UPB will remain deferred under the Disaster Relief Modification.

2. Determine the interest rate you will use to calculate the Trial Period Plan payment:

If the existing mortgage is:	Then:
A fixed-rate mortgage (This excludes step-rate mortgages.)	You must use the existing interest rate on the mortgage to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
An ARM or step-rate mortgage with no additional interest rate steps scheduled	You must use the existing interest rate to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
An ARM or step-rate mortgage with additional interest rate steps scheduled	You must use the lesser of: ▪ Freddie Mac's modification interest rate in effect and posted on http://www.freddiemac.com/singlefamily/service/modrate.html as of the date you evaluate and determine the borrower is eligible for a Trial Period Plan, or ▪ The maximum step-rate/lifetime cap note rate to calculate the Trial Period Plan payment You must us the same rate to establish the terms of the permanent modification.

3. Determine if you must extend the amortization term:

If, after you have capitalized arrearages and set the new interest rate:	Then:
The resulting principal and interest payment **is** lower than the existing contractual principal and interest payment **Note:** This situation may occur if the borrower made a principal curtailment prior to the Eligible Disaster or has an ARM or step-rate mortgage that results in a modified interest rate that is lower than the existing interest rate.	Do not proceed to Step 4. You must offer the modification with the reduced payment to the borrower without a term extension.
The resulting principal and interest payment **is not** lower than the existing contractual principal and interest payment	Proceed to Step 4.

4. Extend the term in monthly increments, not to exceed an amortization term of 480 months from the modification effective date, to the point that the modified principal and interest payment equals the existing contractual principal and interest payment on the mortgage. The modified principal and interest payment cannot be greater than the existing contractual principal and interest payment. If necessary, you must extend the term one additional month to cause the principal and interest payment to fall just below the existing contractual principal and interest payment on the mortgage.

   If you are not able to achieve the existing contractual principal and interest payment by extending the term to a maximum of 480 months, you must consider the borrower for a Flex Modification in accordance with the evaluation hierarchy in Guide Section 9201.2.

Calculation Example for a Disaster Relief Modification

Below is an example of how to calculate the Trial Period Plan and final modification terms for a Disaster Relief Modification. The steps identified in the example below correspond to the specific steps outlined in the procedure on pages 12 and 13 in this reference guide.

- Interest-bearing UPB before capitalization: $350,000
- Non-interest bearing UPB before capitalization: $0.00
- Property value: $180,000
- Current P&I Payment: $1,900.07
- Taxes: $100.00
- Insurance: $50.00
- Homeowner Association Fees: $25.00
- Escrow Shortage: $0.00
- Borrower's gross monthly income: $2,800.00
- Primary Residence
- Interest Arrearage: $9,000
- Tax Advance: $3,000
- Fixed-rate Mortgage
- Current Interest Rate: 4.5 percent
- Remaining Term: 240

If there is an existing non-interest bearing UPB, do not add that amount to the interest-bearing UPB when calculating the P&I payment for the Disaster Relief Modification.

Step 1: Capitalize known and estimated arrearages.

$ 9,000 (Interest)	$350,000 (Interest-bearing UPB before Capitalization)
$ 3,000 (Tax Advance)	+ $ 12,000 (Total Capitalization)
$12,000 Total Capitalization	$362,000 Estimated Post-modification Interest-bearing UPB

Step 2: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The mortgage is a fixed-rate mortgage. Therefore, you must use the existing interest rate on the mortgage to calculate the Trial Period Plan payment and establish the terms of the permanent modification.

Step 3: Determine if you must extend the amortization term.

In this example, the estimated post-modification interest bearing UPB is $362,000, the remaining term is 240 months, and the existing interest rate on the mortgage is 4.5 percent, which results in a modified principal and interest monthly payment of 2,290.19, which is greater than the existing contractual principal and interest payment. Therefore, proceed to Step 4 and extend the amortization term.

Step 4: Extend the term in monthly increments, not to exceed an amortization term of 480 months from the modification effective date, to the point that the modified principal and interest payment equals the existing contractual principal and interest payment on the mortgage.

Note: The modified principal and interest payment cannot be greater than the existing contractual principal and interest payment. If necessary, you must extend the term one additional month to cause the principal and interest payment to fall just below the existing contractual principal and interest payment on the mortgage.

In this example, we had to extend the term to 335 months from the modification effective date to achieve a monthly principal and interest payment of $1,899.52, just less than the existing contractual principal and interest payment of $1,900.07. A term of 334 months resulted in a principal and interest payment of $1,902.60, which was greater than the existing contractual principal and interest payment. Therefore, an additional month was added to cause the principal and interest payment to fall just below the existing contractual principal and interest payment on the mortgage.

You may proceed to offering the Trial Period Plan. The Trial Period Plan payment is $2,049.52, which includes $150 for escrowed taxes and insurance provided applicable law permits establishment of an escrow account. Note: Homeowner association fees are not escrowed. The amortization term is 335 months.

Trial Periods for Extend Modifications and Disaster Relief Modifications

Eligible borrowers are required to successfully complete a three-month trial period prior to closing an Extend Modification or Disaster Relief Modification to demonstrate their ability and willingness to sustain the modified payment amount. If a borrower defaults during the trial period, the borrower is no longer eligible to be modified.

For borrowers in bankruptcy, you may extend the Trial Period Plan as necessary to accommodate delays in obtaining court approvals or receiving a full remittance of the borrower's trial period payments when they are made to a trustee, but you must not extend the trial period beyond nine months, resulting in a total 12-month trial period.

You may use an interim month at the end of the Trial Period Plan for processing; however, no payment is required during the interim month.

Refer to Guide Section 9206.11 for requirements related to the trial period.

Once the trial period has completed successfully, ensure the modified mortgage complies with the conditions set forth in Guide Section 9206.12. Loan settlement guidelines for expenses, delinquent amounts and capitalization rules, as applicable, are in Guide Sections 9206.15 and 9206.16.

<u>Processing the Trial Period Plan Offer</u>

If the borrower is approved for an Extend Modification or Disaster Relief Modification, you must send a Disaster Relief Modification Trial Period Plan Notice. A model letter is available in Guide Exhibit 93, *Evaluation Model Clauses*, or you may use your own proprietary Trial Period Plan notice provided it reflects the same level of specificity.

You are authorized to make the following changes, as necessary, to the Disaster Relief Modification Trial Period Plan Notice:

- Require borrower cash contributions be used to pay for expenses and delinquent amounts that may not be capitalized.
- Changes necessary to be in compliance with applicable laws and regulations.
- Waive any debt related to a previously discharged Chapter 7 bankruptcy.
- Delete language to prevent an escrow account from being established, if applicable.
- Condition the approval of the final modification on obtaining any necessary court and/or trustee approvals for borrowers who might file bankruptcy during the trial period.

Determining the Effective Date and Due Date of the Trial Period Plan

Determine the Trial Period Plan effective date and the due date of the first Trial Period Plan payment as follows:

Borrower Trial Period Plan Evaluation Notice Send Date	Trial Plan Effective Date	Trial Plan Due Date of First Trial Payment
On or before the 15th of the month	First day of the next month	First day of the next month
After the 15th of the month	First day of the month after the next month	First day of the month after the next month

If after sending the Trial Period Plan notice the borrower agrees to begin the trial period earlier than the effective date requirements stated in the table above, you may begin the trial period on the first day of the next month.

<u>Bankruptcy</u>

Borrowers in a Trial Period Plan who subsequently file for bankruptcy may not be denied a modification on the basis of the bankruptcy filing. You and your counsel must:

- Work with the borrower and borrower's counsel to obtain court and/or trustee approvals required in accordance with local court rules and procedures.

- Extend the Trial Period Plan as necessary to accommodate delays in obtaining court approvals or receiving a full remittance of the borrower's trial period payments when they are made to a trustee, but you must not extend the trial period beyond nine months, resulting in a total 12-month trial period.
- Notify the borrower if a trial extension is permitted. The borrower must make trial period payments for each month of the trial period, including any extension month in order to remain eligible for a modification.

Chapter 13

If a borrower is in an active Chapter 13 bankruptcy and has made post-petition payments on the mortgage in the amount required by the Trial Period Plan, you should not:

- Object to confirmation of borrower's Chapter 13 plan, or
- Move for relief from automatic bankruptcy stay, or
- Move for dismissal of a Chapter 13 case.

Chapter 7

Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the mortgage and who did not reaffirm the mortgage debt under applicable law are eligible for the Flex Modification.

Modification is contingent on the bankruptcy court's approval of the modification and release of the mortgage from the bankruptcy plan prior to the due date of the first modified mortgage payment. You should modify the Trial Period Plan notice accordingly to reflect the fact that a borrower's eligibility for a modification is conditioned on court and/or trustee approval to remove the mortgage from the bankruptcy prior to modification.

Workout Prospector®

You must use Workout Prospector® to process Extend Modifications and Disaster Relief Modifications unless otherwise directed by Freddie Mac.

Processing Extend Modifications in Workout Prospector

All Extend Modifications must be submitted to Freddie Mac via the "Other Modification" path. When processing Extend Modifications in Workout Prospector, ensure that you take the following actions as you enter data:

- Select "Other Modification" from the Modification Type pick list.
- Complete the Mortgage Attributes, Modeling Attributes, and Modification Solution screens, as applicable.
- Click the **Comments** link on the To Do List to access the Comments screen for modifications.

  Document the following information on the Comments screen:

  - Request for Extend Modification
  - The number of months the mortgage is delinquent
  - The pre-modification P&I amount
  - The Trial Period Plan payment dates and the date the first modified payment is due after trial period completion
  - A contact name, contact phone number, and contact email address in your comments, as well as escalation contact information, in the event we are unable to reach the primary contact
- After you have entered all applicable data and documented the Extend Modification on the Comments screen, click the **Send to FM** button located in the upper right corner of the Modification Solution screen to transmit the model to Freddie Mac.

  Note: After you transmit the model to Freddie Mac, it is in a "Pending Review" status. After we complete our review, and the model is in an approved status, the new P&I payment displayed in Workout Prospector will not align with the existing P&I amount. This issue will be resolved via the settlement process.

Review the *Workout Prospector Users' Guide* for detailed information about how to enter and transmit data via the "Other Modification" path.

Processing Disaster Relief Modifications in Workout Prospector

All Disaster Relief Modifications must be submitted to Freddie Mac via the negotiated (exception) path. When processing Disaster Relief Modifications in Workout Prospector, ensure that you take the following actions as you enter data:

- Select "Flex Modification" from the Modification Type pick list.
- Complete the Mortgage Attributes, Modeling Attributes, and Modification Solution screens, as applicable.
- Ensure that you check the "Disaster Modification" box in the Additional Modification Inputs section of the Modeling Attributes screen to indicate that the modification is related to a disaster.
- Click the **Comments** link on the To Do List to access the Comments screen for modifications. Document the terms of the Disaster Relief Modification. Ensure that you provide a contact name, contact phone number, and contact email address in your comments, as well as escalation contact information, in the event we are unable to reach the primary contact.
- After you have entered all applicable data and documented the terms of the Disaster Relief Modification on the Comments screen, click the **Send to FM** button located in the upper right corner of the Modification Solution screen to submit the modification to Freddie Mac via the negotiated (exception) path.

Review the *Workout Prospector Users' Guide* for detailed information about how to enter and transmit data via the negotiated (exception) path.

How to Determine the Final Modification Terms and Settle the Modification

Once the borrower successfully completes the trial period, you must determine the final terms and prepare to settle the modification.

Extend Modifications

Perform the following steps to determine the final terms of the modification:

1. Determine the interest rate. The interest rate that is used for the final modification must be the same interest rate used for the Trial Period Plan.
2. Extend the term of the mortgage by the same number of payments missed during the disaster forbearance period.
3. Advance the DDLPI to bring the mortgage to a current status.
4. Prepare a modification agreement to reflect the terms calculated in the steps above and the requirements of Guide Section 9206.16. The modification agreement must also include a detailed description of the modified terms including:
   - Updated maturity date and term length
   - DDLPI advanced to bring the mortgage current
   - Revised payment schedule with the new PITIAS payment and due dates, as applicable
5. Complete Form 1128, *Loss Mitigation Transmittal*, and send it to NPL_Settlement@FreddieMac.com to initiate the settlement process.

   You must include the following in the Servicer comments section of the form:
   - "Extend Modification for Disaster Relief"
   - The pre-modification P&I amount

Follow the requirements in Guide Section 9206.18 to complete the processing of the modification.

Disaster Relief Modifications

As you prepare the final modification agreement, you must adjust the terms of the mortgage by completing the steps outlined below. A borrower who successfully completes a Trial Period Plan may not be denied a modification due to changes in the amount of capitalization. Reasonable changes in capitalization amounts between what was estimated at the time of evaluation for a Trial Period Plan and the final Disaster Relief Modification terms are permitted.

The final terms of the modified mortgage must be a fixed interest rate, fully amortizing mortgage with the same interest rate used for calculating the Trial Period Plan payment.

Perform the following steps to determine the final terms of the modification:

1. Capitalize arrearages per the requirements of Guide Section 9206.15 to arrive at the post-modification interest-bearing UPB.
   Reminder: If the existing mortgage includes a non-interest bearing UPB as a result of a prior modification, the non-interest bearing UPB will remain deferred under the Disaster Relief Modification.
2. Adjust the interest rate. The interest rate that is used for the final modification must be the same interest rate used for the Trial Period Plan.
3. Extend the amortization term from the modification effective date.
4. Calculate the modified P&I payment.
5. Prepare a modification agreement to reflect the terms calculated in the steps above and the requirements of Guide Section 9206.16.
6. Submit the modification for settlement via the Loan Modification Settlement screen in Workout Prospector once the workout is complete.

Follow the requirements in Guide Section 9206.18 to complete the processing of the modification.

Subsequent Modifications

If the borrower is evaluated for a subsequent mortgage modification, such as a Flex Modification, the Extend Modification and Disaster Relief Modification will not count toward the eligibility cap on previous modifications (i.e., mortgages previously modified three or more times are not eligible for a Flex Modification).

Electronic Default Reporting (EDR)

It is important that you report your default activity accurately and timely via EDR. Accurate and timely reporting in accordance with the requirements outlined in the Guide is essential to many servicing-related activities, including, but not limited to, eligibility for workout compensation and effective foreclosure timeline management. Exhibit 82, *EDR Transmission Code List*, includes default action codes.

For additional information, refer to the *EDR Quick Reference Guide*.

Mortgages Affected by a Disaster

You must report all mortgages affected by a disaster that are 31 days or more delinquent via EDR within the first three business days of the month following the month you learned of the disaster. To do this, report default reason code 034 (Eligible Disaster Area).

Quality Right Party Contact

EDR Code	Name	Report when:	Report the code and the following date:
AW	Date of First Quality Right Party Contact with Delinquent Borrower	You achieve quality right party contact for the first time.	Date you entered into the forbearance plan, within the first three business days of the month following the month the event took place. Report the code one time, in the month following the month in which you first achieved quality right party contact.
AX	Date of Last Quality Right Party Contact with Delinquent Borrower	You last achieved quality right party contact with the borrower.	Report the code one time, in the month following the month in which you last achieved quality right party contact. **Note:** If you work with the borrower for several months to attempt to resolve the delinquency, you will report code AX with the date of last quality right party contact for each month you speak with the borrower.

Forbearance and Repayment Plans

You must report all mortgages that are subject to a repayment plan or a short or long-term forbearance plan resulting from a disaster-caused hardship via EDR. Use the table below to identify what default action codes you are required to report by the third business day of each month for the previous month's activity

EDR Code	Name	Report when:	Report the code and the following date:
09	Forbearance	You entered into a forbearance plan with the borrower.	Date you entered into the forbearance plan, within the first three business days of the month following the month the event took place. Report the code each month until the mortgage is fully reinstated or the forbearance period ends.
12	Repayment Plan	You entered into a repayment plan with the borrower.	Date you entered into the repayment plan, within the first three business days of the month following the month the event took place. Report the code each month until the mortgage is fully reinstated or the repayment plan ends.

Trial Period Plans

Use the table below to identify what default action codes you are required to report, as applicable, by the third business day of each month for the previous month's activity.

EDR Code	Name	Report when the borrower:	Report the code and the following date:
H4	Solicitation Letter Sent	Was sent a solicitation letter.	Date you sent the letter, one time, in the month following the month the event took place
HD	Modification in Review	Is being evaluated for an Extend or Disaster Relief Modification.	Date you begin reviewing the loan, one time, in the month following the month the event took place
HE	Ineligible/Cancel Modification	Is ineligible for a modification.	Date you made the decision, one time, in the month following the month the event took place
BF	Standard Modification Trial Period	Has entered into a trial period for an Extend or Disaster Relief Modification.	Trial period start date each month during the trial period and any interim month **Note:** Do not report default action code 09 (Forbearance) with this code.

If an interim month is used, report default action code **BF** and the Trial Period Plan effective date as the default action date until the default action codes no longer apply once the mortgage is modified.

When reporting default action code 20 (Reinstatement), the reinstatement action date should be after the trial period end date. For example, if the trial period end date is 7/31/2017, the full reinstatement action date should be 8/1/2017.

If the borrower fails the Trial Period Plan, report any initiated or resumed foreclosure activity via EDR.

Servicer Incentive Payment for Extend Modifications and Disaster Relief Modifications

You will receive incentives for successfully settled Extend Modifications and Disaster Relief Modifications based on the borrower's delinquency at the time of the Trial Period Plan effective date.

Servicer Incentive Payments for Extend Modifications and Disaster Relief Modifications		
Days Delinquent – OR –	**Days from DDLPI**	**Each settled Disaster Relief Modification receives…**
Less than or equal to 120	150	$1,600.00
121-210	151-240	$1,200.00
Greater than 210	Greater than 240	$400.00

To receive compensation, you must successfully settle an Extend or Disaster Relief Modification by complying with all eligibility, underwriting, documentation, closing, and reporting requirements, including submitting accurate closing data to Freddie Mac, within two months after the trial period ends. Please note that the use of an interim month does not extend this two-month settlement requirement as an interim month is not part of the trial period.

Ineligible Incentive Payment Warnings

It is important to report your Extend Modification and Disaster Relief Modification data accurately, consistently and within specified time requirements. Failure to do so will cause your status to be ineligible for a compensation incentive.

This section highlights actions to avoid when reporting Extend Modification and Disaster Relief Modification data through Workout Prospector and EDR. You will receive the error messages on the loan-level detail report available via the Incentives tile in the Manager Series Reports section of the Servicer Performance Profile.

Message	Explanation
Mod not settled within 6 mos of Trial Start Date	The settlement date is more than six months later than the trial period start date.
Mod not settled within 15 mos of Trial Start Date	The settlement date is more than 15 later than the trial period start date for a loan in bankruptcy.
Closed Date is over 2.5 mos from Mod Approval	For Other mods only: The archived date is greater than two months and 15 days after the workout approved date.
Trial Start Date is missing in Workout Prospector	The trial period start date is not in Workout Prospector.
Agreement Rec'd is over 2 mos from Mod Approval	For Other mods only: The date agreement received (when mod is settled) is greater than two months after the workout approved date.

Insurance Loss Settlements

When you receive notification that a property secured by a mortgage owned in whole or part by Freddie Mac has sustained damage due to fire, flood or other peril, you must monitor and coordinate the hazard insurance claim process.

You just implement the following temporary insurance requirements for borrowers whose mortgaged premises are impacted by an Eligible Disaster and are located in an Eligible Disaster Area on or after August 25, 2017, and must follow these requirements unless otherwise directed by Freddie Mac.

Releasing Claim Proceeds

The following outlines our temporary requirements for releasing claim proceeds.

<table>
<tr><th></th><th>When the mortgage is current or less than 31 days/one payment delinquent at the time you were notified of the loss:</th><th>When the mortgage is 31days/one payment or more delinquent at the time you were notified of the loss:</th></tr>
<tr><td>Initial insurance loss draft distribution</td><td>You may release proceeds up to the greater of:
▪ $40,000
▪ 33 percent of the unpaid principal balance (UPB)
▪ The amount by which the release funds exceed the sum of the UPB, accrued interest, and advances on the mortgage</td><td>You may make an initial disbursement of 25 percent of the insurance proceeds up to the greater of:
▪ $10,000 or
▪ The amount by which the release funds exceed the sum of the UPB, accrued interest and advances on the mortgage.
If proceeds are less than or equal to $5,000, you may disburse the funds in one payment.</td></tr>
<tr><td>Additional loss draft distributions</td><td>You may distribute remaining funds based on the repair plan you reviewed and approved.
You must inspect the repairs prior to releasing any additional funds.</td><td>You may distribute remaining funds in increments not to exceed 25 percent of the insurance loss proceeds.
You must inspect repairs prior to the release of any additional funds.</td></tr>
<tr><td rowspan="2">Loss Payee: Directly to borrower or jointly to the borrower and a contractor</td><td>You may release proceeds received less than or equal to $40,000 directly to the borrower.
You must release proceeds greater than $40,000 payable jointly to the borrower and contractor.</td><td>All checks must be made payable jointly to the borrower and a licensed contractor.</td></tr>
<tr><td colspan="2">If the borrower advanced payments to the contractor, then you may make the check payable to the borrower provided you obtain documentation of the materials and services the borrower paid for.</td></tr>
</table>

Licensed Contractors

Refer to the following table to determine when you must use a licensed contractor.

<table>
<tr><th>If the mortgage is:</th><th>And the total claim proceeds amount is:</th><th>Then you must:</th></tr>
<tr><td rowspan="2">Current or less than 31 days/one payment delinquent at the time you were notified of the loss</td><td>Less than $40,000</td><td>Have policies and procedures to determine when a licensed contractor is required to repair or reconstruct the residence.</td></tr>
<tr><td>Equal to or greater than $40,000</td><td>Ensure you use a licensed contractor to repair or reconstruct the residence.

Note: If a state or jurisdiction does not require licensing of contractors, you may satisfy this requirement by ensuring the contractor is bonded and insured for an amount higher than the insurance proceeds.</td></tr>
<tr><td>31 days/one payment or more delinquent at the time you were notified of the loss</td><td colspan="2">Use a licensed contractor to repair or reconstruct the residence.

Note: If a state or jurisdiction does not require licensing of contractors, you may satisfy this requirement by ensuring the contractor is bonded and insured for an amount higher than the insurance proceeds.</td></tr>
</table>

Final Inspections

Refer to the following table to determine when inspections are required.

When the mortgage is current or less than 31 days/one payment delinquent at the time you were notified of the loss:	When the mortgage is 31days/one payment or more delinquent at the time you were notified of the loss:
A final inspection is required to ensure all repairs are completed. Inspections and a repair plan are not required if total insurance proceeds are equal to or less than $20,000. If cosmetic/non-structural work items totaling less than $5,000 are outstanding at the time of final inspection, the inspection can be considered final and the inspector must note any unfinished items with estimated completion dates.	A final inspection is required to ensure all repairs are completed.

Borrower-Requested Cancellation of Borrower-Paid Mortgage Insurance

Refer to the following requirements related to borrower-requested cancellation of borrower-paid mortgage insurance for borrowers impacted by an Eligible Disaster whose mortgage was subject to a disaster-related forbearance.

When you receive a borrower's request to cancel borrower-paid mortgage insurance post-forbearance and after the mortgage has been restored to a current status, the borrower's payment history must meet the following requirements:

- There must be no payment 30 days or more past due in the preceding 12 months, except when the delinquency is a direct result of the mortgage being subject to a disaster-related forbearance plan, and following the disaster-related forbearance, transition to a relief or workout option to cure the delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Guide Section 8404.6, and
- There must be no payment 60 days or more past due in the preceding 24 months, except when the delinquency is a direct result of the mortgage being subject to a disaster-related forbearance plan, and following the disaster-related forbearance, transition to a relief or workout option to cure the delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Guide Section 8404.6.