



Unemployment Forbearance

Overview for Freddie Mac Servicers

Short-term and extended forbearance for unemployed borrowers

Recognizing the realities of longer-term unemployment in the current economy, you can now offer eligible borrowers a short-term unemployment forbearance period, and the possibility of an extended unemployment forbearance period, if needed. These new forbearance relief options are tools you can use to effectively assist struggling borrowers through a period of unemployment, providing families with a greater measure of security while working toward the ultimate goal of keeping them in their home.

> Key Requirements

- Borrowers may be current or delinquent.
- Only owner-occupied primary residences are eligible.
- A borrower must have a financial hardship due to unemployment.
- Extended unemployment forbearance cannot result in the delinquency exceeding 12 months.
- A borrower's current monthly housing expense-to-income ratio (excluding unemployment benefits) must be greater than 31 percent for extended unemployment forbearance.
- A borrower's cash reserves cannot exceed 12 months of their monthly housing expense for extended unemployment forbearance.
- Borrowers may transition from and to other alternatives to foreclosure.
- Mortgage payments may be suspended or reduced during the forbearance period.

> Key Features

- You have delegated authority to offer **short-term unemployment forbearance** to borrowers experiencing a financial hardship due to unemployment. You may suspend or reduce an eligible borrower's mortgage payments for a period of six months.
- With Freddie Mac's approval, you can offer eligible borrowers **extended unemployment forbearance**. Payments for eligible borrowers may be reduced up to an additional six months, provided the forbearance does not extend beyond a date that would cause the delinquency to exceed 12 months.
- A borrower who was complying with the terms of his or her Home Affordable Modification program (HAMP) or Freddie Mac Standard Modification trial period plan prior to entering unemployment forbearance may be re-evaluated for a new HAMP or Standard Modification trial period plan if he or she is eligible at the termination or expiration of unemployment forbearance.
- You may offer these new mortgage relief options to eligible borrowers immediately, but you must incorporate unemployment forbearance into your operations no later than February 1, 2012.

GENERAL REQUIREMENTS FOR UNEMPLOYMENT FORBEARANCE	
Eligibility	<ul style="list-style-type: none"> • The borrower must have a financial hardship due to unemployment. • The property must be a principal residence. • Second homes, investment properties and properties that are vacant, condemned, or abandoned are ineligible. • For short-term unemployment forbearance, the borrower: <ul style="list-style-type: none"> ▪ May be either current or delinquent. ▪ May be in a HAMP or non-HAMP trial period plan and convert to a forbearance plan. • For extended unemployment forbearance, the borrower must have: <ul style="list-style-type: none"> ▪ Complied with the terms of the short-term forbearance plan. ▪ Cash reserves less than or equal to 12 months of their monthly housing expense. ▪ A current monthly housing expense-to-income ratio (excluding unemployment benefits) greater than 31 percent.
Evaluation and documentation	<ul style="list-style-type: none"> • You must evaluate a borrower for short-term unemployment forbearance if a borrower notifies you that they are experiencing a financial hardship due to unemployment. • If the borrower submitted a Borrower Response Package (BRP), you must review the BRP and comply with Servicing Alignment Initiative evaluation and notice requirements. A BRP is not required for short-term unemployment forbearance, but it is required for extended unemployment forbearance. (A BRP from the initial forbearance review must have updated income and asset information for the extended forbearance review.) • You are encouraged to process IRS Form 4506-T or 4506T-EZ for a tax return transcript as it may be needed to evaluate the borrower for extended unemployment forbearance.
Term	<ul style="list-style-type: none"> • The short-term unemployment forbearance period is the lesser of six months or the period ending upon the borrower's notification of re-employment. • The extended unemployment forbearance period may be for up to six additional months, but may not be extended beyond a date that would cause the delinquency to exceed 12 months of the borrower's contractual monthly mortgage payments.
Documentation	<ul style="list-style-type: none"> • The unemployment forbearance plan must be in writing and must: <ul style="list-style-type: none"> ▪ Indicate the duration of the unemployment forbearance. ▪ State that the plan will terminate earlier upon the borrower's re-employment. ▪ Require the borrower to provide updates on his or her employment status and immediate notification of re-employment. ▪ Contain an explanation of what will occur upon expiration or re-employment. ▪ State that borrowers in a Home Affordable Modification Program (HAMP) modification are ineligible for incentives if the borrower loses good standing. ▪ Indicate that terms may be re-evaluated if there is a material change in the borrower's financial circumstances. ▪ State that you will cancel the plan and initiate or resume foreclosure if the borrower defaults on the terms of the plan. • You must have written policies and procedures relating to forbearance plans, including how to determine if a payment will be required and how the amount will be calculated.
Payments	<ul style="list-style-type: none"> • Mortgage payments may be suspended or reduced during the short-term unemployment forbearance period. • For an approved extended unemployment forbearance plan, the borrower must make a payment that is equal to 31 percent of the borrower's gross monthly income (not including unemployment benefits) or the current payment due under the short-term unemployment forbearance plan, whichever is greater. Exceptions will be considered on a case-by-case basis.

GENERAL REQUIREMENTS FOR UNEMPLOYMENT FORBEARANCE, CONTINUED

Mortgage Insurance	If the mortgage is covered by mortgage insurance, you must obtain the MI's approval prior to offering the borrower unemployment forbearance.
Termination of Forbearance Plan	The plan will be terminated if: <ul style="list-style-type: none">▪ Any of the eligibility criteria are no longer applicable.▪ The property becomes vacant, abandoned, or condemned.▪ The borrower advises you that he or she is no longer actively seeking employment.▪ The borrower fails to make timely payments.
Mortgages with Recourse	If the mortgage is subject to recourse, including, but not limited to indemnification, you are encouraged but not required to consider the borrower for unemployment forbearance.
Late Fees	<ul style="list-style-type: none">• Late charges may accrue while you determine borrower eligibility.• You may not accrue or collect late fees during the unemployment forbearance period.
Reporting	<ul style="list-style-type: none">• You must notify us via an Electronic Default Reporting (EDR) transmission within the first three business days of the month following the month that you entered into an unemployment forbearance plan. Use default action code 09 and default reason code 016, and provide the date of the agreement.• You should continue to report a "full file" status report to the four major credit repositories for mortgages in an unemployment forbearance plan in accordance with applicable law and the standards established by the CDIA.

For More Information:

- Contact your Freddie Mac representative.
- Call 800-FREDDIE.
- Visit Freddie Mac's Unemployment Forbearance Web page at www.FreddieMac.com/singlefamily/service/unemployment_forbearance.html.
- Review *Single-Family Seller/Servicer Guide* Bulletins 2012-2 and 2014-10.

The Servicer understands that this document may not incorporate every requirement for unemployment forbearance, and that this document is not to be relied on as a replacement or substitute for the information contained in the Single-Family Seller/Servicer Guide (Guide) and the Servicer's other Purchase Documents. Notwithstanding any inconsistencies with this document, the Servicer is responsible for complying with the requirements of the Guide and the Servicer's other Purchase Documents.