Q&A

TO: Freddie Mac SERVICERS March 2018

Natural Disaster Relief Policies FAQs

DISASTER FORBEARANCE

Q1: Are there any restrictions or eligibility requirements related to disaster forbearance?

A: To be eligible for disaster forbearance relief offered under *Single-Family Seller/Servicer Guide* (Guide) Chapter 8404 or recent Guide Bulletins offering additional relief, the borrower's home or place of employment must be in an Eligible Disaster Area ("impacted borrowers"). An Eligible Disaster Area is an area that the president has declared to be a major disaster area and FEMA has made individual assistance available.

If a borrower's home or place of employment is not in an Eligible Disaster Area, but is otherwise impacted by a disaster, Freddie Mac's standard relief options, including forbearance, are also available.

There are no restrictions to starting a 3-month disaster forbearance for delinquent impacted borrowers. We provide you with the flexibility to allow individual forbearance plans of up to six months each in duration, for **up to a total of 12 months of disaster forbearance**, provided you have established quality right party contact ("QRPC"). It's up to your discretion to establish the duration of the forbearance period, within our acceptable limits, based on your determination of the borrower's needs.

Additionally, please note:

- You may offer disaster forbearance to a delinquent Impacted borrower without QRPC, but only up to a total of 90 days.
- The forbearance period may exceed 90 days only if you establish QRPC.
- Offering a borrower additional forbearance beyond 12 months requires Freddie Mac's prior approval.

Q2: Can I offer disaster forbearance to impacted borrowers who are current on their mortgage payments?

A: Yes. If you have established QRPC, you may offer disaster forbearance to an impacted borrower who is current. However, you must report the forbearance via Electronic Default Reporting (EDR) to Freddie Mac once the borrower becomes 31+ days delinquent.

Without QRPC, you may offer a 90-day disaster forbearance once the impacted borrower becomes 31+ days delinquent.

Q3: Is there a form or template available for the forbearance written agreement?

A: Yes. Freddie Mac provides model language that servicers may use in drafting the written forbearance agreement in Guide Exhibit 93, but we do not require you to use this model language when offering disaster forbearance. If a Servicer chooses to use the model language, it must update the language to comply with applicable law.

Q4: Is an impacted borrower eligible for disaster forbearance if they are already 18 months past due at the time of disaster?

A: Yes. Any eligible delinquent impacted borrower may receive the 90-day disaster forbearance at your discretion. You should work to identify the correct solution for each borrower based on their individual circumstances.

Q5: If a borrower can resume making mortgage payments prior to the scheduled end of the forbearance, can we end the forbearance early and work on a permanent solution?

A: Yes. You should work with each borrower that chooses to end the forbearance early to transition the borrower back to the most appropriate form of repayment (e.g., reinstatement, repayment plan, loan modification, etc.), on a case-by-case basis.

ELECTRONIC DEFAULT REPORTING

Q6: Guide Section 8404.5 (reporting requirements) states that Servicers must report default reason code 034 (Eligible Disaster Area) for loans impacted by an Eligible Disaster. Was the inclusion of reporting requirements in Guide Bulletin 2017-21 simply a reminder, or were they new requirements?

A: The reference included in Guide Bulletin 2017-21 was a reminder of our existing guidance. You must report default reason code 034 for loans impacted in an Eligible Disaster Area, regardless of the borrower choosing forbearance or not. Additionally, you must also report default action code 09 (Forbearance) when reporting a Disaster Forbearance to Freddie Mac.

Q7: If loans were previously reported to be in foreclosure but are now in an Eligible Disaster Area, should they no longer be reported in foreclosure?

A: You must continue to report these loans in foreclosure status. If the loan was pending a foreclosure sale, you must place the sale on hold per the mandatory suspension of foreclosure sales announced in recent disaster Guide Bulletins. If you're extending forbearance to a borrower in foreclosure, you must report EDR code 09 (Forbearance) and Default Reason code (034) instead.

PROPERTY INSPECTIONS

Q8: Am I required to do a property inspection of each property securing a Freddie Mac loan if it is in an Eligible Disaster Area?

A: A property inspection is not required in all cases, but it is required when you are not able to determine the status of the property through borrower contact. You must determine the number of mortgages impacted by the disaster and the extent of damages. This may be completed through discussions with the borrower, which is preferable, or by completing a property inspection of each Mortgaged Premises located in an Eligible Disaster Area.

Q9: Are there additional requirements for property inspections in Eligible Disaster Areas?

A: If the status of the property cannot be determined based on QRPC, we require, at minimum, an exterior property inspection to assess whether the property has been impacted by the disaster. You may only complete an interior property inspection if you have identified that the property is abandoned or if the interior inspection is required under our insurance loss settlement requirements.

Q10: Will disaster property inspections apply only to Eligible Disaster Areas, or will they be expanded outside of those areas if a property sustained damage related to the storm?

A: We only require property inspections in Eligible Disaster Areas. Outside of those areas we do not require you to do additional activities, and instead you should follow the Guide's standard property inspection requirements.

Q11: In Guide Bulletin 2017-21, you stated that you will reimburse additional amounts for "FEMA inspections" if ordered prior to the date of the Guide Bulletin only. However, if our FEMA inspection costs are the same as our regular property inspection, is it ok to order the FEMA inspection?

A: We will reimburse Servicers $15 for an exterior inspection and $20 for an interior inspection. We understand that a "FEMA inspection" generally costs more than a typical property inspection. If you obtain a FEMA inspection on or after the date of Guide Bulletin 2017-21, then we will reimburse expenses up to the lesser of the cost of the inspection or the standard reimbursement limits set forth above.

Q12: If a Servicer ordered FEMA inspections (at a slightly higher cost) on delinquent loans prior to the release of Guide Bulletin 2017-21, should the Servicer follow the regular claims process, even if the final claim is not finalized until more than a year from now?

A: Provided the mortgage was less than 60 days' delinquent at the time of disaster, you should use the spreadsheet process outlined in Guide Bulletin 2017-21. For loans 60 or more days' delinquent at the time of disaster, you must follow the normal expense reimbursement process set forth in the Guide.

INSURANCE DISBURSEMENTS

Q13: With the updates announced in Bulletin 2017-25, what amount of funds can we release to the borrower directly?

A: If the borrower was current (or less than 31 days delinquent) at the time of the disaster, you may release up to $40K directly to the borrower, additional funds beyond this must be released to the borrower and contractor in accordance with the repair/inspection plan you have agreed to. For borrowers who were 31 or more days delinquent at the time of disaster you may release up to $5K initially to the borrower and the contractor.

Q14: How do we manage the requirement that a borrower must utilize a licensed contractor for claims above $40K if the state where the property is located does not require licensing?

A: If the mortgage premises impacted by a disaster is in a state or jurisdiction that does not have contractor licensing, you must ensure that the contractor is at least bonded and insured for the amount of the claim.

FLEX/DISASTER MODIFICATIONS

Q13: Does the Capitalization and Extension Modification for Disaster Relief (Disaster Relief Modification) or the Extend Modification for Disaster Relief (Extend Modification) require Servicers to obtain a complete Borrower Response Package?

A: No. Unless required by applicable law, we don't require you to obtain a complete Borrower Response Package to offer an eligible impacted borrower an Extend Modification or a Disaster Relief Modification.

Q14: What if a borrower on a disaster forbearance plan sends in a complete Borrower Response Package?

A: You must comply with applicable law and the Guide when you receive an incomplete or complete Borrower Response Package. If it's complete, then you must evaluate the borrower per our loss mitigation evaluation hierarchy. If you achieve QRPC and the borrower is eligible, then you may offer the borrower the Disaster Relief Modification.

Q15: How should I handle borrowers whose loans were originated less than 12 months prior to my evaluation of the borrower for a loss mitigation option as the disaster forbearance period comes to an end?

A: A borrower whose Mortgaged Premises or place of employment is located in an Eligible Disaster Area on a mortgage originated less than 12 months prior to the evaluation date for an Extend Modification or a Disaster Relief Modification (or any other loss mitigation option) is not ineligible based solely on the mortgage origination date provided the borrower meets all eligibility requirements for the option being considered.

Q16: Are we required to obtain documentation if the borrower is greater than 31 days' delinquent at the time of the disaster?

A: We do not require you to obtain documentation from an impacted delinquent borrower to offer them disaster forbearance. However, unless QRPC is established and alternative payment arrangements are made, or the borrower is performing under another foreclosure alternative at the time of the disaster, you are still required to send the Borrower Solicitation Package and otherwise comply with applicable law governing loss mitigation.

Q17: Are borrowers in a 3-month forbearance plan eligible for a streamlined offer for a Flex Modification?

A: Yes, if the Servicer was unable to achieve QRPC prior to the end of the forbearance plan, the forbearance plan has ended, and the borrower is at least 90-days delinquent at the time of evaluation (e.g., they did not make any payments during the forbearance period or reinstate the loan at the end of the forbearance period).

Q18: Can a borrower who is in an active trial period plan prior to a disaster elect to continue with the trial period plan even if there is property damage or income reduction or must they be placed on a disaster forbearance plan?

A: The borrower may choose to continue performing on the trial period instead of disaster forbearance or they may accept forbearance and, if eligible, transition to a new trial period plan at the end of the forbearance period. However, if QRPC isn't established, then you should assume that an impacted borrower who misses a trial period payment has elected to commence with the 90-day disaster forbearance plan.

Q19: Are the requirements to qualify for a Flex Modification the same as the Extend Modification and the Disaster Relief Modification for impacted borrowers?

A: If a borrower is ineligible for, or declines the Extend Modification and the Disaster Relief Modification, and that borrower is at least 90 days' delinquent and has not submitted a complete Borrower Response Package or you are unable to achieve QRPC, then you must evaluate that borrower for a streamlined offer for a Flex Modification.

Q20: Can we still offer an impacted borrower a Flex Modification if their modified monthly P&I payment would be less than or equal to the pre-modified P&I?

A: Yes, provided they meet all other eligibility criteria for a Flex Modification.

Extend Modification for Disaster Relief (Extend Modification):

Q21: What are the main differences between the Extend Modification and the Capitalization and Extension Modification offerings?

A: While they are very similar, the primary differences between the two are that the Extend Modification:

- Allows you to extend the mortgage term without applying capitalization.
- Is a temporary offering, therefore the details of this program are not reflected in the Guide. You will need to refer to this Bulletin for these temporary requirements.

Q22: Am I required to implement the Extend Modification for Disaster Relief?

A: Yes, if you service mortgages located in an Eligible Disaster Area, that was impacted by an Eligible Disaster that occurred on or after August 25, 2017, you must implement the Extend Modification for Disaster Relief no later than February 1, 2018.

Q23: Should another disaster occur, will the Extend Modification be available to borrowers in the newly declared Eligible Disaster Areas?

A: Yes, until further notice the Extend Modification applies to all Eligible Disasters. Servicers are required to offer the Extend Modification to impacted Borrowers. To the extent that the Servicer did not previously service any loans in an Eligible Disaster Area, the Servicer will be required to implement the Extend Modification as soon as reasonably possible once an impacted mortgage has been identified.

Q24: Can a borrower's monthly mortgage payment increase with the Extend Modification for Disaster Relief offering?

A: There is a chance that a borrower's monthly mortgage payment could increase. The monthly principal and interest (P&I) payment obligation may increase due to the conversion of an ARM or Step-Rate Mortgage to a fixed-rate mortgage, in some instances. For a fixed-rate mortgage, the P&I will not increase, but the monthly principal, interest, taxes, insurance, association dues and projected escrow shortage payment (PITIAS) may increase if the mortgage is subject to an escrow shortage and/or delinquent taxes and insurance that has been advanced by the Servicer (Escrow Advances). When an escrow shortage and/or Escrow Advances are applicable, the Servicer must collect those funds from the borrower. They may be paid in a lump sum, or the funds may be spread equally over a 60-month repayment period, which will temporarily increase the PITIAS payment amount.

Q25: Does the Extend Modification for Disaster Relief count toward the mortgage modification cap described in Guide Section 9206.6?

A: No, if a borrower is subsequently evaluated for a Flex Modification in the future, the Extend Modification will not count as a previous loan modification as part of the Servicer's compliance with the following requirement from Section 9206.6:

- *Mortgages that have been previously modified three or more times are ineligible for a Flex Modification*

Q26: When does Freddie Mac expect us to begin credit reporting again for borrowers that were on a forbearance and have elected the Extend Modification?

A: As provided in Guide Section 8404.5, the Servicer must not report a borrower who is on a disaster-related forbearance plan, repayment plan, or Trial Period Plan to the credit repositories.

Servicers must report to the credit repositories under the regular process if:

- The borrower completes a loan modification
- The borrower is not engaged in an active forbearance plan, repayment plan or Trial Period Plan.

Q27: When will Workout Prospector® (WP2) be updated to process and transmit the data elements to Freddie Mac?

A: As published in Bulletin 2017-25, WP2 reporting requirements have been provided and Freddie Mac is prepared to accommodate implementation of the Extend Modification immediately.

Q28: Where does the Extend Modification fall in the evaluation hierarchy?

A: The Servicer must evaluate the borrower for the Extend Modification as the first loan modification evaluation as provided by the updated Freddie Mac loan modification hierarchy for disaster relief.

Q29: Will an interim month be applied to the Extend Modification Trial Period requirements?

A: Trial Period Plan requirements for the Extend Modification are consistent with the requirements for all other loan modification Trial Period Plans, as described in Guide Section 9206.11. An interim month may be applied, when applicable.

Q30: Do we need to offer all three modification options to the borrowers?

A: No, the Servicer must discuss the borrower's specific circumstances and evaluate for loss mitigation assistance in accordance with the disaster-related loss mitigation hierarchy described in Bulletin 2017-25.

Q31: Will a separate repayment plan agreement with the borrower need to be executed when a borrower must make payments to account for an escrow shortage and/or escrow advance?

A: Freddie Mac does not require a separate repayment plan agreement.

GENERAL QUESTIONS

Q32: Does Freddie Mac offer options for customers whose homes are in Public Assistance areas, as declared by FEMA?

A: Yes, our standard suite of loss mitigation options is available for non-impacted borrowers (i.e., those whose property or place of employment are not in an Eligible Disaster Area).

As with any borrower facing an eligible hardship, these borrowers may apply for mortgage assistance and obtain forbearance plans, repayment plans, and the Flex Modification in accordance with Freddie Mac's non-disaster eligibility requirements and the Guide's evaluation hierarchy.

Q33: What are your requirements for validating that a borrower's income is affected by their place of employment being in a disaster area?

A: A borrower whose place of employment, but not their mortgaged premises, is in an Eligible Disaster Area, is not required to document that their hardship to be eligible for 90-day disaster forbearance or our other disaster-related loss mitigation options.

However, Freddie Mac does require you to have QRPC with such borrowers and obtain verbal confirmation that the borrower's place of employment is in an Eligible Disaster Area and was impacted by the disaster. You must document this verbal confirmation in the mortgage file.

Q34: In cases of foreclosures in progress, if a judge won't allow the suspension of the foreclosure sale, then should Servicers seek approval from Freddie Mac to cancel the foreclosure in its entirety?

A: Compliance with applicable law, including the officers of the court who oversee such law, is always considered compliance with Freddie Mac's servicing requirements, particularly in situations where the law may conflict with other contractual servicing requirements in our Guide.

If a judge requires continuation of the foreclosure sale, then you must comply with the court's ruling and complete the sale. Completing the sale in this instance is not considered a violation of Freddie Mac's mandatory suspension of foreclosure sales in Eligible Disaster Areas impacted by Hurricanes Harvey, Irma or Maria.

Q35: Do foreclosure suspensions apply only to foreclosure sales?

A: Yes. You may proceed with the rest of the foreclosure process, but must not complete the foreclosure sale itself until after December 31, 2017, unless you've already determined the property to be abandoned and believe it's is in Freddie Mac's best interests to complete the foreclosure prior to that date and the borrower does not have any property damage that would be covered by insurance.

NOTE: Guide Bulletin 2018-4 extended the suspension of all foreclosure sales through **May 31, 2018** for affected properties in Puerto Rico and the U.S. Virgin Islands due to Hurricane Irma or Hurricane Maria.

Q36: How much time do I have to complete all call attempts to impacted borrowers?

A: There is no mandated timeframe for making borrower contact. However, if no QRPC is established, then Servicers may only offer delinquent impacted borrowers up to 90 days' disaster forbearance. Any additional assistance after 90 days requires QRPC.

Q37: Are there any concerns with suppressing credit reporting during the forbearance period and/or not reporting to the credit bureaus?

A: Freddie Mac wants to ensure borrowers are not negatively impacted by the losses sustained due to an Eligible Disaster. Therefore, we require that you suppress reporting to credit bureaus for impacted borrowers on a disaster forbearance plan, repayment plan or trial period plan. You must continue to report the status of the loan through EDR to ensure we have its correct status.

Q38: When should I resume assessing late fees?

A: The Servicer is prohibited from assessing late fees on impacted borrowers while they're performing in accordance with a disaster forbearance plan or repayment plan. The Servicer is permitted to assess late charges during a Trial Period Plan, however the Servicer must waive all late charges accrued upon the borrower's conversion to a permanent loan modification.

Q39: Do the disaster requirements announced in Bulletin 2017-25 apply to all FEMA declared disaster areas?

A: Yes. These requirements apply to all mortgages and borrowers whose mortgaged premises or places of employment are located in an Eligible Disaster Area.

Q40: For borrower-requested cancellation of borrower-paid MI, what is included as a "transition to a relief or workout option" in order for this temporary provision to apply?

A: A transition to a relief or workout option to cure the delinquency would be a reinstatement, a repayment plan, or borrowers who are currently in a trial plan.

Q41: Should Servicers sign off on Small Business Administration (SBA) Loan Lien Agreements?

A: Freddie Mac will not object to a Servicer executing the agreement, however, they must ensure they have processes and procedures in place to ensure compliance with the foreclosure noticing requirement.