



# Lender Letter (LL-2023-04)

Mar. 29, 2023

## To: All Fannie Mae Single-Family Servicers Payment Deferral, Disaster Payment Deferral, and Other Updates

As a result of industry feedback and of lessons learned from the COVID-19 pandemic, as well as our efforts to ensure our retention workout options provide appropriate borrower assistance regardless of economic environment, we are expanding our payment deferral policy. The policy in this Lender Letter replaces in its entirety Fannie Mae’s payment deferral requirements as reflected in *Servicing Guide* [D2-3.2-05](#), Payment Deferral. This Lender Letter also provides updates to disaster payment deferral and other general policy updates not specific to payment deferral.

This Lender Letter contains the following topics:

- [Updates to payment deferral](#)
- [Updates to disaster payment deferral](#)
- [Other related policy updates not specific to payment deferral](#)

We will publish new and revised borrower-facing documents impacted by these changes with the April 2023 *Servicing Guide* update.

**Effective:** As early as Jul. 1, 2023, but no later than Oct. 1, 2023, servicers must evaluate borrowers for payment deferral in accordance with this Lender Letter. This implementation timeline also applies to disaster payment deferral updates and the general policy updates as reflected within this Lender Letter. These policy changes will be reflected in the September 2023 *Servicing Guide* update, at which time we will also update the [Investor Reporting Manual](#).

This Lender Letter also provides guidance on when COVID-19 related policies are excluded from the eligibility criteria for a payment deferral. However, given that such policies are temporary, any guidance on COVID-19 policies will not be included in the *Servicing Guide*.

### Updates to payment deferral

#### Determining eligibility for payment deferral

In order to be eligible for a payment deferral, the criteria in the following table must be met.



✓	<b>Eligibility Criteria for a Payment Deferral</b>
	<p>The servicer must achieve Quality Right Party Contact (QRPC) to</p> <ul style="list-style-type: none"> <li>▪ determine the reason for the delinquency and whether it is temporary or permanent in nature;</li> <li>▪ determine the occupancy status of the property;</li> <li>▪ determine whether or not the borrower has the ability to repay the mortgage debt;</li> <li>▪ educate the borrower on the availability of workout options, as appropriate; and</li> <li>▪ obtain a commitment from the borrower to resolve the delinquency.</li> </ul> <p>Additionally, the servicer must confirm that the borrower</p> <ul style="list-style-type: none"> <li>▪ has resolved the hardship,</li> <li>▪ is able to continue making the full monthly contractual payment including the amount required to repay any escrow shortage amount over a term of 60 months, and</li> <li>▪ is unable to reinstate the mortgage loan or afford a repayment plan to cure the delinquency.</li> </ul> <p><b>NOTE:</b> <i>The servicer is authorized to evaluate the borrower for a payment deferral based on QRPC without receiving a complete Borrower Response Package (BRP). When the servicer offers a payment deferral without receiving a complete BRP, the servicer is not required to send an <a href="#">Evaluation Notice</a>, or equivalent. If the borrower submitted a complete BRP, then the servicer must evaluate the borrower in accordance with <a href="#">D2-2-05</a>, Receiving a Borrower Response Package. The servicer is authorized to use an Evaluation Notice, but must make the appropriate changes as necessary, including to the applicable Frequently Asked Questions, to reflect the terms of the payment deferral.</i></p>
	<p>The mortgage loan must be a conventional first lien mortgage loan, and may be a fixed-rate, a step-rate, or an ARM.</p> <p><b>NOTE:</b> <i>The property securing the mortgage loan may be vacant or condemned.</i></p>
	<p>The mortgage loan must have been originated at least 12 months prior to the evaluation date for a payment deferral.</p>
	<p>The mortgage loan must be equal to or greater than 2 months delinquent but less than or equal to 6 months delinquent as of the date of evaluation.</p>
	<p>The mortgage loan may receive more than one payment deferral; however, no more than 12 months of cumulative past-due P&amp;I payments as a result of a payment deferral may be deferred over the life of the mortgage loan.</p> <p><b>NOTE:</b> <i>This cumulative cap does not include past-due P&amp;I payments deferred as the result of a disaster payment deferral or a COVID-19 payment deferral.</i></p>
	<p>The mortgage must not have received a prior payment deferral with an effective date within 12 months of the evaluation date.</p>
	<p>The mortgage loan must not be within 36 months of its maturity or projected payoff date.</p> <p><b>NOTE:</b> <i>If the borrower is otherwise eligible for a payment deferral and the servicer determines that a payment deferral is the appropriate solution based on the borrower's circumstances, then the servicer is authorized to submit a request for a payment deferral through Fannie Mae's servicing solutions system for review and to obtain prior approval from Fannie Mae.</i></p>
	<p>The mortgage loan must not be subject to</p> <ul style="list-style-type: none"> <li>▪ a recourse or indemnification arrangement under which Fannie Mae purchased or securitized the mortgage loan or that was imposed by Fannie Mae after the mortgage loan was purchased or securitized,</li> <li>▪ an approved liquidation workout option,</li> </ul>



✓	<b>Eligibility Criteria for a Payment Deferral</b>
	<ul style="list-style-type: none"> <li>▪ an active and performing repayment plan,</li> <li>▪ a current offer for another retention workout option, or</li> <li>▪ an active and performing mortgage loan modification Trial Period Plan.</li> </ul>
	<p>The borrower must not have failed a Trial Period Plan within 12 months of being evaluated for eligibility for the payment deferral, excluding any Trial Period Plan related to a Fannie Mae Flex Modification in accordance with the reduced eligibility for a disaster-impacted borrower or for a COVID-19 impacted borrower.</p> <p><b>NOTE:</b> <i>Converting from a Trial Period Plan to a forbearance plan is not considered to be a failed Trial Period Plan.</i></p>
	<p>The mortgage loan must not have been modified with a mortgage loan modification within the previous 12 months of being evaluated for eligibility for a payment deferral, excluding a Fannie Mae Flex Modification in accordance with the reduced eligibility for a disaster-impacted borrower or for a COVID-19 impacted borrower.</p>

## Determining eligibility for a payment deferral for a Texas Section 50(a)(6) loan

A Texas Section 50(a)(6) loan is eligible for a payment deferral if

- the requirements described in [Determining eligibility for a payment deferral](#) are satisfied, and
- the application of a payment deferral to the mortgage loan complies with applicable law.

If the servicer receives notice from the borrower that a payment deferral fails to comply with Texas Section 50(a)(6) requirements, the servicer must immediately, but no later than seven business days after receipt, take the actions listed in the following table.

✓	<b>The servicer must...</b>
	Inform our Legal department by submitting a <i>Non-Routine Litigation Form</i> ( <a href="#">Form 20</a> ) and include the borrower notice in its submission.
	Collaborate with us on the appropriate response, including any cure that may be necessary, within the 60-day time frame provided by the requirements of Texas Section 50(a)(6).

## Performing an escrow analysis for a payment deferral

When a borrower is eligible for a payment deferral and the servicer was not collecting escrows on the existing mortgage loan, the servicer is not required to revoke any escrow deposit account waiver and establish an escrow deposit account as a condition of the payment deferral if the servicer confirms the borrower is current on the payments for taxes, special assessments, property and flood insurance payments, payments for borrower-purchased MI, ground rents, and similar items.

Prior to offering a payment deferral, the servicer must analyze an existing escrow account to estimate the periodic escrow deposit required to ensure adequate funds are available to pay future charges, taking into consideration T&I payments that may come due during the processing month, if applicable.

If the servicer identifies an escrow shortage as the result of an escrow analysis in connection with a payment deferral, the servicer must spread repayment of the escrow shortage amount in equal monthly payments over a term of 60 months, unless the borrower decides to pay the shortage amount up-front or over a shorter period, not less than 12 months. Any subsequent escrow shortage that may be identified in the next annual analysis cycle must be spread out over either the remaining term of the initial escrow shortage repayment period or another period of up to 60 months.

Any escrow account shortage that is identified at the time of the payment deferral must not be included in the non-interest bearing balance and the servicer is not required to fund any existing escrow account shortage.

If applicable law prohibits the establishment of the escrow account, the servicer must ensure that the T&I payments are paid to date.



## Determining the payment deferral terms

The servicer must defer the following amounts as a non-interest bearing balance, due and payable at maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB:

- at least 2 months and up to 6 months of past-due P&I payments, provided that it does not result in more than 12 months of past-due P&I payments cumulatively deferred as a result of a payment deferral;
- out-of-pocket escrow advances resulting from a delinquency and paid to third parties, provided they are paid prior to the effective date of the payment deferral; and
- servicing advances resulting from a delinquency, paid to third parties in the ordinary course of business, and not retained by the servicer, provided they are paid prior to the effective date of the payment deferral, if allowed by state law.

All other terms of the mortgage loan must remain unchanged. The servicer represents and warrants that application of the payment deferral to the mortgage loan does not impair our first lien position or enforceability against the borrower(s) in accordance with its terms.

Any existing non-interest bearing balance on the mortgage loan remains due and payable at maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB.

## Completing a payment deferral

Fannie Mae considers a payment deferral to be completed when the case is submitted into Fannie Mae’s servicing solutions system, including entry of loan-level information such as the applicable campaign ID to identify a payment deferral. The case must be entered by the last day of the month in which the evaluation took place.

If the servicer is unable to complete the payment deferral prior to the 15<sup>th</sup> day of the evaluation month, then the servicer is authorized to allow for sufficient processing time (via a “processing month”) to complete a payment deferral. The servicer must treat all borrowers equally in applying the processing month, as evidenced by a written policy.

The servicer must send the [payment deferral agreement](#), or equivalent, to the borrower no later than five days after the completion of the payment deferral.

**NOTE:** *If the servicer determines the borrower’s signature is required on the payment deferral agreement, it must receive the executed agreement prior to completing the payment deferral.*

The servicer must also provide documents to the document custodian in accordance with the following table.

If the payment deferral agreement is...	Then the servicer must send...
not required to be signed by the borrower	a copy of the payment deferral agreement signed by the servicer to the document custodian within 25 days of the effective date of the payment deferral.
required to be signed by the borrower but not recorded	the fully executed original payment deferral agreement to the document custodian within 25 days of the effective date of the payment deferral.
required to be recorded	<ul style="list-style-type: none"> <li>▪ a certified copy of the fully executed payment deferral agreement to the document custodian within 25 days of the effective date of the payment deferral, and</li> <li>▪ the original payment deferral agreement that is returned from the recorder’s office to the document custodian within 5 business days of receipt.</li> </ul>



## Soliciting the borrower for a post-forbearance plan payment deferral or a Fannie Mae Flex Modification

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If the servicer is unable to establish QRPC as described in [Determining eligibility for a payment deferral](#) with a borrower on a forbearance plan and the borrower is otherwise eligible for a payment deferral, the servicer must solicit the borrower for a payment deferral within 15 days after expiration of the forbearance plan.

If the borrower is ineligible for a payment deferral, then the servicer must solicit the borrower for a Fannie Mae Flex Modification within 15 days after expiration of the forbearance plan, provided the mortgage loan is at least 90 days delinquent and the borrower is otherwise eligible.

In addition, if a borrower does not respond to the payment deferral solicitation by the acceptance date provided in the payment deferral agreement, then the servicer must evaluate the borrower for a Fannie Mae Flex Modification and, if the mortgage loan is at least 90 days delinquent and the borrower is otherwise eligible, solicit the borrower for a Fannie Mae Flex Modification within 15 days after the expiration of the payment deferral offer.

## Soliciting the borrower for a payment deferral or a Fannie Mae Flex Modification after a failed repayment plan

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If the borrower does not make their total monthly repayment plan payment by the end of the month in which it is due, then the servicer must solicit the borrower for a payment deferral by the 15<sup>th</sup> day of the following month, provided that QRPC has not been achieved and the borrower is otherwise eligible for a payment deferral.

If the borrower is ineligible for a payment deferral, then the servicer must solicit the borrower for a Fannie Mae Flex Modification within 15 days after the end of the month in which the borrower has failed to make the total monthly repayment plan payment, provided QRPC has not been achieved, the mortgage loan is at least 90 days delinquent, and the borrower is otherwise eligible.

In addition, if a borrower does not respond to the payment deferral solicitation by the acceptance date provided in the payment deferral agreement, then the servicer must evaluate the borrower for a Fannie Mae Flex Modification and, provided QRPC has not been achieved, the mortgage loan is at least 90 days delinquent, and the borrower is otherwise eligible, solicit the borrower for a Fannie Mae Flex Modification within 15 days after the expiration of the payment deferral solicitation.

## Requirement to make a payment during the month of solicitation and/or a processing month for a payment deferral

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The borrower must make their fully monthly contractual payment during the month of solicitation and/or during the processing month if, as of the date of evaluation,

- the mortgage loan is 6 months delinquent, or
- the payment deferral would cause the mortgage loan to exceed 12 months of cumulative deferred past-due P&I payments.

In this circumstance, the servicer must complete the payment deferral within the solicitation month and/or the processing month as applicable after receipt of the borrower's full monthly contractual payment due during that month.

## Use of the payment deferral agreement and solicitation letters

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When soliciting the borrower for a payment deferral, the servicer must use the Payment Deferral Post Forbearance Plan Solicitation Cover Letter or Payment Deferral Post Repayment Plan Solicitation Cover Letter, as applicable, with the payment deferral agreement or the equivalent, making any appropriate changes to comply with applicable law.

While use of the payment deferral agreement, the Payment Deferral Post Forbearance Plan Solicitation Cover Letter, and the Payment Deferral Post Repayment Plan Solicitation Letter are optional, they reflect the minimum level of information that the servicer must communicate and illustrate a level of specificity that complies with the requirements of the *Servicing Guide*. The servicer must ensure that all documents comply with applicable law.



The servicer must include instruction on how to accept the solicitation in the payment deferral agreement. The servicer is authorized to consider the following as acceptance by the borrower, subject to applicable law:

- the borrower contacting the servicer directly in accordance with any acceptable outreach and communication method,
- the borrower returning an executed payment deferral agreement, or
- any other method evidencing the borrower's acceptance as determined by the servicer.

When soliciting the borrower for a Fannie Mae Flex Modification, the servicer must send the borrower the applicable [Flex Modification Solicitation Cover Letter](#) with the Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP Evaluation Notice, or the equivalent, and make appropriate changes to these documents, including the applicable Frequently Asked Questions and as needed to comply with applicable law.

The servicer is authorized to continue proactive solicitation for a Fannie Mae Flex Modification at its discretion. The servicer must not solicit a borrower for a Fannie Mae Flex Modification if the property has a scheduled foreclosure sale date

- within 60 days of the evaluation date if the property is in a judicial state, or
- 30 days of the evaluation date if the property is in a non-judicial state.

## Processing a payment deferral for an MBS mortgage loan

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MBS mortgage loans subject to a payment deferral will not be subject to automatic reclassification as described in [A1-3-06](#), Automatic Reclassification of MBS Mortgage Loans. In addition, the servicer must not make a manual reclassification request for mortgage loans subject to a payment deferral.

## Reporting a delinquency status code for a payment deferral

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The servicer must report delinquency status information to Fannie Mae through Fannie Mae's servicing solutions system in accordance with [D2-4-01](#), Reporting a Delinquent Mortgage Loan to Fannie Mae.

Unlike Fannie Mae's other workout options, payment deferral does not have a unique workout option delinquency status code. As a result, in the month the payment deferral is completed and the mortgage loan is reflected as current in Fannie Mae's investor reporting system, if no other delinquency status code is applicable to a mortgage loan subject to a payment deferral, the servicer is not required to report delinquency status information to Fannie Mae.

## Reporting a payment deferral to Fannie Mae

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The servicer must report the payment deferral as described in [Completing a payment deferral](#).

If the borrower is required to make their full monthly contractual payment during the month of the solicitation, the servicer must remit and report using a Loan Activity Record (LAR) to Fannie Mae the borrower's full monthly contractual payment prior to completing the payment deferral in Fannie Mae's servicing solutions system.

If the servicer uses a processing month, the servicer must enter the payment deferral case within the processing month, but no later than the last day of such month. If a full monthly contractual payment is required in the processing month, then the servicer must remit and report using a LAR to Fannie Mae the borrower's full monthly contractual payment due in the processing month prior to completing the payment deferral in Fannie Mae's servicing solutions system.

**NOTE:** *If the servicer does not report using a LAR the full monthly contractual payment at least one business day prior to the last day of the month, the servicer will not be able to complete the payment deferral case during that month. If the UPB or LPI reported in Fannie Mae's servicing solutions system prior to application of a payment deferral does not agree with the last reported UPB or LPI in Fannie Mae's investor reporting system, the payment deferral will not be processed in Fannie Mae's investor reporting system until the discrepancy is resolved.*

See [Updates to the Investor Reporting Manual](#) within this Lender Letter for additional information.



## Processing a payment deferral for a mortgage loan with mortgage insurance

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We have obtained delegation of authority on behalf of all servicers from the following mortgage insurers for the payment deferral: Arch MI, Essent Guaranty, Enact, MassHousing, MGIC, National Mortgage Insurance, Radian Guaranty, RMIC, and United Guaranty.

If we have not obtained delegation of authority from the mortgage insurer, the servicer must obtain this delegation or seek individual mortgage insurer approval.

## Handling fees and late charges in connection with a payment deferral

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The servicer must not charge the borrower administrative fees. It must waive all late charges, penalties, stop payment fees, or similar charges upon completing a payment deferral.

## Incentive fees for a payment deferral

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The servicer is eligible for a \$500 incentive fee upon completion of a payment deferral, subject to the requirements in [F-2-02](#), Incentive Fees for Workout Options.

## Servicing fees for a payment deferral

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The servicer will continue to receive the servicing fee it was receiving prior to the payment deferral becoming effective.

With regard to mortgage loans for which the payment deferral remains in effect, servicing fees, guaranty fees, and excess servicing fees (if applicable) will be reimbursed at the time the mortgage loan matures or is paid-in-full through a credit to the servicer's custodial account.

## Paying expenses and requesting reimbursement related to a payment deferral

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The servicer must pay any necessary and actual out-of-pocket expenses in accordance with the *Servicing Guide* associated with the execution of a payment deferral, including, but not limited to the following, as applicable:

- required notary fees,
- recording costs,
- title costs, or
- any other allowable and documented expense.

**NOTE:** *The above expenses must not be included in the non-interest bearing balance created by the payment deferral.*

We will reimburse the servicer for allowable out-of-pocket expenses in accordance with [F-1-05](#), Expense Reimbursement.

With regard to expenses that are advanced to third parties in accordance with our *Servicing Guide* and included in the non-interest bearing balance, the servicer will not automatically be reimbursed for expenses related to a payment deferral upon completion of the payment deferral, but instead must request reimbursement from Fannie Mae. The servicer must submit its *request for expense reimbursement* for expenses advanced and included in the non-interest bearing balance within 60 days of the completion of the payment deferral. See [E-5-01](#), Requesting Reimbursement for Expenses for additional information.

## Evaluating a borrower for a Fannie Mae Flex Modification after default on a payment deferral

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If the borrower becomes 60 days delinquent within 6 months of the payment deferral's effective date and the servicer is unable to achieve QRPC, then the servicer must evaluate the borrower for a Fannie Mae Flex Modification and, if eligible, solicit the borrower for a Fannie Mae Flex Modification no later than the 75th day of delinquency. The servicer is not required to

- receive a complete BRP from the borrower, or
- have previously solicited the borrower for a workout option.



**NOTE:** *The servicer is authorized to continue proactive solicitation for a Fannie Mae Flex Modification at its discretion. The servicer must not solicit a borrower for a Fannie Mae Flex Modification if the property has a scheduled foreclosure sale date within 60 days of the evaluation date if the property is in a judicial state, or within 30 days of the evaluation date if the property is in a non-judicial state.*

The servicer must send the borrower the applicable Flex Modification Solicitation Cover Letter with the Flex Modification Trial Period Plan Solicitation Offer — Not Based on an Evaluation of a BRP Evaluation Notice, or the equivalent, and make appropriate changes to these documents, including the applicable Frequently Asked Questions and as needed to comply with applicable law.

## Updates to the *Investor Reporting Manual*

### Reporting a Mortgage Loan Eligible for a Payment Deferral

Loan activity reporting must continue on a delinquent mortgage loan that is subject to a payment deferral. If the mortgage loan is in an MBS pool, then the servicer must not request a reclassification.

The final “pre-payment deferral” UPB and LPI values in Fannie Mae’s servicing solutions system must match the last reported UPB and LPI in Fannie Mae’s investor reporting system. If the values do not match, this will cause an exception in Fannie Mae’s servicing solutions system and the payment deferral case cannot close until this discrepancy is resolved.

For a payment deferral, reporting a payment LAR with LPI and UPB movement is only required during the month of the solicitation or if the servicer has chosen to use a processing month and as of the date of evaluation the mortgage loan is

- 6 months delinquent, or
- the payment deferral would cause the mortgage loan to exceed 12 months of cumulative deferred past-due P&I payments.

**NOTE:** *The cumulative cap of 12 months of past-due P&I payments does not include such payments deferred as the result of a disaster payment deferral or a COVID-19 payment deferral.*

In this instance, the borrower must make their full monthly contractual payment during the evaluation month or processing month, as applicable, and the servicer must report the payment LAR at least one business day prior to the last day of such calendar month. Failure to do so will result in the payment deferral not being processed in Fannie Mae’s servicing solutions system.

The following table provides additional instructions based on what is processed in the current reporting month prior to acceptance of the payment deferral in Fannie Mae’s investor reporting system.

If...	Then...
no LAR or a LAR without LPI and UPB movement is processed by CD22 in the current reporting month prior to the payment deferral’s acceptance	<p>the servicer must report a subsequent LAR with LPI and UPB movement reflecting the “pre-payment deferral” activity. The payment LAR must be reported at least one business day prior to the last day of the calendar month.</p> <p><b>NOTE:</b> <i>This is applicable only in instances where a full monthly contractual payment is required in the evaluation or processing month.</i></p>





If...	Then...
a LAR was successfully processed and the payment deferral is accepted in the current reporting month	<p>any subsequent LAR received in the same reporting month will be deemed “Invalid” and will be reflected as such in the Loan Activity Summary Report. A detailed list can be obtained from your Investor Reporting analyst.</p> <p><b>NOTE:</b> <i>The first LAR that Fannie Mae will accept after the payment deferral terms are reflected in the Fannie Mae’s investor reporting system will be in the next reporting month.</i></p>

### Reporting a Mortgage Loan After a Payment Deferral

A payment deferral creates a non-interest bearing balance (referred to in the *Investor Reporting Manual* as “principal forbearance”) due and payable at the maturity of the mortgage loan, or earlier upon the sale or transfer of the property, refinance of the mortgage loan, or payoff of the interest-bearing UPB. The servicer must not calculate interest on the principal forbearance amount.

In the reporting month following the acceptance of a payment deferral, the servicer must report the mortgage loan’s

- net UPB (gross UPB minus the principal portion of the payment deferral amount) in the “Actual UPB” field on the LAR if there is no LPI movement; or
- amortized UPB based on the net UPB (gross UPB minus the principal portion of the payment deferral amount) in the “Actual UPB” field on the LAR if there is LPI movement.

**NOTE:** *The initial reduction in UPB caused by the principal forbearance must not be reported to Fannie Mae as a principal curtailment.*

The following table provides additional instructions related to reporting requirements for mortgage loans that were subject to a payment deferral and have an outstanding principal forbearance at the time of a principal curtailment, a payoff, or a repurchase.

If...	Then...
a principal curtailment is received	<ul style="list-style-type: none"> <li>▪ if the principal curtailment being applied is less than the interest-bearing UPB, the servicer must apply such principal curtailment to the interest-bearing UPB.</li> <li>▪ if the principal curtailment is greater than or equal to the interest-bearing UPB, then the servicer must apply such curtailment in the following order:               <ol style="list-style-type: none"> <li>1. to the non-interest bearing balance, if any; and</li> <li>2. to the interest-bearing UPB.</li> </ol> </li> </ul>
a payoff or a repurchase is received	<p>the servicer must include the principal forbearance amount when reporting the principal remittance amount.</p> <p><b>NOTE:</b> <i>Principal forbearance reported on the liquidation LAR consists of the deferred principal amount, the gross interest amount, escrow advances, servicing advances, and any prior principal forbearance on the mortgage loan. Attempting to report a payoff or a repurchase without including the principal forbearance amount will generate an exception (hard reject) upon submission of the LAR.</i></p>

**NOTE:** *Generally, servicer P&I advances will be reimbursed within three to four business days after a payment deferral has been accepted in Fannie Mae’s investor reporting system.*



## Updates to disaster payment deferral

We are also making the following updates to disaster payment deferral to align with certain of the above updates to payment deferral, to ensure continuity between the workout options. Except for the specific policies described below, the disaster payment deferral policy in the *Servicing Guide* remains unchanged.

### Updates to eligibility criteria for disaster payment deferral

In order to be eligible for a disaster payment deferral, the additional eligibility criteria in the following table must be met.

✓	Additional Eligibility Criteria for a Disaster Payment Deferral
	<p>The mortgage loan must not be within 36 months of its maturity or projected payoff date.</p> <p><b>NOTE:</b> <i>If the borrower is otherwise eligible for a payment deferral and the servicer determines that a payment deferral is the appropriate solution based on the borrower’s circumstances, then the servicer is authorized to submit a request for a payment deferral through Fannie Mae’s servicing solutions system for review and to obtain prior approval from Fannie Mae.</i></p>

### Completing a disaster payment deferral

If the servicer is unable to complete (i.e., submit the case through Fannie Mae’s servicing solutions system) the disaster payment deferral prior to the 15<sup>th</sup> day of the evaluation month, then the servicer is authorized to allow for sufficient processing time (using a “processing month”) to complete a disaster payment deferral. The servicer must treat all borrowers equally in applying the processing month, as evidenced by written policy.

We have removed the specific requirements related to recordation of the disaster payment deferral agreement and obtaining a title endorsement if the disaster payment deferral agreement will be recorded. The servicer represents and warrants that application of the disaster payment deferral to the mortgage loan does not impair our first lien position or enforceability against the borrower(s) in accordance with its terms.

### Soliciting the borrower for a disaster payment deferral or a Fannie Mae Flex Modification after a failed repayment plan

If the borrower does not make their total monthly repayment plan payment by the end of the month in which it is due, then the servicer must solicit the borrower for a disaster payment deferral by the 15<sup>th</sup> day of the following month provided that QRPC has not been achieved and the borrower is otherwise eligible for a disaster payment deferral.

The servicer must solicit the borrower using the Disaster Payment Deferral Post Repayment Plan Solicitation Cover Letter with the disaster payment deferral agreement or the equivalent, making any appropriate changes to comply with applicable law. While use of the Disaster Payment Deferral Post Repayment Plan Solicitation Cover Letter and disaster payment deferral agreement is optional, it reflects the minimum level of information that the servicer must communicate and illustrates a level of specificity that complies with the requirements of the *Servicing Guide*.

The servicer must include instruction on how to accept the solicitation in the disaster payment deferral agreement. The servicer is authorized to consider the following as acceptance by the borrower, subject to applicable law:

- the borrower contacting the servicer directly in accordance with any acceptable outreach and communication method,
- the borrower returning an executed disaster payment deferral agreement, or
- any other method evidencing the borrower’s acceptance as determined by the servicer.



The borrower must make their full monthly contractual payment during the month of the solicitation if, as of the date of evaluation, the mortgage loan is 12 months delinquent. In this circumstance, the servicer must complete the disaster payment deferral within the month of the solicitation after receipt of the borrower's full monthly contractual payment due during that month.

**NOTE:** *If the servicer uses a processing month to complete the disaster payment deferral, the borrower must also make their full monthly contractual payment during the processing month. The servicer must complete the disaster payment deferral within the processing month after receipt of the borrower's full monthly contractual payment due during that month.*

If the borrower is ineligible for a disaster payment deferral, then the servicer must solicit the borrower for a Fannie Mae Flex Modification in accordance with the reduced eligibility criteria in *Evaluating or Soliciting a Borrower with a Disaster-Related Hardship for a Fannie Mae Flex Modification* in [D2-3.2-07](#), Fannie Mae Flex Modification within 15 days after the end of the month in which the borrower has failed to make the total monthly repayment plan payment, provided QRPC has not been achieved and the borrower is otherwise eligible.

In addition, if a borrower does not respond to the disaster payment deferral solicitation by the acceptance date provided in the disaster payment deferral agreement, then the servicer must evaluate the borrower for a Fannie Mae Flex Modification in accordance with the reduced eligibility criteria in *Evaluating or Soliciting a Borrower with a Disaster-Related Hardship for a Fannie Mae Flex Modification* in [D2-3.2-07](#), Fannie Mae Flex Modification and, provided QRPC has not been achieved and the borrower is otherwise eligible, solicit the borrower for a Fannie Mae Flex Modification within 15 days after the expiration of the disaster payment deferral solicitation.

The servicer must send the borrower the applicable Flex Modification Solicitation Cover Letter with the Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP Evaluation Notice, or the equivalent, and make appropriate changes to these documents, including the applicable Frequently Asked Questions and as needed to comply with applicable law.

**NOTE:** *The servicer is authorized to continue proactive solicitation for a Fannie Mae Flex Modification in accordance with the reduced eligibility criteria at its discretion. The servicer must not solicit a borrower for a Fannie Mae Flex Modification in accordance with the reduced eligibility criteria if the property has a scheduled foreclosure sale date within 60 days of the evaluation date if the property is in a judicial state, or within 30 days of the evaluation date if the property is in a non-judicial state.*

## **Other related policy updates not specific to payment deferral**

### **Outreach requirements for mortgage loans near maturity or projected payoff with an outstanding non-interest bearing balance**

In order to better assist borrowers with a mortgage loan subject to an outstanding non-interest bearing balance, we will now require outreach prior to the maturity date or projected date of payoff in order to determine if the borrower can afford to pay the total amount due or requires assistance.

As early as 180 days, but no later than 150 days prior to the maturity date or the projected date of payoff of the interest-bearing UPB of a mortgage loan subject to an outstanding non-interest bearing balance, the servicer must provide written notice to the borrower informing the borrower that the non-interest-bearing balance is coming due and provide both the due date and the outstanding balance. If the servicer has not established contact with the borrower and discussed the outstanding non-interest-bearing balance that is due, the servicer must send an additional written notice to the borrower as early as 75 days but no later than 60 days before the maturity date or the projected payoff date of the interest-bearing UPB.

Upon establishing contact with the borrower, the servicer must discuss with the borrower the outstanding non-interest bearing balance that is coming due and determine based on communication with the borrower whether they are able to pay the non-interest bearing balance on the maturity date or the projected payoff date. If the servicer determines the borrower cannot afford to pay the total amount due, then the servicer must discuss potential repayment options based on the borrower's circumstances and submit the case to Fannie Mae for review and approval.

The servicer is authorized to send additional notices at its discretion leading up to the maturity date or the interest-bearing UPB payoff date; however, notices cannot be sent any earlier than 180 days prior to the maturity date or the projected payoff date.



When sending the required written notifications to borrowers, the servicer must use the Borrower Notification of Non-Interest-Bearing Balance, or its equivalent. While use of the Borrower Notification of Non-Interest-Bearing Balance is optional, it reflects the minimum level of information that the servicer must communicate and illustrates a level of specificity that complies with the requirements of the *Servicing Guide*. Also, the servicer must ensure the notice complies with applicable law.

## **Updated eligibility criteria exclusions for payment deferral, disaster payment deferral, COVID-19 payment deferral, and Fannie Mae Flex Modification**

As a borrower may be performing on an active forbearance plan while being evaluated for a permanent workout option, we have removed that eligibility exclusion criteria from the below list to now read as follows.

The mortgage loan must not be subject to

- a recourse or indemnification arrangement under which Fannie Mae purchased or securitized the mortgage loan or that was imposed by Fannie Mae after the mortgage loan was purchased or securitized;
- a current offer for another mortgage loan modification or other workout option;
- an approved liquidation workout option; or
- an active and performing repayment plan, other non-disaster-related forbearance plan, or Trial Period Plan.

Servicers who have questions about this Lender Letter should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae's Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643). Have Guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).