

Bulletin

TO: Freddie Mac Servicers

March 25, 2020 | 2020-7

SUBJECT: SERVICING REQUIREMENTS AND RELIEF RELATED TO COVID-19

In response to continued challenges resulting from the outbreak and spread of the coronavirus disease (COVID-19), this Guide Bulletin:

- Announces [EDR requirements](#) for Borrowers with COVID-19 related hardships
- Provides temporary Servicer relief from certain [property inspection and property preservation](#) requirements
- Notifies Servicers of temporary limitations to our [property valuation](#) requirements for Borrower-requested cancellations of mortgage insurance
- Clarifies requirements for [streamlined Flex Modifications](#) evaluations for Borrowers with a COVID-19 related hardship
- Reminds Servicers of the [outreach and collection techniques](#) for Servicing delinquent Mortgages,

Additionally, as a follow up to [Bulletin 2020-5](#), we are notifying Servicers of the [annual reporting deadline](#) extension and reminding Servicers regarding the use of [Electronic Records and Signatures](#) and [Seller/Servicer business continuity plan](#) requirements as well as information about [Freddie Mac's business continuity plan](#).

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

EDR – Reporting Mortgages impacted by COVID-19

Servicers must notify Freddie Mac of any Borrower who has a COVID-19 related hardship, as described in Bulletin 2020-4, by reporting **default reason code 032**. Currently, default reason code 032 is used to report “Contaminated drywall.” However, we are working to update our systems to convert the code to “National Emergency Declaration.” Beginning with monthly reporting on April 1, 2020, Servicers must begin reporting Default Reason Code 032 for all COVID-19 related hardships, and must not delay reporting during Freddie Mac’s conversion period to change the code name from “Contaminated drywall” to “National Emergency Declaration”. As a reminder, Servicers should only report this activity on a delinquent Mortgage.

While we understand that a COVID-19 related hardship must be the result of one of Freddie Mac’s eligible hardship reasons described in Guide Section 9202.2 (e.g., illness, unemployment, curtailment of income, etc.), we are instructing Servicers to report all COVID-19 related hardships using default reason code 032 instead of reporting the code of the more specific hardship reason (such as the examples above). In conjunction with default reason code 032, the Servicer must continue to report all applicable default action codes, including code 09 if the Mortgage is on a forbearance plan. Additionally, we are reminding Servicers the COVID-19 pandemic is not an Eligible Disaster and therefore, the Servicer must **not** report default reason code 034 (Eligible Disaster Area).

Going forward, for a Servicer to notify Freddie Mac of a Borrower whose reason for default is related to contaminated drywall, the Servicer must report this to Freddie Mac using default reason code 011 (“Property problem”).

We will update Section 8403.1 to these default reason codes changes in a future Bulletin.

Property inspections for insurance loss settlements and delinquent Mortgages and property preservation on abandoned properties

In response to Servicer inquiries and due to COVID-19 related concerns, Freddie Mac is temporarily relieving Servicers from their responsibility to:

- Complete property inspections related to the insurance loss settlements process described in Section 8202.11
- Complete property inspections for delinquent Mortgages as described in Section 9202.12
- Adhere to the property preservation requirements for abandoned properties in Section 8403.1

While Servicers will temporarily not be held accountable for compliance with our property inspection and property preservation requirements in these instances, we are not changing or permanently eliminating them. Instead, we are notifying Servicers that if they are unable to complete any required inspection or adhere to any property preservation requirement as a result of the COVID-19 pandemic, that they must document the reason in the Mortgage file and Freddie Mac will consider them to be in compliance with our requirements during this period. Freddie Mac will notify Servicers when this temporary requirement relief will be discontinued.

Regarding insurance loss settlements, the Servicer's inability to complete property inspections due to COVID-19 related impacts must not impact the Servicer's disbursement of insurance loss proceeds. The Servicer must continue to disburse proceeds in accordance with all requirements in Section 8201.11(c), with the exception of requirements pertaining to property inspections.

Property valuations – Mortgage insurance cancellation

In accordance with Section 8203.2 and 8203.3, when evaluating a Borrower-requested cancellation of Borrower-paid mortgage insurance based on the current value, the Servicer must obtain a new property valuation via a BPO or appraisal. Due to COVID-19 related concerns, we recognize that the Servicer may not be able to fulfill this requirement during this period. In these instances, the Servicer must notify the Borrower that it is unable to approve cancellation requests until a property valuation can be completed, and all requirements satisfied. Freddie Mac will notify Servicers when this temporary requirement relief will be discontinued.

We are also reminding Servicers that mortgage insurance cancellations based on automatic cancellation, and where the Borrower request to cancel is based on the original value, may continue to be fulfilled. A current property valuation is not required for these evaluations (see Sections 8203.2 through 8203.4).

Streamlined Flex Modification evaluations for Borrowers with a COVID-19 related hardship

We are clarifying that streamlined Flex Modification evaluations for Borrowers with a COVID-19 related hardship must be conducted in accordance with the requirements provided in Section 9206.5(e), with the following adjustments:

Current requirement	Requirement for Borrowers impacted by COVID-19
<p>The Borrower's Mortgaged Premises or place of employment must be located in an Eligible Disaster Area.</p> <p>Note: For Extend Modifications only, the Eligible Disaster Area designation must have been made on or after August 25, 2017.</p>	<p>The Borrower must have a COVID-19 related hardship (as described in Bulletin 2019-4).</p> <p>Note: The Servicer is not required to obtain documentation to verify the Borrower's hardship.</p>
<p>The Borrower must have been current or less than 31 days delinquent (i.e., must not have missed more than one monthly payment) at the time of the disaster and the Borrower's hardship must have been caused by an Eligible Disaster</p>	<p>The Borrower must have been current or less than 31 days delinquent (i.e., must not have missed more than one monthly payment) as of the date of the National Emergency declaration related to COVID-19, March 13, 2020</p>

Outreach and collection techniques

In response to Servicer questions, we are reminding Servicers of existing outreach and collection techniques, as described in Section 9102.3(a), and for convenience shared directly below:

Servicing of a delinquent Mortgage must be based upon personal contact, either by telephone, technology-based platforms and applications (as described below) or face-to-face interviews with a Borrower. Form letters and notices, while having a place in any Servicing program, generally are not as effective as personal contact and must not be used exclusively. The Servicer's collection techniques must include the use of:

1. Telephone contacts or face-to-face interviews
2. Written communications such as notices and letters
3. Other responsible collection techniques as permitted under applicable law including, but not limited to, e-mail, text messaging, voice response unit (VRU) technology or a Servicer's web portal

If the Servicer discovers that the Borrower's contact information (phone number or mailing address) is invalid, then it should initiate skip trace activities to obtain alternate phone numbers or mailing addresses.

While all of the communication methods described above are valid and acceptable means of communicating with a Borrower, in order to establish quality right party contact (QRPC) the Servicer must attain the required information described in Section 9102.3(b).

ANNUAL REPORTING DEADLINE EXTENSION

In light of the outbreak of COVID-19 and the challenges faced with meeting the March 31, 2020 annual reporting deadline, we are extending this deadline to **April 30, 2020** for reporting the following:

- Guide Form 16SF, *Annual Eligibility Certification Report* (see Section 2101.10)
- Audited or reviewed financial statements, as required in Section 2101.4
- Annual Document Custodian Eligibility Certification (see Chapter 1 of the Document Custodian Procedures Handbook)

USE OF ELECTRONIC RECORDS AND SIGNATURES

Seller/Servicers may currently take full advantage of Electronic Records and Signatures in connection with their origination processes – both with Borrowers and with related third parties, as detailed in Guide Chapter 1401. This includes the use of Electronic real estate purchase and sale agreements, as well as Electronic initial and final disclosures often provided at closing.

Freddie Mac also permits Seller/Servicers to use Electronic Signatures and Records as part of the closing process, and, in many instances, to conduct Electronic closings in which even the Note is created and signed electronically (i.e., “eMortgage” closings), as detailed in Chapter 1402. In order for eMortgages to be eligible for sale to Freddie Mac, there is a specific approval process the Seller/Servicer must follow, but in most instances such approvals are forthcoming within a week after Seller/Servicer integration with approved systems and the MERS® eRegistry.

BUSINESS CONTINUITY PLANS

Seller/Servicer business continuity plan

Freddie Mac expects Sellers and Servicers to maintain a business continuity plan in accordance with the requirements in Section 1302.3. Seller and Servicer business continuity plans must support their ongoing ability to conduct business operations in the event of a disaster or other interruption to business operations and processes. We expect Sellers and Servicers to follow their business continuity plans during the COVID-19 pandemic.

In addition, we have been in communication with the Document Custodians at Bank of New York Mellon, our Designated Document Custodian, Wells Fargo, Deutsche Bank, US Bank and Bank of America and have verified their business continuity plans are in place. Sellers/Servicers using other Document Custodians should contact them to inquire about their business continuity plans.

Freddie Mac's business continuity plan

As the situation evolves, we want to reassure Seller/Servicers that, as we undertake our own corporate precautionary measures, we are open for business and continue to fulfill our mission.

We have business continuity plans in place to make sure Seller/Servicers continue to receive the service and support needed during these extraordinary times.

GUIDE UPDATES

We are not updating the Guide at this time to reflect any of the changes noted in this Bulletin.

ADDITIONAL RESOURCES

We encourage Servicers to review our Single-Family web page on [COVID-19](#). This comprehensive web page includes links to related Bulletins including Bulletin 2020-4 on temporary Servicing guidance related to COVID-19 and Bulletin 2020-6 on Payment Deferral (including requirements for when a Payment Deferral should be offered to a Borrower with a COVID-19 related hardship). The web page will be updated to include additional resources, including links to training, in the future.

CONCLUSION

We appreciate the support that Servicers continue to extend to Borrowers coping with the hardships attributed to COVID-19. If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,



Bill Maguire

Vice President, Servicing Portfolio Management