Fannie Mae®

Servicing Options to Assist Borrowers Impacted by Disasters

Background

Following a disaster, borrowers are offered forbearance plans for up to 12 months, to assist as they recover and rebuild. Once those forbearance plans expire, borrowers must resume making their mortgage payments or work with their servicer to consider the right long-term solution. Options following the end of the forbearance period include:

- the mortgage loan is brought current through borrower's reinstatement,
- the borrower is approved for another workout option, such as:
  - Repayment Plan;
  - Extend Modification for Disaster Relief;
  - Cap and Extend Modification for Disaster Relief; or
  - Flex Modification (with unique requirements for a property or borrower's place of employment impacted by an eligible disaster)
- the borrower chooses to exit the property through a short sale or Mortgage Release™ (deed-in-lieu of foreclosure),
- the mortgage loan is paid in full, or
- the servicer refers the mortgage loan to foreclosure.

Modification Options

The three modifications available to borrowers impacted by disasters address a broad range of financial situations borrowers may find themselves in after a disaster.

- When the servicer achieves quality right party contact (QRPC), they should discuss each option with the borrower to determine the best option based on their situation.
- If the servicer is unable to achieve QRPC, they should solicit an eligible borrower with a Flex Modification offer once the borrower is 90 or more days past due following their forbearance plan.

The three modification options are described in the table below. For more information, refer to the *Servicing Guide* and/or our Assistance in Disasters web page.

Considerations	Extend Modification for Disaster Relief	Cap and Extend Modification for Disaster Relief	Flex Modification
Borrower Situation	• Ability to resume making full pre-disaster monthly PITI loan payments on an ongoing basis • Able to make additional monthly escrow payments to resolve any escrow amounts disbursed during forbearance and/or any escrow shortage	• Ability to resume making full pre-disaster monthly PITI loan payments on an ongoing basis • Needs additional assistance to address escrow amounts disbursed during forbearance	• Unable to resume making full pre-disaster monthly PITI loan payments on an ongoing basis and needs additional payment relief to retain their property
Solution	• Missed payments during forbearance; commence monthly following the current maturity date • Maturity date is extended by the number of missed payments to retain the borrower's P&I payment • Borrower may see an increase in total monthly payments to cover disbursed escrow amounts during forbearance and/or any escrow shortage, which is spread over a 60-month repayment period	• Accrued arrearages are capitalized and the mortgage term is extended incrementally to create a modified P&I payment that is as close to the borrower's pre-modification P&I payment as possible • Borrower may see an increase in total monthly payments to cover any escrow shortage, which is spread over a 60-month repayment period	• A payment reduction is created by utilizing a new 480-month term (amortization) • Principal forbearance, when eligible
Borrower Benefit	• Term and borrower's P&I payment remain the same • Because arrearage is not capitalized, borrower will not pay interest on capitalized balances	• Less payment impact to a borrower with an escrowed loan than the Extend Modification for Disaster Relief • May provide an interest rate reduction	• A more affordable payment due to a payment reduction • May provide an interest rate reduction
Term	• Maturity date is extended by the number of missed payments	• Remaining term incrementally extended as needed to cover repayment of capitalized accrued arrearages	• New 480-month term