

Options after a forbearance plan or resolved COVID-19 hardship

Use this resource to support your conversations with homeowners about options after a forbearance plan or otherwise resolving a hardship related to COVID-19.

What options are available after a mortgage forbearance plan?

Homeowners with a resolved hardship related to COVID-19 (including those who are exiting a forbearance plan) have options to bring their loan current. Servicers should discuss options with homeowners and determine eligibility.

What if a borrower exits forbearance but is re-impacted financially by COVID-19?

Given the ongoing pandemic, some borrowers may find themselves unable to resume or continue paying their monthly payment after a forbearance plan has ended. The borrower must contact the servicer if a new forbearance plan is needed.

Options after a forbearance plan include:



Reinstatement

The homeowner pays back any missed amounts at once if financially able to do so. After the reinstatement, the homeowner continues to pay their mortgage under the original terms of their mortgage loan.

Guidance: Servicing Guide F-2-11, Fannie Mae's Workout Hierarchy



Repayment plan

Homeowner resumes making their regular monthly payments, plus an additional portion of the missed amount each month, until the missed amount is paid off.

Guidance: Servicing Guide D2-3.2-02: Repayment Plan



COVID-19 payment deferral

Homeowner resumes making regular monthly payments. This workout solution defers the missed amount along with any servicing advances paid to third parties (e.g., taxes and/or insurance premiums) to the maturity date as a non-interest bearing balance. The deferred amount is due on the maturity date (or earlier whenever the home is sold, or the loan is refinanced or otherwise paid off).

Guidance: Lender Letter LL-2020-07, COVID-19 Payment Deferral

Escrow Analysis: Escrow analysis activities are not affected by COVID-19 payment deferral and can continue to occur as scheduled in accordance with existing policies.

*Guidance: Lender Letter LL-2020-07, COVID-19 Payment Deferral
B-1-01: Administering an Escrow Account and Paying Expenses*



Fannie Mae Flex Modification

Homeowner has experienced a permanent impact to their ability to pay their regular monthly mortgage payment. After the homeowner completes a trial period plan, all unpaid amounts are added to the unpaid principal balance, and monthly mortgage payments are permanently modified to what may be a lower amount through a rate reduction and a term extension to 40 years (480 payments) from the effective date of the modification.

Guidance: Servicing Guide D2-3.2-06: Fannie Mae Flex Modification



Refinance

When a borrower exits forbearance and enters a loss mitigation plan, the borrower is eligible for a new mortgage loan after they make at least three timely, consecutive payments as of the note date of the new transaction. These three payments must be consecutive and may not be made as a lump sum payment.

Benefits of the COVID-19 payment deferral

This solution is simple to explain to homeowners. The unpaid amount is deferred into a non-interest bearing balance, due and payable at maturity of the loan or earlier payoff. All other terms of the mortgage remain unchanged. There's no trial period, which results in fewer homeowner touchpoints than required for loan modifications. Evaluation and decisioning case submissions are efficiently automated through Servicing Management Default Underwriter™ (SMDU™).

Learn more

Get the latest information, policies, and guidance at fanniemae.com/heretohelp and KnowYourOptions.com.

