



Date: May 27, 2020

RE: Mortgage Pay History & Borrowers in Forbearance

Affects: Fannie Mae & Freddie Mac

On May 19th, 2020 Fannie Mae and Freddie Mac issued guidance for borrowers who have requested forbearance. The bullet points below provide a summary of the guidance issued. This bulletin will also provide greater detail for each option listed below.

- There is no waiting period for borrowers who required forbearance due to a COVID-19 hardship and did not miss any mortgage payments.
 - There is no waiting period for borrowers who missed payments due to a COVID-19 hardship but have repaid the full amount of the outstanding payments prior to the note date.
 - Borrowers who have entered into a loss mitigation solution are eligible for a new purchase or refinance after three payments have been made on time.
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Option 1 below provides details around borrowers who have not missed any mortgage payments. Options 2 below will provide solutions for borrowers who have requested forbearance and missed mortgage payments as a result of a hardship related to COVID-19.

- 1) All conventional loans must contain additional documentation to verify that the borrower is current on ALL 1-4 Residential Mortgage loans that the borrower is obligated on thru the Note Date of the new loan. This would include loans in which the borrower co-signed.

If the borrower is current on ALL residential mortgage loans as validated by the additional due diligence documentation for each mortgage loan, the loan may proceed forward. This would include loans that currently report as being in forbearance.

2) **Any borrower who is not current as of the Note Date of the new loan and has missed payments on any residential mortgage loan** is eligible for a new mortgage loan if those missed payments were resolved in accordance with the requirements below:

- i. **Reinstatement:** If the borrower resolved missed payments through a reinstatement prior to the Note Date of the new loan they are eligible. If the loan was not reinstated prior to the date of the application, the source of funds must be documented according to eligible sources per the Allregs. Proceeds from a refinance MAY NOT be used to reinstate any mortgage loan.
- ii. **Loss Mitigation Solutions:** Borrowers who have entered into a Loss Mitigation Solution (Repayment Plan; Payment Deferral; Modification; other Loss Mitigation Plan) must have made three (3) consecutive timely payments¹ as of the Note Date of the new loan. Verification of three (3) consecutive payments as validated by the loan payment history from the servicer or latest mortgage account statements from the borrower is required plus a copy of the Plan Agreement.

If these requirements are met on an existing mortgage loan, the new loan amount MAY include the full amount to satisfy the existing mortgage as a No-Cash Out Refinance.

¹ Payments may not be prepaid.

Payments missed during the time of a COVID 19 related to forbearance (starting March 2020) are not considered for the purposes of excessive mortgage delinquency policy. DU and LPA findings may be followed.

Payments missed prior to COVID 19 will be considered in the excessive mortgage delinquency policy.

This bulletin is not all inclusive. Please refer to the Allregs sections noted below to read the full policy:

FNMA < FNMA Direct < COVID 19 Temporary Policy – Mortgage Pay History & Borrower in Forbearance

FHLMC < Direct Conventional Conforming < COVID 19 Temporary Policy – Mortgage Pay History & Borrower in Forbearance

References: Fannie Mae Lender Letter 2020-03 (May 19, 2020) &
Freddie Mac Bulletin 2020-17 (May 19, 2020)