Freddie Mac Single-Family | Credit Risk Transfer

COVID-19 CRT FAQs

1. **Is Freddie Mac considering modifying the 2020 STACR and ACIS issuance calendar?**

   Freddie Mac and FHFA continue to assess market conditions to determine when new issue CRT should come to market. Currently, Freddie Mac does not expect to meet the originally planned Q2 issuance schedule and the calendar for the balance of the year is under review.

2. **What are Freddie Mac's mortgage relief options for Borrowers impacted by COVID-19?**

   Freddie Mac is taking action to help make sure homeowners with Freddie Mac-owned mortgages who are directly or indirectly impacted by COVID–19 are able to stay in their homes during this challenging time. This includes offering the following mortgage relief options for those who are unable to make their mortgage payments due to a financial hardship related to COVID-19:

   - Providing mortgage forbearance for up to 12 months,
   - Waiving assessments of penalties and late fees,
   - Halting all foreclosure actions and evictions of Borrowers living in Freddie Mac-owned homes until at least June 30, 2020,
   - Offering loan modification options to provide mortgage payment relief or keep those payments the same after the forbearance period, and
   - Starting July 1, 2020, offering a payment deferral solution in which a borrower's deferred payments will be due at the end of the loan.

   Visit our consumer page on My Home by Freddie Mac® to learn more about our mortgage relief options to help homeowners.

3. **How does payment forbearance impact CRT structures for Fixed Severity transactions?**

   For all but the first four Fixed Severity transactions, mortgage loans with COVID-19 payment forbearance shall be treated as a natural disaster and enter an 18-month grace period. This count down will cease the earlier of when: i.) the loan becomes current or is modified or liquidated or ii.) the 18-month grace period ends.

   Please see **Table 1** in the Appendix for a summary of how reported fields will capture forbearance and modification related information.

4. **How does payment forbearance impact STACR and ACIS Actual Loss transactions?**

   For STACR and ACIS deals issued under an Actual Loss credit event framework, the delinquency status for loans in forbearance will continue to advance. While this does not result in modification losses or principal write-downs, it could cause a lockout of principal based on the delinquency test.

   A principal forbearance, on the other hand, would impact modification losses to CRT investors in Actual Loss transactions.

   Please see **Table 2** in the Appendix for a summary of how reported fields will capture forbearance and modification related information.

5. **What happens if a Borrower is unable to reach a repayment agreement with a Servicer at the end of a forbearance period?**

   If a Borrower has not entered into a permanent loss mitigation solution with a Servicer at the end of a forbearance period or has not become current with payments due, the loan will be eligible to be modified or referred to foreclosure, provided it is at least 120 days delinquent.

6. **How will forbearance for COVID-19 be extended?**

   Borrowers impacted by COVID-19 must meet the forbearance hardship requirements under the eligible hardships outlined in Guide Section 9202.2. Servicers must achieve quality right party contact with Borrowers to verify the hardship, and once verified must work with Borrowers to apply the appropriate solution, including the application of a forbearance plan, if applicable. In accordance with existing Freddie Mac forbearance plan requirements described in Guide Section 9203.13, no documentation is required from the Borrower in order to verify the hardship.

   Freddie Mac is further authorizing Servicers to approve forbearance plans for all Borrowers who have a COVID-19 related hardship, regardless of property type. Although the Guide currently provides that only mortgages secured by Primary

Residences are eligible for a forbearance plan, until further notice the Mortgaged Premises may be a Primary Residence, Second Home or Investment Property.

Additionally, Freddie Mac is temporarily making the following adjustments to requirements for forbearance plan evaluations for Borrowers with a COVID-19 related hardship:

- Waiving the requirement that a forbearance plan may not extend beyond a date that would cause the Delinquency to exceed a cumulative total of 12 months of the Borrower's contractual monthly Mortgage payment, as described in Guide Section 9203.12 and Guide Section 9203.13(a).
- Affirming that an eligible Borrower may be given an initial forbearance plan for up to 180 days, and thereafter one or more forbearance plan term extensions, provided the total forbearance terms do not exceed 12 months
- Affirming that after the terms of the forbearance plan have been determined, Servicers must send the Borrower the forbearance plan agreement to the Borrower, in accordance with Guide Section 9203.13(c), and may use the template provided in Guide Exhibit 93, appropriately modified to reflect the terms of the COVID-19 forbearance

7. Is there a difference between principal forbearance and payment forbearance?

Payment forbearance allows a Borrower to stop making payments, or to make reduced payments, for a period of up to 12 months. During payment forbearance, the loan will be reported as delinquent, impacting the cash flow to CRT investors as described in questions four and five, above.

Principal forbearance comes into play as one type of permanent modification. In many of our previous plans, including the existing Flex Modification program, it is possible that a portion of the capitalized UPB will be added as a balloon due at maturity. This amount would be considered principal forbearance, as it is being forborne until the end of the mortgage. In Fixed Severity deals, a modification would NOT result in a Credit Event.

8. During the repayment plan period, is the loan considered to be in payment forbearance?

No, payment forbearance is the period during which there is reduced payment or no payment and delinquency is growing. The repayment plan commences after the payment forbearance has concluded and the loan will be considered delinquent until the Borrower has caught up with the late payments required under the repayment plan.

As an example: if a Borrower is 90-days delinquent due to forbearance and enters into a repayment plan, assuming the payments during the repayment plan are set at 1.5 times the scheduled payments and all payments are made as scheduled, after two months the loan would be 60-days delinquent, after four months it would be 30-days delinquent and after six months it would be current/performing.

9. Are STACR and ACIS exposed to the risk of Servicers failing to advance P&I on delinquent loans?

No. Interest payments to STACR investors and premium payments to ACIS participants are not dependent upon interest collections on the Reference Obligations. As a result, reduced interest collections due to temporary payment forbearance will not affect these payments. Freddie Mac is responsible for interest payments.

10. Is Freddie Mac considering any loan modification programs?

Freddie Mac has announced that streamlined Flex Modification evaluations for Borrowers with a COVID-19 related hardship must be conducted in accordance with the requirements provided in Guide Section 9206.5(e) and adjustments provided in Guide Bulletin 2020-7. The Extend Modification and the Cap and Extend Modification will be excluded in the COVID-19 evaluation hierarchy for all evaluations conducted on and after July 1, 2020.

11. What is the Impact of the COVID-19 Payment Deferral?

Under the terms of a COVID-19 Payment Deferral an eligible Borrower will be brought current by deferring delinquent amounts to create a non-interest-bearing balance that will become due at the earlier of the Mortgage maturity date, payoff date, or upon transfer or sale of the Mortgaged Premises. The COVID-19 Payment Deferral is not considered a modification.

See Guide Bulletin 2020-15 for more information on payment deferral.

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12. Will Freddie Mac extend closing commitments and expirations of appraisals and other documentation?

CREDIT UNDERWRITING

These temporary flexibilities are effective immediately for all mortgages in process and remain in place for mortgages with Application Received Dates on or before June 30, 2020.

Employed income – 10-day pre-closing verification

To provide flexibility during the COVID-19 pandemic, the Seller may obtain the following documentation in lieu of obtaining one of the 10-day pre-closing verification (PCV) types permitted in Guide Section 5302.2(d):

- An e-mail directly from the employer's work e-mail address that identifies the name and title of the verifier and the Borrower's name and current employment status, or
- Year-to-date (YTD) paystub from the pay period that immediately precedes the Note Date, or
- An asset account statement evidencing the payroll deposit from the pay period that immediately precedes the Note Date.

While the Guide permits obtaining the 10-day PCV after the Note Date but prior to delivery to Freddie Mac, Sellers are encouraged to confirm the Borrower's employment prior to the Note Date.

Continuance of income

Given the current COVID-19 situation and its impact on the economy including Borrower employment and income, Freddie Mac recommends that Sellers practice additional due diligence to ensure that accurate Borrower information is obtained and that the Borrower's ability to repay the mortgage is not negatively impacted. During these uncertain times, it is our goal to partner with our Sellers to help them ensure sustainable homeownership for the Borrower.

As an example of additional due diligence for a self-employed Borrower, Sellers are encouraged to attempt to verify that the Borrower's business is operational closer to the Note Date than permitted under the current Guide requirements (e.g., within 15 days instead of 120 days).

PROPERTY VALUATIONS – APPRAISAL FLEXIBILITIES

These temporary flexibilities are effective immediately for all mortgages in process and remain in place for mortgages with Application Received Dates on or before June 30, 2020.

Freddie Mac understands that due to the COVID-19 pandemic there may be instances where a Seller is unable to obtain an interior inspection of the subject property. As a result, temporary exceptions to property eligibility and appraisal requirements are allowed.

Freddie Mac is revising its appraisal inspection and reporting requirements. As described in detail below, for certain mortgages, when a Seller cannot obtain an appraisal with an interior inspection as a result of the COVID-19 pandemic, Freddie Mac will accept either an appraisal with an exterior-only inspection or a desktop appraisal in lieu of the interior and exterior inspection appraisal required under Guide Section 5601.5(a).

There may be instances where there is insufficient information about the property for an appraiser to complete an appraisal assignment with a desktop appraisal or an appraisal with an exterior-only inspection. In these instances, the mortgage will not be eligible for sale to Freddie Mac until the appraiser has sufficient information to complete the desktop appraisal or an appraisal with an exterior-only inspection, or an appraisal with an interior and exterior inspection is obtained.

The following table provides appraisal requirements based on Mortgage purpose, loan-to-value (LTV) ratio, occupancy type and mortgage ownership.

Permissible Appraisal Requirements				
Mortgage Purpose	**LTV Ratio**	**Occupancy Type**	**Ownership of Mortgage Being Refinanced**	**Permissible Appraisals**
Purchase transaction, including new construction properties*	Up to 97%	Primary Residence	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	≤85%	Second homes and Investment Properties	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	>85%	Second homes	N/A	Interior and exterior inspection appraisal
No cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned by Freddie Mac	Interior and exterior inspection appraisal or exterior-only inspection
			Mortgage being refinanced not owned by Freddie Mac	Interior and exterior inspection appraisal
Cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned or not owned by Freddie Mac	Interior and exterior inspection appraisal

* Permissible appraisals for new construction properties are limited to desktop appraisals.

Note: For all mortgages with LTV ratios greater than 80%, Freddie Mac requires mortgage insurance in accordance with Guide requirements. Sellers must consult with their mortgage insurance companies to confirm coverage for Mortgages using one of the temporary appraisal flexibilities.

For more information on Temporary Selling Guidance Related to COVID-19, please see Guide Bulletin 2020-14.

13. Will Freddie Mac extend eligibility for automated collateral evaluation (ACE) loans in response to COVID-19?

AUTOMATED COLLATERAL EVALUATION

In order to reduce contact between appraisers, homeowners, and home purchasers, when eligible, Sellers are encouraged to accept appraisal waiver offers provided through Loan Product Advisor®. Sellers are encouraged to submit the mortgage to Loan Product Advisor prior to ordering an appraisal to determine whether an appraisal waiver is available. Appraisal waivers are subject to the requirements in Guide Section 5601.9(c).

Effective for new submissions and resubmissions to Loan Product Advisor® on and after March 29, 2020

Freddie Mac is expanding eligibility for automated collateral evaluation (ACE) appraisal waivers to include certain cash-out and “no cash-out” refinances as described in the table below. The Guide will be updated at a later date to reflect this change. Freddie Mac continues to monitor the impact of COVID-19 and will evaluate continuance of appraisal waiver flexibilities if the situation warrants such action.

	Cash-Out Refinances	**"No Cash-Out" Refinances**
Property Type	**Maximum Total LTV (TLTV) Ratio**	
Primary Residence	**≤70%**	**≤90%**
Second Home	**≤60%**	**≤90%**

For more information on Temporary Selling Guidance Related to COVID-19, please see Guide Bulletin 2020-5.

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14. How does payment forbearance impact Whole Loan Securities (WLS) transactions?

WLS notes generally receive pass-through cash flows from the underlying mortgage loans. For mortgage loans that are in payment forbearance, Freddie Mac, as Master Servicer, will advance scheduled principal and interest (P&I) until such loans become stop advance loans (180-day delinquency or REO). After a mortgage loan becomes 180-day or more delinquent, the principal payments to noteholders would be reduced (due to lack of principal advances) and could result in interest shortfalls (due to lack of interest advances).

WLS note payments are also subject to a delinquency test. The delinquency status of loans in forbearance will continue to increase during the forbearance period. If the delinquency test is not satisfied, principal payments will lockout principal payments to the WLS subordinate notes and accelerate principal payments to the WLS senior notes.

15. How does payment forbearance impact STACR SPI transactions?

STACR SPI notes generally receive a pro rata percentage (4%) of pass-through cash flows from the underlying mortgage loans. For mortgage loans that are in payment forbearance, Freddie Mac will advance P&I to the SPI Trust generally up to 120-days delinquency. Since the SPI trust commits to acquire the related PC Participation Interest, it follows the PC repurchase criteria.

Generally, loans at 120-days delinquency are bought out of the related PC Trust per the PCs Offering Documents. Please note that Freddie Mac may change or update our loan repurchase policies for PCs from time to time. On, April 20, 2020, Freddie Mac announced that loans in Freddie Mac PCs and UMBS that receive forbearance, including loans in COVID-19 forbearance, will remain in their related mortgage securities pools. See COVID-19 Investor FAQs.pdf.

Once the repurchase occurs, the mortgage loan will become a Constructive Default Loan (CDL), resulting in an increase to the balance of the Class X note (held by Freddie Mac). The Class X note has priority to principal payments over SPI notes and are required to be paid down to a zero balance before payments are made to SPI notes resulting in a reduction to or a lockout of principal payment to the SPI notes.

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Appendix

Table 1

Fixed Severity Deals				
	Attribute	**Payment Relief**	**Modification/Liquidation**	
		Payment Forbearance, Repayment, Payment Deferral Alternative	**Modification**	**Liquidation**
All Fixed Severity Deals	**Delinquency Test**	Not applicable	Not applicable	Credit Event Loss is based on a fixed severity tier.
	Borrower Assistance Plan	F – Forbearance R – Repayment T – Trial Period	Null	
	Disaster Grace Period **2014-DN3/DN4** **2014-HQ1/HQ2/HQ3** **2015-DN1** **2015-HQ1/HQ2**	If a loan is first reported as delinquent in disaster forbearance, it enters an 18-month grace period. This count down will cease the earlier of when i) the loan becomes current, modified or liquidated or ii) end of the 18-month grace period.	Null	
	Mortgage Impacted by disaster	For a delinquent mortgage only, a flag indicating that the Servicer has reported disaster-related hardship and that the mortgage may be in payment forbearance. This includes COVID-19 related hardship. Y – Mortgage impacted by disaster.	Null	
	Interesting Bearing UPB	Same as Current Actual UPB except for in the case of Payment Deferral. However, Payment Deferral will not be treated as modification and therefore, no modification loss will be assessed.	May be different than Current Actual UPB (total UPB owed on the mortgage), depending on the modification type.	
	Delinquency Status	Delinquency is determined based on a borrower's last paid date. Since no payment or reduced payment is made during payment forbearance, delinquency will continue to advance as each month's scheduled principal is not received.	At the time of modification, the borrower's delinquency should be resolved.	
	Payment Deferral Flag	A flag indicating the loan has been granted a Payment Deferral plan in the current or prior period. C – Current P – Prior	If modification occurs after Payment Deferral, the Payment Deferral Flag will show NULL because it's no longer in Payment Deferral.	
	Modification Flag	Never modified – Null Previously modified – P	Y - Modified in current period P - Modified in prior period	
	Other Modification Fields (Modification Program, Modification Type, Modification First Payment Date)	Never modified – Null Previously modified – these fields will be populated.	These fields will be populated.	
	Modification Cost	Not Applicable	Null	

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Table 2

Actual Loss Deals				
	Attribute	**Payment Relief**	**Modification/Liquidation**	
		Payment Forbearance, Repayment, Payment Deferral Alternative	**Modification**	**Liquidation**
	Delinquency Test	Loans that are 60 days or more delinquent will be included in the Distressed Principal Balance calculation. Depending on the balance of delinquent loans in the pool, Scheduled Principal (2018-HQA1 and prior) or Stated Principal (deals after 2018-HQA1) may be locked out per the Delinquency Test.	Modifications in the preceding 12 months will be included in the Distressed Principal Balance calculation. Depending on the balance of modified loans in the pool, Scheduled Principal (2018-HQA1 and prior) or Stated Principal (deals after 2018-HQA1) may be locked out per the Delinquency Test.	
	Borrower Assistance Plan	F – Forbearance R – Repayment T – Trial Period	Null	
	Disaster Grace Period	Not applicable.	Not applicable	
	Mortgage Impacted by disaster	For a delinquent mortgage only, a flag indicating that the Servicer has reported disaster-related hardship and that the mortgage may be in payment forbearance. This includes COVID-19 related hardship. Y – Mortgage impacted by disaster.	Null	
	Interesting Bearing UPB	Same as Current Actual UPB (Total UPB owed on the mortgage) except in the case of Payment Deferral. Payment Deferral will not be treated as modification and therefore, no modification loss will be assessed.	May be different than Current Actual UPB (total UPB owed on the mortgage), depending on the modification type.	
All Actual Loss Deals	**Delinquency Status**	Delinquency is determined based on a borrower's last paid date. Since no payment or reduced payment is made during payment forbearance, delinquency will continue to advance as each month's scheduled principal is not received.	At the time of modification, the borrower's delinquency should be resolved.	Credit Event Loss is based on actual losses incurred.
	Payment Deferral Flag	A flag indicating the loan has been granted a Payment Deferral plan in the current or prior period. C – Current P – Prior	If modification occurs after Payment Deferral, the Payment Deferral Flag will show NULL because it’s no longer in Payment Deferral.	
	Modification Flag	Never modified – Null Previously modified – P	Y - Modified in current period P - Modified in prior period	
	Other Modification Fields (Modification Program, Modification Type, Modification First Payment Date)	Never modified – Null Previously modified – these fields will be populated.	These fields will be populated.	
	Modification Cost	Payment Deferral amount will not be included in the modification cost.	*Examples of modifications* 1. **Term Extension only** - No Mod Loss 2. **Rate Change** - Mod loss is based on Rate Change vs. Original Rate 3. **Principal Forbearance** - Mod Loss is based on deferred principal amount. 4. **Rate Change and Principal Forbearance** - Mod Loss is based on rate change and deferred principal amount.	

16. Loss Mitigation Waterfall

1.	**Forbearance**	Provides a temporary reduction or suspension of payments to give Borrowers a specified period of time to improve their financial situation. No mod loss impact.
2.	**Reinstatement**	The most desirable resolution for a temporary hardship. Reinstatement is the act of restoring a delinquent Mortgage to current status.
3.	**Repayment Plan**	Gives the Borrower a defined period of time to reinstate the Mortgage following a temporary hardship by paying normal regular payments plus an additional agreed upon amount in repayment of the Delinquency.
4.	**Payment Deferral**	A relief option for Borrowers who became delinquent due to a short-term hardship that has since been resolved. Past due payments are deferred (non-interest bearing) and will be due at maturity, payoff date, or upon transfer or sale of the Mortgaged Premises.
	COVID-19 Payment Deferral	Leverages a similar concept to the Payment Deferral solution. An eligible Borrower will be brought current by deferring delinquent amounts to create a non-interest bearing balance that will become due at the earlier of the Mortgage maturity date, payoff date, or upon transfer or sale of the Mortgaged Premises.
5.	**Extend Modification**	A modification option for a Borrower with a resolved temporary hardship from an Eligible Disaster. The Servicer will extend the term of the mortgage and the Borrower will resume making the contractual monthly payments.
6.	**Cap & Extend Modification**	An alternative modification option for a Borrower with a resolved temporary hardship from an Eligible Disaster. The Servicer will capitalize arrearages, and extend the term of the mortgage.
7.	**Flex Modification**	An affordable modification that provides significant payment relief to eligible borrowers, leverages requirements of the Freddie Mac Standard and Streamlined Modifications.
8.	**Applicable Credit Events**	Credit Events such as short sale, third party sale, deed-in-lieu, REO disposition