Fannie Mae®

Supplement 20-04: COVID-19 Forbearance Delegation and Asset Management Property Inspection Guidance

Effective: 03/24/20
Retired: 03/24/20

Summary of Changes

HIGHLIGHTS
Effective March 24, 2020, Fannie Mae announces pandemic relief for COVID-19, including forbearance, late fees, delinquency advances, and updated asset management Property inspection guidance.

Fannie Mae is providing immediate, temporary relief for Borrowers and Properties impacted by COVID-19 (the Event).

Forbearance

If a Borrower requests forbearance related to the Event, you should immediately consider executing a pre-negotiation letter with the Borrower and Fannie Mae (if participating in the discussions) using either the

- simplified form of pre-negotiation letter, or
- form of pre-negotiation letter per the Guide.

If you determine a forbearance is necessary, you are delegated the authority to execute a forbearance agreement for up to 3 monthly payments beginning with the first missed monthly payment, provided the missed payment did not occur before April 1, 2020. This delegation is effective until August 31, 2020, unless sooner terminated by Fannie Mae, in its sole discretion.

A pre-negotiation letter is not required before exercising your forbearance delegation, however, a pre-negotiation letter must be executed before you engage in on-going Borrower discussions. Fannie Mae has negotiated a flat fee of $750, to be paid by you or the Borrower, with the Reed Smith law firm for preparing both the forbearance agreement and pre-negotiation letter. If you choose to engage the Reed Smith law firm, please contact Keith Aurzada at 469-680-4211 or kaurzada@reedsmith.com.

The forbearance agreement must:

- Require the Borrower to bring the Mortgage Loan current by the earlier of
  - 12 months after the end of the forbearance period, or



    - the Borrower's receipt (or your receipt on the Borrower's behalf) of Business Income insurance proceeds (or any other assistance or relief program proceeds), per the forbearance agreement.
- Require the Borrower to suspend all evictions of tenants who have been financially impacted by the Event for the longer of
    - 90 days after the forbearance agreement effective date, or
    - until the Mortgage Loan is brought current.
- Require the Borrower to permit the affected tenants to repay any missed rent payments over a period of no more than 12 equal monthly installments, without late charges, together with the affected tenant's regular monthly rent, to the extent permitted by applicable law.
- Be documented on the required forbearance agreement form without modification and executed by an authorized representative of the Borrower and you.

You must:

- certify you
    - acted as a prudent commercial real estate lender,
    - conducted sufficient due diligence, and
    - reviewed the necessary information and documents to determine the relief granted to the Borrower is necessary;
- obtain Fannie Mae's approval of any changes to the forbearance agreement form;
- require the Borrower to pay any expenses, including reasonable attorneys' fees, related to executing the agreement;
- submit a copy of the executed forbearance agreement in the Multifamily Asset Management Portal (MAMP); and
- retain a copy in your Servicing File.

During the forbearance, Fannie Mae:

- will refrain from taking any adverse action against the Borrower to give you and the Borrower time to determine the status of the Property and its operations (including the status and amount of any insurance claims); and
- must approve any forbearance or continuation exceeding 3 months.

While Borrowers will qualify for forbearance during the Event, you must:

- apply reasonable judgment and comply with the Guide and this Supplement;
- determine if any further action or relief is necessary and feasible; and
- determine whether to recommend continuing forbearance until all relevant information is

obtained and analyzed.

Documents

The following documents will be forthcoming in a subsequent publication:

- a simplified form of pre-negotiation letter; and
- updated form of forbearance agreement.

Late Fees

During the forbearance period related to the Event, Fannie Mae

- is waiving the late charges we are entitled to, and
- encourages you to provide relief from the late charges retained by you per , unless otherwise provided in the Lender Contract.

Delinquency Advances

You remain responsible for making Delinquency Advances and Servicing Advances per the Guide for a Mortgage Loan granted a forbearance, and your Delinquency Advances do not advance the Mortgage Loan's last paid installment date.

Asset Management Property Inspections

Effective immediately, the following applies to Asset Management Property inspections:

- For dedicated Student Housing Properties and Seniors Housing Properties with an inspection due in March, April, May, or June of 2020, the inspection due date will defer for 120 days after the current inspection due date (e.g., an inspection due by March 30, 2020 will defer to July 28, 2020).
- For all other Properties, with inspections due in March, April, May, or June of 2020 and a current Property Condition Rating of:
  - 1 or 2 and are not Criticized, the inspection due date will defer for 120 days after the current inspection due date;
  - 3 or are Criticized, the inspection due date will defer for 60 days after the current inspection due date; and
  - 4 or 5, the inspection due date remains unchanged.
- You are granted a 120-day extension to complete any Property Condition Assessment (PCA) required for
  - an MAH Loan in Loan Year 5, or
  - any other Mortgage Loan with a term greater than 10 years.

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- Any additional modification requests should be limited to individual Mortgage Loans and managed through the MAMP Modification tab.

You should instruct your property inspectors to follow the Centers for Disease Control guidance for safe interactions if they will be entering any buildings. Your property inspectors must make best efforts to inspect, at a minimum, common areas and vacant units (down, vacant, model). If access to building interiors is prohibited, an exterior inspection of major components is acceptable.

Considering the Event, Fannie Mae is temporarily modifying to delegate you the authority to identify the appropriate individual to conduct the inspection (e.g., experience and training level, in-house versus third-party, etc.) provided that

- you must not violate any prohibitions imposed by federal, state, or local jurisdictions; and
- all deviations from the Guide, and any reduced scope (e.g., inspecting only unoccupied units or exteriors only) must be identified in the Limitations of Field Assessment section of the Fannie Mae Assessment Addendum of the MBA Standard Inspection Form.

Amendments to Mortgage Loan Document Submissions

If Delivery of any original executed amendment to a Loan Document is delayed by the Event, you may comply with Supplement 20-01.

Additional Resources

Please reference the COVID-19 response website for:

- Fannie Mae at https://www.fanniemae.com/portal/covid-19.html; and
- Fannie Mae Multifamily at https://multifamily.fanniemae.com/multifamily-covid-19.