Fannie Mae®

Supplement 20-05: Updated COVID-19 Forbearance Delegation Incorporating CARES Act and Asset Management Site Inspections

Effective: 04/02/20
Retired: 08/20/20

Summary of Changes

HIGHLIGHTS
Effective April 2, 2020, Fannie Mae announces updated pandemic relief for COVID-19 that incorporates the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), including forbearance, late fees, delinquency advances, electronic signatures, and updated asset management Property inspection guidance.

Fannie Mae is providing updated Lender guidance regarding immediate, temporary relief for Borrowers and Properties impacted by COVID-19 (the Event) that incorporates the CARES Act.

Forbearance

If a Borrower requests forbearance related to the Event for any Mortgage Loan that was current as of February 1, 2020, 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 (Exhibit A), 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 occurring after February 1, 2020. You:

- may grant a forbearance for any one or more monthly payments;
- are delegated the authority to grant extensions provided the total forbearance granted does not exceed 3 monthly payments;
- may grant extensions of forbearances if
  - the initial term is for less than 3 monthly payments, and
  - the Borrower requests the extension at least 15 days before the then current forbearance term expires.

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If any initial or extended forbearance term exceeds 30 days, the Borrower must acknowledge it has requested extension of the forbearance period allowed under the CARES Act.

This delegation is effective until the earlier of

- August 31, 2020, or
- termination of the national emergency related to the Event.

Under this delegation, you may not charge the Borrower a fee for granting the forbearance.

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, and
- see attached ouRSite Security Fact Sheet for the Reed Smith web portal.

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 tenant evictions for nonpayment of rent for any reason for the longer of
  - the eviction moratorium in Sec. 4024 of the CARES Act (120 days after the enactment of the CARES Act),
  - the months of actual payment forbearance, or
  - as otherwise required by applicable law.
- Require the Borrower to remit all excess cash flow to you after paying operating expenses.
- Be documented on the required forbearance agreement form (Exhibit B) 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 to document the Borrower's hardship, 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;
- submit a copy of the executed forbearance agreement in the Multifamily Asset Management Portal (MAMP); and
- retain a copy in your Servicing File, including any forbearance extension documentation.

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 in writing any forbearance or continuation exceeding 3 months.

After granting a 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.

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 Part V, Chapter 7: Non-Performing Mortgage Loans, Section 703.05B: Late Charges and Default Interest, 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.

Electronic Signatures

The forbearance agreement may be electronically signed, if:

- Each signature is attached to, or logically associated with, the forbearance agreement, with a visual symbol evidencing the signer's electronic signature.
- All electronic signatures, electronic signature systems, and software must comply with, and be enforceable under, the Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Signatures Act (UETA), as adopted by the state where

the signature is applied.

- You retain and deliver to Fannie Mae, for each electronic signature, an audit trail evidencing how the transaction was conducted and all other relevant data under the circumstances.

You are solely responsible for all costs and expenses associated with using electronic signatures and electronic notarization, and agree to indemnify and hold Fannie Mae harmless against any loss, damage, judgment, cost or expense that we may sustain from your use of electronic signatures or electronic notarization, including, without limitation, reasonable attorneys' fees and costs incurred by or on our behalf.

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.
- 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.

Fannie Mae is also temporarily modifying Part V, Chapter 5: Surveillance, Section 502: Property Inspections 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.

Superseded Supplement

This Supplement supersedes Supplement 20-04R.

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.

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