Fannie Mae®

Supplement 20-10: COVID-19 Credit Enhancement Mortgage Loan Forbearance Information

Effective: 06/12/20
Retired: 02/18/22

Summary of Changes

HIGHLIGHTS
Effective June 12, 2020, Fannie Mae announces updated pandemic relief for COVID-19 that incorporates the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) forbearance for Credit Enhancement Mortgage Loans. You are not delegated to execute a Credit Enhancement Mortgage Loan forbearance agreement, but if a Borrower requests a Credit Enhancement Mortgage Loan forbearance, you must perform appropriate due diligence, make applicable advances, and remit the Property's excess cash flow.

Non-Delegated Forbearance

If a Borrower requests a COVID-19 related forbearance for a Credit Enhancement Mortgage Loan that was current as of February 1, 2020, you should immediately

- determine if a forbearance is necessary, and
- submit through the MAMP:
  - the Borrower's request;
  - your recommendation;
  - the attached form (Exhibit A); and
  - all required supporting documents.

If Fannie Mae approves the forbearance, you will receive the appropriate form of forbearance agreement to use.

A pre-negotiation letter is not required to

- respond to a Borrower's forbearance request,
- collect information documenting the Borrower's financial hardship, or
- obtain the Borrower's execution of the forbearance agreement after Fannie Mae's approval.

A pre-negotiation letter must be executed before you engage in on-going Borrower discussions during the forbearance period.

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Aligning with Supplement 20-05 for non-Credit Enhancement Mortgage Loan forbearances, for any approved Credit Enhancement Mortgage Loan forbearance, the Borrower must:

- bring the Credit Enhancement 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;
- 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; and
- remit all excess cash flow to you after paying operating expenses.

Delinquency Advances and Servicing Advances

For any approved Credit Enhancement Mortgage Loan forbearance, you remain responsible for

- making all required Delinquency Advances and Servicing Advances per the Loss Sharing Addendum to your Lender Contract, and
- continuing the Servicing Advances per Part V, Chapter 2: Reporting and Remitting, Section 208.02: Duration of Payment of Delinquency Advances or Servicing Advances.

Your Delinquency Advances and Servicing Advances do not advance the Credit Enhancement Mortgage Loan's last paid installment (LPI) date.

Late Charges and Activity Fee

During the COVID-19 related forbearance period, Fannie Mae

- is waiving the late charges and Activity Fee 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.

Weekly Rate Variable Rate Demand Obligations

You must:

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- determine if the current interest rate hedge is an interest rate cap or an interest rate swap; and
- provide Fannie Mae with copies of the existing interest rate hedge documents.

For an interest rate swap, you must determine and advise Fannie Mae if the Borrower's interest rate hedge payment obligations are supported by a:

- Fannie Mae collateral agreement or credit enhancement instrument; or
- Deutsche Bank swap secured by a subordinate security instrument.

Borrowers must continue to make all required payments under any interest rate swap agreement unless the swap counterparty enters into its own forbearance agreement with the Borrower. You must submit a copy of any forbearance agreement, and amendments, between the Borrower and the swap counterparty to Fannie Mae through the MAMP.

Questions

Please contact Graydon Vann, Jr. at (202) 752-4930, or graydon_e_vann_jr@fanniemae.com, with any questions.

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