

# The MPF® Traditional Product

## COVID-19 Payment Deferral Plan Process



# About this Material

The following material is based upon current information in the MPF® Traditional Product Servicing Guide and recent announcements related to borrowers who have been impacted by COVID-19. These materials should not be used in place of the MPF Traditional Product Servicing Guide and the associated MPF announcements. The official versions of all MPF Guides and recent announcements are available through [www.fhlbmpf.com](http://www.fhlbmpf.com) and AllRegs®.

**Please note that PFIs and Servicers are expected to abide by any/all federal or state laws or proclamations that may affect borrowers or loans affected by COVID-19.**

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# About this Material

The primary purpose of this presentation is to cover the COVID-19 Payment Deferral Plan process that is available for MPF Traditional (Conventional) products.

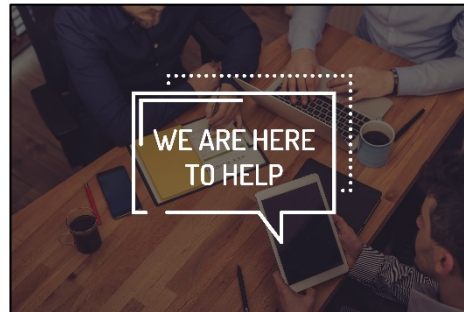
Please refer to the following resources for information on other MPF products:

- **MPF Traditional Government** loans and **MPF Government MBS** product loans must follow relief policies and guidance issued by the applicable Government Agencies.
- **MPF Xtra**® product loans must follow relief policies and guidance issued by Fannie Mae.
- **MPF Direct** product loans must follow relief policies and guidance issued by the product's investor, Redwood Trust.

# Keeping You Informed

**As information becomes available, the MPF Provider publishes announcements to keep everyone up to date on servicing and origination changes or reminders.**

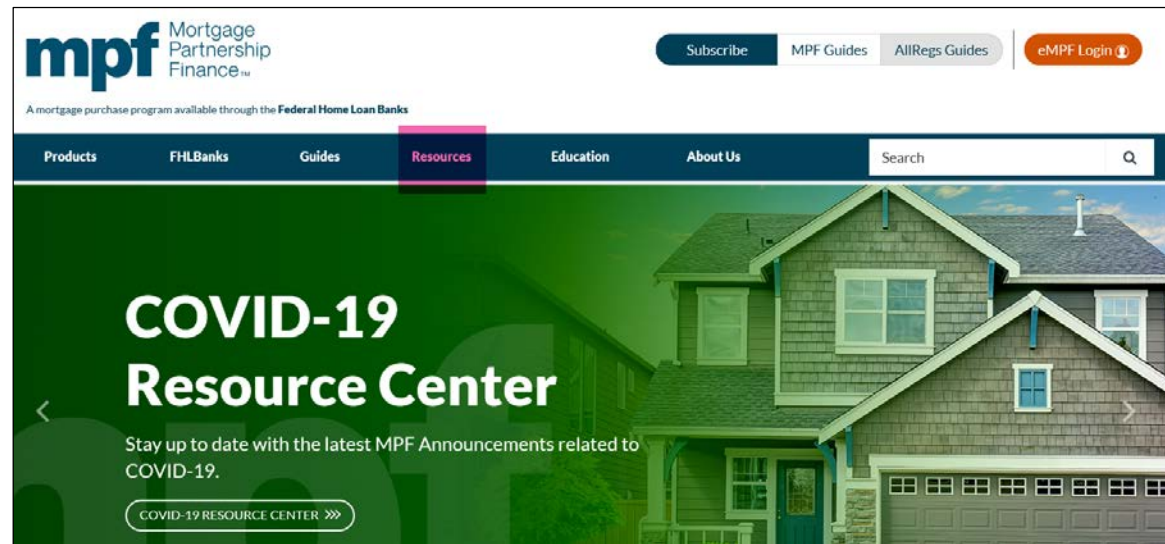
- Be sure to subscribe to MPF announcements by signing up on our website, [www.fhlbmpf.com](http://www.fhlbmpf.com) (click on the **Subscribe** link located on the homepage).
- As information is released, we will continue to offer webinars to supplement the announcements.



# MPF Website Resources

## MPF Program COVID-19 Resource Center

[www.fhlbmpf.com](http://www.fhlbmpf.com)



Please refer to the MPF announcement (2020-43) published on July 7<sup>th</sup> for all details related to updates to the COVID-19 Payment Deferral Plan



# Before We Get Started

**While we typically field questions during our webinars, due to the number of attendees, we will not be reading through or answering specific questions during this session.**

- **We still want your questions! Please type them in the question box.**
- All questions will be reviewed after the webinar and used to help build a FAQ document.
- Questions will also be used to create valuable content for future webinars on this topic.



# General Overview of COVID-19 Forbearance Plans

# Initial 90-Day COVID-19 Forbearance Plan

**In April, an initial 90-day COVID-19 forbearance plan was announced that allowed Servicers to provide relief to borrowers quickly and easily**

- The MPF Provider requires no signed agreement with the borrower or additional forms/documentation when the plan is 90 days or less.
- During the forbearance plan, borrowers could fully suspend or make partial payments.
- The amounts not paid during a forbearance plan are not forgiven and must be made up through an appropriate post-forbearance relief plan.



# COVID-19 Initial 90-Day Forbearance Plan

## Reporting a COVID-19 Initial 90-Day Forbearance Plan (aka Informal Plan) on the Delinquent Loan and Bankruptcy Status Report (EXHIBIT B)

Exhibit B Codes: COVID-19 Initial 90-Day Forbearance Plan	
Action Code	12
Status Code	9
Reason Code	22
Must also include the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date or Loss Mitigation Actual Completion Date, as applicable.	

**Exhibit B** must be uploaded into eMAQCS® Plus by the fifth business day of each month. It must include information for all loans that are 30+ days delinquent and any loans impacted by a borrower bankruptcy.

# COVID-19 Forbearance Plans Exceeding 90 Days

**If the hardship isn't resolved by the end of the COVID-19 Initial 90-Day Forbearance Plan, the forbearance period may be extended, as needed**

- The total amount of time a loan can be in forbearance is 12 months.
- If an Initial 90-Day Forbearance Plan is extended **or** if any requested forbearance plan related to COVID-19 is in excess of 90 days, prior approval is required by submitting the following documentation:
  - ✓ **Workout Worksheet (Form SG354) and all applicable supplemental documentation**
  - ✓ **Borrower Hardship Certification (Form SG402)**
  - ✓ **MI company approval (if applicable)**
  - ✓ **Copy of the executed plan**
- All forms and supplemental documentation must be completed in, or uploaded to eMAQCS Plus.

# COVID-19 Forbearance Plans Exceeding 90 Days

## Reporting a COVID-19 Forbearance Plan that Exceeds 90 Days (aka Formal Plans)

Exhibit B Codes: COVID-19 Forbearance Plans Lasting 90 Days or More	
Action Code	20
Status Code	9
Reason Code	22
Must also include Loss Mitigation Type = FFA (Formal Forbearance Agreement), the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date or Loss Mitigation Actual Completion Date, as applicable.	

# Overview of COVID-19 Post-Forbearance Workout Options

# Evaluating Borrowers for a Post-COVID-19 Forbearance Relief Option

When a hardship related to COVID-19 appears to be resolved, borrowers should be evaluated for an option that allows them to repay amounts owed as a result of a COVID-19 Forbearance Plan.

Workout options should be considered in this order:

Is the Hardship Resolved?	Evaluation Findings	The Servicer Should Consider
YES	The borrower can afford to fully reinstate	Reinstatement
YES	The borrower cannot afford to fully reinstate	Repayment Plan
YES	The borrower cannot afford a repayment plan	COVID-19 Payment Deferral Plan

# Evaluating Borrowers for a Post-Initial 90-Day COVID-19 Relief Option (continued)

If a hardship cannot be resolved within the time offered by a *COVID-19 Forbearance Plan*, these options should be considered.

Is the Hardship Resolved?	Evaluation Findings	The Servicer Should Consider in This Order
NO	The borrower is experiencing a hardship that has resulted in a permanent or long-term decrease in income or increase in expenses	Temporary Loan Payment Modification
		Short Sale
		Deed-in-Lieu of Foreclosure

**NOTE:** If a borrower requests to be evaluated for a liquidation workout option, the Servicer must first evaluate the borrower for a liquidation workout option.





# Workout Options for Borrowers Exiting a COVID-19 Forbearance Plan

## 1. Reinstatement

# Reinstatement

**If the hardship has been resolved, determine if the borrower is able to reinstate the loan by repaying the full amount owed as a result their COVID-19 forbearance plan**

- The payment must be made as a lump sum at the end of the COVID-19 forbearance plan.
- Borrower must resume their regular monthly payments at the end of the COVID-19 forbearance plan period.
- If the loan does not become current in the month the Servicer has been notified that the borrower intends to reinstate, the Servicer must report the loan on The ***Delinquent Mortgage and Bankruptcy Report (Exhibit B)***.
- ***Exhibit B*** must reflect what was reported in the previous month but with a Delinquency Status Code of **20** (Reinstatement).
- ***Exhibit B*** must also reflect the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date or Loss Mitigation Actual Completion Date, as applicable.

# **Workout Options for Borrowers Exiting a COVID-19 Forbearance Plan**

## **2. Repayment Plan**

# Repayment Plan

## If reinstatement is not possible, the borrower should be evaluated for a repayment plan

- Borrowers make payments in excess of their regular monthly payments for a period of **up to 12 months** to cover the full amount of arrears\* resulting from a COVID-19 forbearance plan.
- Repayment plans lasting three months or less require no documentation from the Servicer.
- Plans over three months (but less than twelve months) require the following:
  - ✓ **Workout Worksheet (Form SG354) and all required accompanying documentation.**
  - ✓ **Borrower Hardship Certification (Form SG402)**
  - ✓ **A copy of the written agreement executed by both the borrower and Servicer that meets all applicable laws.**
  - ✓ **MI company approval (if applicable)**
  - ✓ **Ensure that lien priority has not been adversely affected.**
- If repayment period of more than 12 months is required, Servicers must receive prior approval by submitting a request for an exception to the MPF Provider.\*\*

*\*Refer to MPF Announcement 2020-43 for information about what may be included in the arrears amount.*

*\*\* Exceptions are at the discretion of your local FHLB.*

# Repayment Plan

## Reporting a Repayment Plan

Exhibit B Repayment Plan Reporting	
Action Code	20
Status Code	12
Reason Code	22
Must also report the Loss Mitigation Approval (effective) Date and Loss Mitigation Estimated Completion Date (or Loss Mitigation Actual Completion Date, as applicable).	

**Reminder:** The Servicer must hold partial payments as “unapplied funds” in the T&I Custodial Account, if permitted by applicable law and if holding such funds would not jeopardize any foreclosure proceedings. Once sufficient “unapplied funds” have been received to equal the amount of a full principal, interest, taxes, and insurance (“PITI”) payment, the Servicer must apply the funds as a payment against the Mortgage.

(MPF Traditional Servicing Guide 2.8)

# **Workout Options for Borrowers Exiting a COVID-19 Forbearance Plan**

## **3. COVID-19 Payment Deferral Plan**



# COVID-19 Payment Deferral Plan

## If a repayment plan is not possible, the borrower should be evaluated for a COVID-19 Payment Deferral Plan

- The Servicer defers the following amounts as a **non-interest bearing** balance:
  - ✓ Any principal and interest the borrower has not paid during the forbearance period.
  - ✓ Out of pocket escrow advances paid to third parties
  - ✓ Servicing advances paid to third parties as a result of the delinquency.
- What **cannot** be included in the deferred amount?
  - ✓ No late fees, administrative fees or other such fees should be applied to any of the payments that were part of a COVID-19 related forbearance plan.
  - ✓ If an escrow analysis is performed, any shortage that is identified cannot be added to the deferred amount.

# COVID-19 Payment Deferral Plan

**The deferred lump sum amount becomes due and payable when any of the following occurs:**

- When the loan reaches maturity.
- When the property is sold or transferred.
- When/if the loan is refinanced.
- When the loan is paid off or liquidated for any other reason.

# COVID-19 Payment Deferral Plan Eligibility

**The borrower must be on a COVID-19 related forbearance plan or experienced a hardship related to COVID-19 that impacted their ability to make their full monthly payment.**

- Loans must be conventional, first lien mortgages.
- The property must be a primary or second home.
- The property cannot be vacant or condemned.

# COVID-19 Payment Deferral Eligibility

- On March 1, 2020, the mortgage must have been current or less than 31 days delinquent.
- As of the date of the deferral evaluation, the loan should be 31 -360 days delinquent.
  - ✓ Evaluations should be made no less than 30 days before the end of the forbearance period.
- If a loan was delinquent prior to March 1, 2020 due to reasons related to COVID-19, and the borrower can resume and continue to make full payments, Servicers should send a deferral request to the MPF Provider.
  - ✓ The request must be reviewed and approved by the MPF Bank.

# Ineligible Characteristics

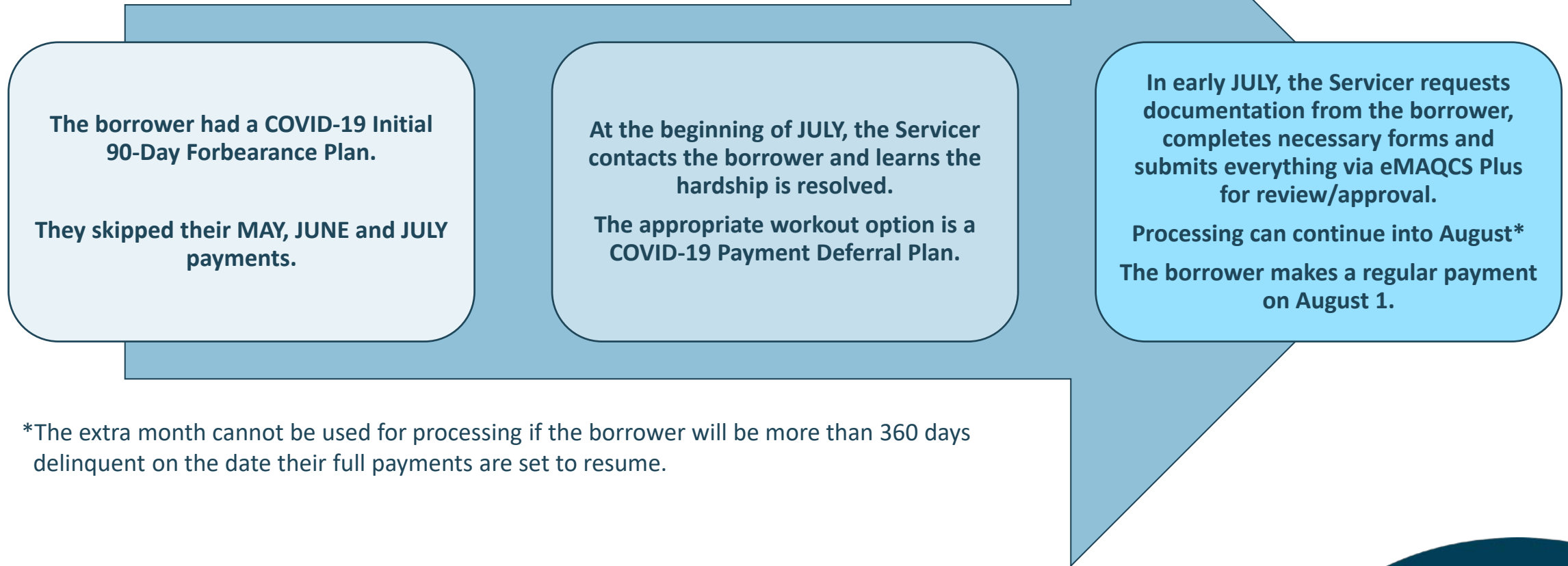
- The mortgage loan must not have previously received a COVID-19 payment deferral.
- The mortgage loan must not be subject to:
  - ✓ A recourse or indemnification arrangement under which the MPF Bank purchased or that was imposed by the MPF Bank after the mortgage loan was purchased.
  - ✓ An approved liquidation workout option.
  - ✓ An active and performing repayment plan or other non-COVID-19 related forbearance plan.
  - ✓ A current offer for another retention workout option, or an active and performing mortgage loan modification trial period plan.

# Processing a COVID-19 Payment Deferral

- Evaluations for a deferral must begin at least **30 days prior** to the end of the forbearance plan.
- Servicers may use an additional month to process the deferral.
  - ✓ If a borrower has been in a forbearance plan (or plans) that totaled 12 months, they must make their full, regular payment in the processing month when due (otherwise they will be over 360 days delinquent).
- Servicers must apply the processing month consistently to all borrowers, as evidenced by a written policy.



# Processing Timeline Example



\*The extra month cannot be used for processing if the borrower will be more than 360 days delinquent on the date their full payments are set to resume.

# COVID-19 Payment Deferral Documentation

## What Documentation is Required to Obtain a Payment Deferral?

- A completed **Workout Worksheet** (Form SG354) with all required borrower documentation (income, assets, credit report, etc.) and;
  - ✓ A completed **COVID-19 Payment Deferral Worksheet (Appendix B)** **NEW**
- A completed **Borrower Hardship Certification** (Form SG402)
- A one-year borrower payment history
- MI company authorization (if applicable)

All forms are completed in eMAQCS Plus

All additional supplemental documentation must be uploaded into eMAQCS Plus

# COVID-19 Payment Deferral Documentation

## Completion of the *Workout Worksheet (Form SG354)*

- ✓ Include all applicable borrower documentation as noted in the instructions for completing *Form SG354*.
- ✓ The form has been updated to include the COVID-19 Payment Deferral Plan
- ✓ Servicers must include reasoning for recommending a COVID-19 Payment Deferral.

Borrower Hardship		
Date Servicer Received Request Package from Borrower: _____		
Workout Option Requested (select one):		
<input type="checkbox"/> Forbearance Plan	<input type="checkbox"/> Repayment Plan	
<input type="checkbox"/> Temporary Loan Payment Modification	<input type="checkbox"/> Short Sale	<input type="checkbox"/> Deed-in-Lieu
		<input checked="" type="checkbox"/> COVID-19 Payment Deferral Plan
Hardship Reason (select one):		
<input type="checkbox"/> Death of Borrower/Family Member	<input type="checkbox"/> Incarcerated	<input type="checkbox"/> Catastrophe/Natural Disaster
<input type="checkbox"/> Illness of Borrower/Family Member	<input type="checkbox"/> Relocation (personal or job related)	<input type="checkbox"/> Environmental Hazard
<input type="checkbox"/> Permanent Disability	<input type="checkbox"/> Business Failure	<input type="checkbox"/> Other _____
<input type="checkbox"/> Unemployment	<input type="checkbox"/> Excessive Credit Obligation	
<input type="checkbox"/> Permanent Reduced Income	<input type="checkbox"/> Domestic Difficulties	
<input type="checkbox"/> Temporary Reduced Income	<input type="checkbox"/> Property Devaluation	

# COVID-19 Payment Deferral Documentation

## COVID-19 Payment Deferral Worksheet (Appendix B)

- **Appendix B** is a required attachment to the Workout Worksheet and must be uploaded into eMAQCS Plus.
- Servicers must use this worksheet when recommending a COVID-19 Payment Deferral Plan as a option for the Borrower.
- **Appendix B** is available on the COVID-19 Resource Center page on the MPF Program website.

# COVID-19 Payment Deferral Documentation

## COVID-19 Payment Deferral Worksheet (Appendix B)

(Using the earlier example of a borrower with a forbearance in May, June and July)

Review of Terms of Payment Deferral Plan	
COVID-19 Forbearance Plan Completion Date	JULY 1, 2020
COVID-19 Payment Deferral Plan Target Effective Date	AUGUST 1, 2020
Number of Days Delinquent as of March 1, 2020	0
Days Delinquent as of Payment Deferral Worksheet Date	90
Unpaid Principal Balance prior to payment deferral	
MI Approval Date (Servicers must obtain MI approval, if applicable)*	
Total Past-due principal payment amount to be deferred	
Total Past-due interest payment amount to be deferred	
Other amount to be deferred**	
Total amount to be deferred***	
Total late charges to be waived	

\* If relying on issued guidance by the MI Company, please indicate so.  
\*\*Includes any amounts the Servicer paid on the Borrower's behalf related to the past-due payments, such as taxes or insurance, as authorized by your mortgage documents.  
\*\*\*Interest will not be charged on the total past-due amounts to be deferred. The payment deferral will not change any other terms of your mortgage.

# COVID-19 Payment Deferral Documentation

Once the COVID-19 Payment Deferral Plan has been approved, a ***COVID-19 Deferral Agreement*** must be sent to the borrower for signature

- Completion of a ***COVID-19 Deferral Agreement*** should be done immediately after the plan is approved by the MPF Provider.
  - ✓ The MPF Provider is supplying ***Appendix A\****, a basic template that may be utilized as an agreement.
  - ✓ ***Appendix A*** supplies only the minimum level of information to satisfy the MPF Program requirements.
  - ✓ If using ***Appendix A***, be sure that your final agreement meets any specific laws that may apply.
- Upload the executed **COVID-19 Payment Deferral Agreement** into eMAQCS Plus.
  - ✓ The MPF loan number must be on the agreement.

***\*Appendix A*** is available on the COVID-19 Resource Center page on the MPF Program website



# COVID-19 Payment Deferral Agreement

- If required by law or needed to maintain lien priority, the COVID-19 Payment Deferral Agreement must be recorded.
- If the agreement is recorded, a title endorsement (or similar) to the existing lender's policy must be requested.
  - ✓ Retain the endorsement with the title policy in the loan file.
- Electronic signatures are permitted as long as e-signing does not affect the enforceability of the document under applicable law, or the ability to record the document when recording is required by law or needed to maintain lien priority.

# Custody Requirements

Was the COVID-19 Deferral Agreement Recorded?	
YES	<ul style="list-style-type: none"><li>• Within 25 calendar days of the effective date, deliver a certified copy of the agreement to the MPF Custodian, Wells Fargo.</li><li>• Within five calendar days of receipt, deliver the original, recorded agreement to the MPF Program Custodian, Wells Fargo.</li></ul>
NO	<ul style="list-style-type: none"><li>• Within 25 calendar days of the effective date, deliver the original agreement to the MPF Program Custodian, Wells Fargo.</li></ul>

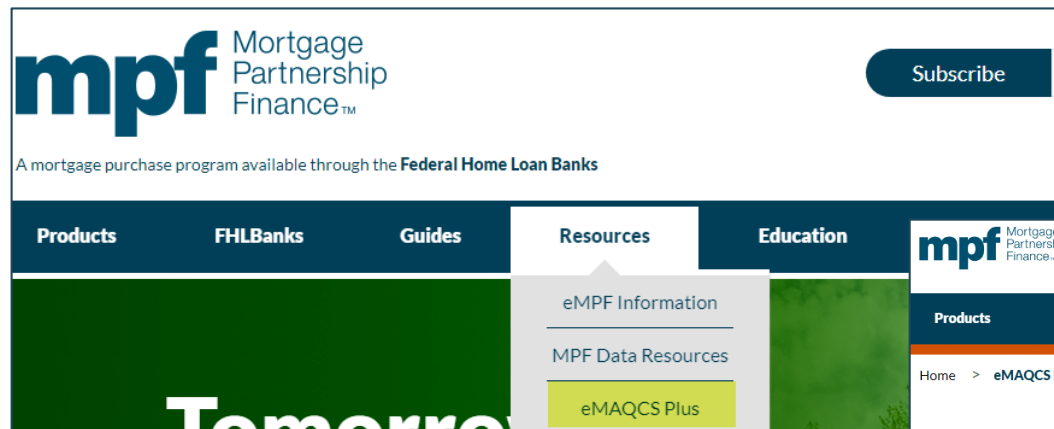
# Reporting Requirements

**Once the COVID-19 Payment Deferral becomes effective, the mortgage loan no longer needs to be reported on the Servicer's *Monthly Delinquent Mortgage & Bankruptcy Status Report* (Exhibit B).**

- The effective date of the COVID-19 Payment Deferral Plan is the date the borrower resumes their regular payments (after the applicable forbearance plan expires).
- Example: If the borrower makes a payment on August 1<sup>st</sup>, there is no need to report the loan on Exhibit B in September.

# MPF Website Resources

## Access to eMAQCS Plus



[www.fhlbmpf.com](http://www.fhlbmpf.com)



# MPF Program Contacts

## **MPF Service Center**

**Phone - 877-463-6673**

**Email - [MPF-Help@FHLBC.com](mailto:MPF-Help@FHLBC.com)**

**Hours - 8:30 AM to 4:30 PM CST**

## **MPF Program Default Team**

**[mpfDefaultServicing@fhlbc.com](mailto:mpfDefaultServicing@fhlbc.com)**