

Statements relevant to assistance to individuals affected by a government shutdown

Statements that have been issued during the current shutdown:

- Fannie Mae issued guidance on December 26 regarding lender and servicer assistance to borrowers affected by the government shutdown.
- Freddie Mac issued guidance on January 3 regarding lender and servicer assistance to borrowers affected by the government shutdown.
- The Office of Personnel Management recently released sample letters affected federal employees may send to creditors or mortgage companies.
- Certain financial institutions have voluntarily taken steps during the current government shutdown to assist their affected customers.

SAMPLE FANNIE MAE STATEMENT¹

To: All Fannie Mae Single-Family Sellers
Impact of Federal Government Shutdown

Federal employees across the country may be affected by the federal government shutdown, including employees who work for government contractors, vendors, and other businesses that rely on work from government agencies or that offer goods and services to members of the government workforce in their localities.

We are providing temporary guidance on selling and servicing policies that may be impacted by the federal government shutdown that occurred on December 22, 2018. This guidance assumes that the shutdown will be temporary in nature. These temporary policies are effective immediately, and will automatically expire when the federal government resumes full operations. If the shutdown lasts for a prolonged period, we may provide additional guidance.

Selling Policies

Employment Directly Affected by the Shutdown

For borrowers employed by the federal government or other individuals whose employment is directly impacted by the shutdown, a loan is not rendered ineligible for purchase or securitization by Fannie Mae solely based upon the shutdown. The following guidance relates to our standard employment policies:

- If the lender is unable to obtain a verbal verification of employment (VOE) during the shutdown, the Selling Guide already permits the lender to obtain the verbal VOE after loan closing, up to the time of loan delivery. If the verbal VOE cannot be obtained prior to delivery, the loan is ineligible for sale to us.
- For borrowers in the military, the Selling Guide currently allows for a Leave and Earnings Statement dated within 30 calendar days (or 31 days for longer months) prior to the note date in lieu of a verbal VOE.
- If a borrower is furloughed on or after closing of the mortgage loan due to the shutdown, the loan remains eligible for sale, provided the lender has been able to obtain all required documentation (for example, paystubs, IRS W-2s, verbal VOEs) prior to delivery of the loan.
- If employment has been validated by the Desktop Underwriter® (DU®) validation service, the validation will remain eligible for representation and warranty relief on employment provided the lender complies with the “close by” date in the DU message. Otherwise, the standard guidance provided above related to obtaining a VOE would apply.

¹ <https://www.fanniemae.com/content/announcement/111806.pdf>

Government Verifications

In some instances, we require validation through a government agency, such as the IRS and the Social Security Administration (SSA), for certain documentation or information provided by the borrower. During the shutdown, these requests may not be processed. We are implementing the following temporary policies with regard to those two agencies.

IRS Transcripts: We require lenders to have each borrower (regardless of income source) complete and sign a separate IRS Request for Transcript of Tax Return (Form 4506-T) at or before closing, except when all of a borrower's income has been validated by the DU validation service. We do not require lenders to obtain tax transcripts from the IRS prior to closing, but do require that it be included as part of the lender's post-closing quality control processes (unless all borrower income has been validated through the DU validation service).

As part of the DU validation service, DU can validate certain income types using tax transcript data obtained from an eligible verification report. As a result of the shutdown, requests for those verification reports may not be fulfilled with the IRS and may remain in pending status until normal operations resume. DU will continue to return validation messages for tax transcript verification reports received before the shutdown, but will not be able to access any new verification reports for validation.

Social Security Number Validation: When data integrity issues pertaining to the borrower's Social Security number are identified, a lender may be required to validate the Social Security number with the SSA using SSA-89. Because these requests may not be processed during the shutdown, Fannie Mae is temporarily revising this policy to enable lenders to obtain the verification prior to delivery of the loan. If the Social Security number cannot be validated prior to delivery, the loan is not eligible for sale to Fannie Mae.

Selling Loans Requiring Flood Insurance

On December 21, 2018, legislation was passed that extends the National Flood Insurance Program's (NFIP's) authorization to May 31, 2019. However, the NFIP may have limited ability to issue new policies, issue increased coverage on existing policies, or issue renewal policies during the shutdown. To help ensure the continued availability of mortgage financing to borrowers seeking to purchase properties located in Special Flood Hazard Areas (SFHAs), we will purchase loans secured by properties located in SFHAs that do not have an active flood insurance policy as long as the conditions noted below are met.

Lenders are reminded that Fannie Mae accepts flood policies from private insurers that provide equivalent terms and conditions of coverage provided under the standard policy of the NFIP for the appropriate property type.

Conditions for Loan Purchase

This policy is applicable to mortgage loans closed and purchased or securitized by Fannie Mae during the shutdown.

Until evidence of active flood insurance is obtained, a lender may deliver a mortgage loan to Fannie Mae on the condition that the borrower can provide acceptable evidence of

- a completed application for flood insurance and a copy of a check or the settlement statement reflecting payment of the initial premium, or
- the assignment of an existing flood insurance policy from the property seller to the purchaser.

Lenders must

- have a process in place to identify mortgaged properties securing loans sold to Fannie Mae that do not have proper evidence of active flood insurance,
- take all steps (insofar as permitted by applicable law) necessary to facilitate the issuance of coverage once the shutdown ends, and
- retain documentation to support acceptable evidence of flood insurance.

When selling mortgage loans affected by the shutdown, lenders must provide all applicable loan delivery data elements and special feature codes, including:

- Special Feature Code 170, or
- Property Flood Insurance Indicator (ULDD Sort ID 65) = TRUE and Special Flood Hazard Area Indicator (ULDD Sort ID 24) = TRUE.

Regardless of the provisions of this Lender Letter, the lender remains obligated for all selling representations and warranties concerning the existence of a standard policy issued under the NFIP or an equivalent policy from a private insurer.

As a reminder, refinance loans secured by properties in SFHAs typically already have acceptable flood insurance coverage in place at the time of closing. Such policies only require a change to the mortgagee named on the policy if the refinance lender is not the original lender. As a result, these mortgage loans are subject to the above requirements only if the renewal date of the borrower's existing coverage will occur during the shutdown and prior to sale to Fannie Mae. If coverage expires before the mortgage loan is sold, lenders must comply with the procedures described above, adapted appropriately to a renewal.

Lenders are advised to consult counsel to determine if they have the requisite authority to originate or otherwise deal in such mortgage loans.

Servicing Policies

Servicing Loans Requiring Flood Insurance

The servicer must track properties securing mortgage loans for which new policies, an increase in coverage or renewal of existing policies would have occurred during the shutdown and must retrospectively perform all steps (insofar as permitted by applicable law) necessary to facilitate the issuance of proper flood insurance coverage. The servicer must retain documentation to support acceptable evidence of flood insurance.

Other Servicing Policies

The shutdown may impact a borrower's ability to make scheduled mortgage payments. To assist borrowers who are unable to make their monthly mortgage loan payment as a result of the shutdown, the servicer can offer forbearance. The servicer must follow Servicing Guide D2-3.2-01, Forbearance Plan.

A borrower who is currently performing on a repayment plan or Trial Period Plan and is impacted by the shutdown may seek consideration for a forbearance plan. If the borrower does convert from a repayment plan or a Trial Period Plan to a forbearance plan, the borrower may subsequently be eligible for a repayment plan or modification upon successful completion of forbearance plan and if eligible, must be placed on a new repayment plan or Flex Modification Trial Period Plan.

SAMPLE FREDDIE MAC STATEMENT²

Bulletin number 2019-01

TO: Freddie Mac Sellers and Servicers

January 3, 2019

SUBJECT: GUIDANCE RELATED TO THE FEDERAL GOVERNMENT SHUTDOWN

This Guide Bulletin provides temporary Seller/Servicer guidance to assist Borrowers who have been impacted by the federal government shutdown ("shutdown") that began on December 22, 2018.

In addition, we are reminding Servicers of certain relief options, including forbearance, currently available in the Guide to assist impacted Borrowers.

EFFECTIVE DATE

This guidance is effective immediately and will automatically terminate once the federal government resumes full operations.

Freddie Mac will continue to monitor the situation and may revise or revoke this temporary guidance if the shutdown extends for a prolonged period.

SELLER GUIDANCE

Mortgages made to government employees and other workers directly impacted by the shutdown are eligible for sale to Freddie Mac, even if the Borrower is not receiving pay when the Mortgage is delivered to Freddie Mac (for example, the Borrower is on furlough or is exempt from the furlough status but is experiencing an interruption in pay due to the shutdown), provided that:

- All Freddie Mac income and employment documentation requirements of the Seller's Purchase Documents are met, including the requirement that a 10-day pre-closing verification (10-day PCV) is obtained no more than 10 Business Days before the Note Date or after the Note Date but prior to the Delivery Date
- The Seller has no knowledge that the Borrower will not return to work after the shutdown ends; and
- All other requirements of the Seller's Purchase Documents are met

Note: With respect to the requirements for a 10-day PCV, our information indicates that verification of employment for government employees can often be obtained from a third-party service provider that continues to provide employment verification for government employees, including those on furlough.

² <http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bll1901.pdf>

Processing of Internal Revenue Service Form 4506-T

We require Internal Revenue Service (IRS) Form 4506-T, Request for Transcript of Tax Return, as applicable, to be signed by the Borrower prior to closing*; we do not require that this form be processed by the IRS prior to closing. However, we require that the Form 4506-T information be obtained as part of a Seller's in-house quality control program*.

The shutdown should not impact a Seller's ability to comply with these requirements.

*Note: This is not required under certain circumstances for automated income assessment with Loan Product Advisor®. Refer to Guide Chapter 5901 for complete details.

Eligibility for sale of Mortgages that require flood insurance

After an announced shut down of the National Flood Insurance Program (NFIP) on December 26, 2018, the program resumed normal operations on December 28, 2018 and is considered operational since December 21, 2018 with no interruption; therefore, Freddie Mac requirements on flood insurance remain unchanged.

SERVICER GUIDANCE

Forbearance

To assist Borrowers directly impacted by the shutdown, Servicers can offer forbearance to such Borrowers in accordance with Chapter 9203.

As a reminder, if a Borrower enters into a forbearance agreement, the Servicer must not accrue or collect late charges from the Borrower during the term of the forbearance plan or any subsequent repayment plan period if the Borrower is complying with the terms of such agreements.

FHA, VA and RHS Mortgages

Servicers of FHA, VA and RHS Mortgages should look to the requirements issued by those government agencies during the shutdown.

Processing of IRS Forms 4506T-EZ and 4506-T

If the Servicer is unable to obtain a tax transcript from the IRS through electronic processing of an executed Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript, or 4506-T per the Guide, the Servicer must obtain a copy of the Borrower's most recent complete and signed individual federal income tax return, when required.

Servicing Mortgages requiring flood insurance

As mentioned above in the Eligibility for sale of Mortgages that require flood insurance section of this Bulletin, the NFIP has not lapsed. Servicers are reminded that Guide Section 9206.12(12) requires Servicers to obtain and/or renew a flood insurance policy in accordance with Section 8202.10 if the Mortgaged Premises is located in a Special Flood Hazard Area (SFHA) at the time of a loan modification.

CONCLUSION

We appreciate the understanding and consideration that Seller/Servicers extend to Borrowers coping with the hardships imposed by the shutdown.

SAMPLE LETTERS PROVIDED BY OFFICE OF PERSONNEL MANAGEMENT³

Sample Letter to Creditor

Dear (Name of Company or individual with whom you have spoken)

This is to confirm our conversation of (date) in which we discussed a temporary reduction in my monthly payment.

As we discussed, I am a Federal employee who has recently been furloughed due to a lack of funding of my agency. Because of this, my income has been severely cut and I am unable to pay the entire cost of my monthly payments, along with my other expenses.

As we had agreed in our conversation, I will be able to make regular payments in the amount of \$_____. I realize that I will be responsible to pay the remainder of the payments and, when I return to work, I will contact you immediately to work out a plan to take care of the reduced payments. I will also keep in touch with you to keep you informed about my income status.

I appreciate your willingness to work with me and your understanding during this difficult time.

Sincerely,
(Name)

Sample Letter to Mortgage Company

Dear (Name of Company or individual with whom you have spoken)

This is to confirm our conversation of (date) in which we discussed a temporary reduction in my mortgage payment.

As we discussed, I am a Federal employee who has recently been furloughed due to a lack of funding of my agency. Because of this, my income has been severely cut and I am unable to pay the entire cost of my mortgage, along with my other expenses.

As we had agreed in our conversation, I will be able to make regular payments in the amount of \$_____. I realize that I will be responsible to pay the remainder of the payments and, when I return to work, I will contact you immediately to work out a plan to take care of the reduced payments. I will also keep in touch with you to keep you informed about my income status.

I appreciate your willingness to work with me and your understanding during this difficult time.

Sincerely,
(Name)

³ <https://www.opm.gov/policy-data-oversight/pay-leave/furlough-guidance/sample-letters-for-creditors-and-mortgage-companies.doc>

SAMPLE FINANCIAL INSTITUTION ACTIONS⁴

A [Government Executive article](#) posted on January 3, 2019, reported that various financial institutions were adopting special policies for Federal employees affected by the lapse in appropriations. Lapse-affected employees should check with the financial institutions at which they have accounts to explore what policies they have in place.

- **Bank of America**: The organization is “closely monitoring the situation” and will work with clients affected by the shutdown on a case-by-case basis, said Lawrence Grayson, a spokesman. He encouraged employees to call the client assistance program hotline at 844-219-0690 and said they may be offered fee refunds, waivers, loan modifications and repayment plans.
- **Chase**: The bank said it would “automatically waive or refund overdraft and monthly service fees” on checking and savings accounts for any client who had a federal agency direct deposit salary into those accounts in November 2018. The fee waiver expires on Friday. Chase set up a special care line for those affected at 1-888-356-0023. “We’re here for our government worker customers whose pay may be disrupted,” said Thasunda Duckett, CEO of Consumer Banking at Chase. “We all hope this will be resolved soon.”
- **Navy Federal Credit Union**: The credit union is offering perhaps the best perks for its affected members whose salaries are deposited into an account with the organization. It is providing 0 percent APR loans up to \$6,000, depending on eligibility. The loan has no fees or interest and does not require a credit check. The amount credited to the account will be automatically deducted once government reopens and pay resumes.
- **Thrift Savings Plan**: Furloughed federal employees can take a loan against their retirement savings in the TSP so long as they are in that status for fewer than 30 days.
- **USAA**: The group has said it will make benefits available to Coast Guard and National Oceanic and Atmospheric Administration uniformed officers affected by the shutdown, but has not yet released details.
- **Wells Fargo**: The bank has set up a splash page for impacted federal workers, promising it is “here to help customers who are experiencing hardship as a result of the federal government shutdown.” It said it will “consider” reversing overdraft/non-sufficient funds fees for those whose income is disrupted. It may also offer mortgage, loan and credit customers forbearance or other payment assistance programs for individuals.

⁴ <https://www.govexec.com/pay-benefits/2019/01/feds-facing-financial-hardships-during-shutdown-have-some-options-relief/153914/>