

58.11: Disaster losses (05/21/04)

When a natural disaster (for example, earthquake, flood or hurricane) or a man-made disaster (for example, civil disturbance) strikes an area containing properties that secure Mortgages the Servicer services for Freddie Mac, the Servicer must promptly:

1. Ascertain the number of such properties
2. Determine the extent of the losses or damages suffered by such properties
3. Secure any abandoned properties
4. Assist Borrowers in filing for property insurance claims and/or disaster assistance
5. Assist Borrowers through counseling and any appropriate repayment plan as provided under [Sections A65.14 through A65.25.1](#) and as coordinated with the benefits of property insurance and/or disaster assistance
6. Report to Freddie Mac [[11](#)] all Mortgages that are 30 or more days delinquent secured by properties that have suffered from disaster-caused losses via an Electronic Default Reporting (EDR) transmission. This report must be sent within the first three Business Days of the month following the occurrence of the disaster using default reason code 019 (casualty loss).
7. Report to Freddie Mac on all Mortgages that are subject to a repayment plan or a short or long-term forbearance plan resulting from disaster-caused involuntary inability to pay via an EDR transmission using default code 09 (Forbearance or repayment plan) within the first three Business Days of the month following the month that the plan was entered into. The Servicer must continue to report that the Mortgage is under the plan, until the Mortgage is fully reinstated or the plan ends. Refer to [Chapter A65](#) for more details.

If a Servicer determines that the disaster has affected a Mortgaged Premises so that there is a risk of ownership to us, then the Servicer must notify Freddie Mac [[11](#)] via [Form 105](#) within five Business Days of learning of the situation.

A Borrower to whom a repayment plan is extended because of disaster-related circumstances must not be:

- Assessed late charges, as long as he or she is paying as agreed in the repayment plan
- Reported to credit repositories on account of making approved reduced or deferred payments

Collection, foreclosure and eviction proceedings may be suspended at the Servicer's discretion for up to 90 days from the date a disaster strikes, based on the relative merits of each case. Relevant factors would include the degree to which the disaster has reduced the Borrower's income, increased the Borrower's living expenses, damaged the

Mortgaged Premises or limited the availability of alternative housing. When applicable, such a suspension of Servicing action must be preapproved by the MI, FHA, RHS or VA to avoid jeopardizing benefits of any applicable insurance or guaranty.

At the end of the 90-day period, the Servicer must reassess the individual Borrower's circumstances, based on property inspections and Borrower contacts, to determine whether a Mortgage repayment plan can be worked out or whether the proceedings should be initiated or resumed.

If there is a risk of ownership to Freddie Mac, then the Servicer must obtain our approval before initiating or resuming foreclosure by submitting the recommendation to us [11] via [Form 105](#).

In making such determinations, Servicers should consider the following options:

- Mortgage relief: Short-term forbearance and repayment plans do not require Freddie Mac's prior approval. Long-term forbearance requires our prior approval. Guidelines for these measures can be found in [Chapter A65](#).
- Mortgage workout: A short payoff, workout Mortgage assumption, deed-in-lieu of foreclosure or charge off may be a viable option depending on the Borrower's particular circumstances. Freddie Mac's prior review and approval are required. Refer to [Chapter B65](#). The Servicer's recommendation must include a detailed explanation of the Servicer's attempts to cure the default and the status of the property insurance claims and related claim proceeds.
- Foreclosure: In some cases, foreclosure may be the only option left and must be handled in accordance with [Chapter 66](#). As a final step in avoiding foreclosure, however, the Servicer must inform the Borrower of and give the Borrower the opportunity to apply for FEMA Mortgage assistance, if the Mortgaged Premises are located in a presidential major disaster area and federal individual assistance has been made available to victims of the disaster.

Refer to [Section 67.29](#), Servicing Mortgages on properties affected by disasters, for additional Servicing requirements. Information on federal disaster assistance can be found in [Exhibit 52](#).

67.29: Servicing Mortgages on properties affected by a disaster (05/21/04)

You must service a Mortgage affected by a disaster according to the requirements contained in this section. A disaster is a natural or man-made casualty, such as a hurricane, earthquake or civil disturbance, that adversely affects a geographical area encompassing properties that secure our Mortgages or Borrowers' places of employment. Servicing Mortgages in a disaster area includes property protection, collection and foreclosure activities.

You must report all Mortgages affected by a disaster that are 30 or more days delinquent to us via an EDR transmission within the first three Business Days of the month following the month you learned of the disaster using default action reason code 019 (casualty loss). If a disaster has affected your operations, you must notify us [[11](#)].

(a) Property protection activities

You must assist all Borrowers affected by a disaster in a way that best protects our interests and complies with all applicable laws and regulations. In the event of a disaster affecting properties securing our Mortgages, you must:

1. Provide assistance to the Borrower regarding options for federal, State or local disaster assistance
2. Assist the Borrower in filing or settling insurance claims
3. Monitoring the progress of repairs
4. Inspect the property according to [Section 58.10](#) to ensure repairs are complete
5. Provide assistance to the Borrower regarding our available relief options, if and when applicable

(b) Collection and foreclosure activities

You must evaluate the effects of a disaster on the delinquency status of a Mortgage. Before considering a Borrower for relief or a workout option, you must first require the Borrower to file any applicable insurance claims and to apply for federal, State and local disaster assistance.

You may suspend collection activity, foreclosure and eviction proceedings for up to 90 days from the date a disaster is declared, based on the relative merits of each case.

You must obtain written approval from the VA, RHS, FHA or MI, if applicable, before suspending or resuming collection, foreclosure or eviction proceedings to avoid jeopardizing benefits of any applicable insurance or guaranty.

Relevant factors in suspending collection, foreclosure or eviction activity include the degree to which the disaster has:

1. Reduced the Borrower's income or ability to pay his or her Mortgage
2. Increased the Borrower's living expenses
3. Damaged the property

4. Affected the Delinquency status of the Mortgage

At the end of the 90-day period, you must reassess the individual Borrower's circumstances, based on updated property inspections and Borrower financial information to determine whether a workout option is appropriate, you can work out a Mortgage repayment plan or whether you should initiate or resume collection, foreclosure or eviction proceedings.

Exhibit 52: Federal Disaster Assistance (10/03/03)

Presidential Declarations

When disaster strikes and the President of the United States declares the affected area a major disaster area, federal individual assistance may be made available to disaster victims. Such assistance may be provided through programs such as:

- Disaster Housing Program (Rental Assistance, Home Repair Assistance and Mortgage and Rental Assistance) administered by the Federal Emergency Management Agency (FEMA)
- Low-interest Small Business Administration (SBA) loans for homeowners and businesses
- Individual and Family Grant Program (administered by the State with FEMA oversight) for those disaster victims who do not qualify for SBA loans and have disaster-related serious needs and/or necessary expenses

This assistance is designed to supplement State and local assistance and the proceeds of insurance claimable under property insurance policies.

Mortgage and Rental Assistance (MRA), provided through FEMA's Disaster Housing Program, helps qualified applicants avoid foreclosure or eviction by providing grants for Mortgage or rent payments for a period of up to 18 months or for the duration of a demonstrated, disaster-related financial hardship, whichever is less. To qualify for MRA from FEMA, an applicant must:

- Occupy and, following a disaster, continue to occupy the property as a Primary Residence (and the property must be sound, with minimal or no impact from the disaster)
- Have received a written foreclosure/eviction notice because of a disaster-related Delinquency
- Demonstrate that the inability to make Mortgage or rent payments is a result of disaster-related financial hardship

Once an area has been declared a presidential major disaster area and federal individual assistance is made available, FEMA may set up one or more interagency Disaster Recovery Centers (DRCs) in the disaster area to assist individuals with disaster-related questions. The sites of these DRCs will be announced via the local media.

Registrations for disaster assistance are taken by telephone. The numbers are:

- (800) 462-9029
- (800) 462-7585 (for the hearing impaired)

For inquiries about whether an area has been declared a presidential major disaster area, Seller/Serviceers may contact FEMA at (202) 646-3260 or (202) 646-3629.

Borrowers should be aware that the President may declare an emergency or major disaster in which only the Public Assistance program is made available in designated areas. The Public Assistance program provides supplemental federal funding to State and local governments for a variety of projects, including clearance of debris, emergency protective measures and repair or replacement of public-owned facilities or structures. The Public Assistance program does not provide assistance to individuals or business owners.

SBA Disaster Declarations

When the SBA Administrator declares a disaster loan area under SBA's statutory authority, homeowners and businesses of all sizes may be eligible for the same low-interest SBA loans that are available when a presidential major disaster declaration is made.

Such SBA loans include the following:

- A disaster home loan to a homeowner (or tenant) to repair or replace a Primary Residence/personal property that has been damaged or destroyed by the disaster
- A business physical disaster loan to a business of any size to repair or replace business property (including inventory and supplies) that has been damaged or destroyed by the disaster
- An economic injury disaster loan for working capital to assist a small business or a small agricultural cooperative through the disaster recovery period (provided the business or cooperative is unable to obtain similar financing from nongovernment sources)

Information regarding SBA disaster loans may be obtained from one of the following SBA Disaster Area Offices:

Homeowners and businesses located in

Call

Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virginia, (United States) Virgin Islands, West Virginia

Niagara Falls SBA
(800) 659-2955
OR
(716) 282-4612

Alabama, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Minnesota, Mississippi, North Carolina, Ohio, South Carolina, Tennessee, Wisconsin

Atlanta SBA
(800) 359-2227
OR
(404) 347-3771

Arkansas, Colorado, Iowa, Kansas, Louisiana, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wyoming

Forth Worth SBA
(800) 366-6303
OR
(817) 885-7600

Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Federated States of Micronesia, Nevada, Commonwealth of the Northern Mariana Islands, Oregon, Trust Territory of the Pacific Islands, Washington

Sacramento SBA
(800) 488-5323
OR
(916) 566-7240

Federal Housing Administration Mortgage Insurance Program

The Federal Housing Administration (FHA) also insures loans made to disaster victims under the following programs:

- **Section 203(h), mortgage insurance for disaster victims:** to help a disaster victim purchase a residence to replace the residence that was destroyed or damaged to such an extent that reconstruction or replacement is necessary. The loan application must be submitted to the lender within one year of the date of the related presidential major disaster declaration. The residence to be financed by a Section 203(h) Mortgage must be:
 - A one-unit property
 - The applicant's Primary Residence

The replacement residence need not be located in the disaster-area.

- **Section 203(k), rehabilitation mortgage insurance:** to help a disaster victim repair a disaster-damaged residence or reconstruct a disaster-destroyed residence
- **Title I, property improvement and Manufactured Home loans:** to help a disaster victim repair, rebuild, or replace a disaster-damaged residence

Applications for the above loans must be submitted to a Department of Housing and Urban Development (HUD) approved mortgagee.