Coronavirus – Covid-19: Stimulus Help with Mortgage Payments

If you're among those financially impacted by the coronavirus pandemic, you might be concerned about how to pay your mortgage. Federal and state governments have announced plans to help struggling homeowners during this time. This article provides information on what to do now, and what your options are for mortgage relief.

Important things to know first: For many homeowners with mortgages, there's help, but first assess your situation.

If you **can** pay your mortgage, pay your mortgage. Don't call your mortgage servicer if you are not facing an immediate issue. Mortgage servicers are getting a lot of calls and need to first help those who won't be able to pay their mortgage. Check your lender's website first for possible options.

If you **can't** pay your mortgage, or can only pay a portion, contact your mortgage servicer immediately. It may take a while to get a loan servicer on the phone. Loan servicers are experiencing a high call volume and may also be impacted by the pandemic. Read this article carefully so you are prepared for the conversation.

A new federal law, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, puts in place two protections/options for homeowners with federally backed mortgage loans securing residential real property. These include mortgages and deeds of trust purchased by Fannie Mae and Freddie Mac, insured by HUD, the VA, or the USDA, or directly made by the USDA. by Fannie Mae or Freddie Mac:

1. A right to **mortgage forbearance** for homeowners who are experiencing a financial hardship due to the COVID-19 emergency
2. A **foreclosure moratorium**

If you don't have a federally backed mortgage, you may still have relief options through your mortgage servicer or from your state. Your servicer should be familiar with these alternatives. Follow the same steps that are described in the section below titled: **What CARES options do you qualify for?**

Major mortgage relief options during the coronavirus pandemic

Option 1: Mortgage forbearance is when your mortgage servicer or lender allows you to pause or reduce your mortgage payments for a limited period of time. Forbearance doesn't erase what you owe – you'll have to repay any missed or reduced payments in the future. If your income is restored, reach out to your servicer and resume making payments as soon as you can.

If your mortgage is a federally backed mortgage, and you experience financial hardship due to the coronavirus pandemic, you have a right to request a forbearance for up to 180 days. You also have the right to request one extension for another up to 180 days. You **must contact your loan servicer** to request this forbearance. Contacting is explained later. There will be no additional fees, penalties or additional interest (beyond scheduled amounts) added to your account. You do not need to submit

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additional documentation to qualify other than your claim to have a pandemic-related financial hardship.

Mortgage forbearance options: Forbearance is complicated. There isn't a "one size fits all" because the options depend on many factors. Those factors include:

- The type of loan
- The owner or investor requirements in your mortgage loan
- Your servicer

There are key things to consider with each type of forbearance. You'll want to pay close attention to how your servicer expects you to pay back any missed or reduced mortgage payments.

Here are some forbearance examples to guide you:

Example 1: Paused Payments Option-Paid During Existing Mortgage: Your servicer allows you to stop making payments for six months, but you must pay everything back **at once** when your payments are due again.

What to consider:

- You may owe a big bill that comes due all at once. For example, if your servicer allowed you to not pay your mortgage for six months, at the end of the forbearance period, you may owe all six of your missed mortgage payments in one month.
- Interest on the paused amounts will continue to accrue until you repay them.

Example 2: Mortgage Payment Reduction Option: Your servicer allows you to reduce your $1,000 monthly mortgage payment by half for three months. After the three months are over you have one year to pay back the amount of that reduction.

What to consider:

- The amount of the reduction would be spread out over 12 months and added to your mortgage payment once the reduction period is over. This means your monthly mortgage will increase during that one-year period. Using the example above, you would pay $500 for three months and starting on the fourth month you would need to pay $1125.00 ($1,000 + $1500/12) each month for the next 12 months.
- Interest on any reduced amounts will continue to accrue until you repay them.

Example 3: Paused Payment Option-Paid back at End of Mortgage: Your servicer allows you to pause payments for one year, and that amount is repaid by either adding it to the end of your mortgage loan or by you taking out a separate loan.

What to consider:

- You can extend the term of your loan for some amount of time to pay back the paused payments or take out a separate loan.
- Extending your loan means the missed payments will be added on to the end of your loan. For example, if you were given a twelve-month period where you didn't have to pay your mortgage, you'll have twelve months of payments added on to the date when your loan was supposed to be paid off.
- Extending with a separate loan means when your mortgage is due, you'll also have to pay off this separate loan. This is like a balloon payment, which is one large payment due at the end of your loan.
- Interest on the missed amounts will continue to accrue until you repay them.

Option 2: Foreclosure Moratoriums suspend or stop foreclosure. Foreclosure is when the lender takes back the property after the homeowner fails to make required payments on a mortgage. The CARES foreclosure moratorium applies to all federally backed mortgage loans securing residential real property. These include mortgages and deeds of trust purchased by Fannie Mae and Freddie Mac, insured by HUD, the VA, or the USDA, or directly made by the USDA.

The moratorium runs to May 18, 2020. During that time, a servicer of a federally backed mortgage loan cannot (1) initiate a judicial or non-judicial foreclosure, (2) notice and conduct a foreclosure hearing, or (3) conduct a foreclosure sale or execute a foreclosure-related eviction. The Act does not exempt foreclosure proceedings commenced before its enactment.

The servicers of non-federally backed mortgages may also follow these guidelines. Additionally, all states have their own laws regarding the foreclosure process.

Your mortgage relief options depend on who owns or backs your mortgage. First, figure out who services your mortgage. You can find the number for your mortgage servicer on your monthly mortgage statement or coupon book. This is who you need to contact.

Call your servicer. It may take a while to get a loan servicer on the phone. Loan servicers are experiencing a high call volume and may also be impacted by the pandemic. Be prepared with the following information and questions you want to ask. Check their website before you call to see if there is a list of information you may need. Have your account number handy.

You may need to explain

- Why you're unable to make your payment
- Whether the problem is temporary or permanent
- Details about your income, expenses and other assets, like cash in the bank
- Whether you're a military service member with permanent change of station (PCS) orders

Questions to ask

- What options are available to help you temporarily reduce or suspend my payments?
- Is there forbearance, loan modification, or other options?
- Can you waive late fees?

Get it in writing: once you're able to secure forbearance or another mortgage relief option, ask your servicer to provide written documentation that confirms the details of your agreement and that you're clear on what the terms are. With some forbearance programs, you may owe all of your missed payments at one time, or additional payments at the end of the mortgage might be required, so make sure you're familiar with the final terms.

What to do once you've received a mortgage relief option
While you're in the forbearance period, or working under another mortgage relief option, there are a number of things to do to continue to protect yourself. This advice applies to both a CARES Act forbearance and other mortgage relief that you might receive.

- **Keep written documentation on hand.** You want to make sure that you have this documentation available in case there are any errors on your monthly mortgage statements to ensure that your statement reflects the assistance provided.
- **Pay attention to your monthly mortgage statement.** Continue monitoring your monthly mortgage statements to make sure you don't see any errors.
- **Keep an eye on your credit.** It's a good idea to routinely check your credit reports in order to make sure there are no errors or inaccuracies. If you stop making mortgage payments without a forbearance agreement, the servicer will report this information to the credit reporting companies, and it can have a lasting negative impact on your credit history. If an error has been made, however, you can work to dispute it.
- **Once your income is restored, contact your servicer and resume your payments.** With forbearance, you still owe the payments that you missed, but fewer missed payments mean you'll owe less down the road.
- **If you're continuing to receive some income that turns out to be more than you need for your bills and expenses (including anything you keep paying on your mortgage), consider putting the extra money away so you can use it to pay off what's needed later.** If you can save any money now, it'll be helpful when payments are due later.

Source: The Consumer Financial Protection Bureau (CFPB) and Financial Awareness Institute

This recap is only meant to be a summary. More information will come out as time goes on and we will try to keep you updated.