



National
Consumer Law
Center

HOMEOWNERS NEED A HOMEOWNER ASSISTANCE FUND AND ADDITIONAL RELIEF TO PREVENT A COMING FORECLOSURE CRISIS

January 2021



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Several million homeowners are behind on their mortgages or are already in foreclosure as the nation continues to face a pandemic, with low-income communities and communities of color hit hardest. While currently available programs will help many homeowners avoid foreclosure, many other homeowners likely will lose their homes unless further steps are taken, including the provision of direct cash assistance.

Homeowners of color lost their homes at twice the rate of whites during the financial crisis, and the same communities face the potential for major homeownership losses due to COVID-19.

- The Pew Research Center estimates that between 2007 and 2013, median net wealth for Latinx and Black households fell 44.3 percent and 47.6 percent, respectively, largely due to foreclosures.
- In the current crisis, the U.S. Census Bureau's Household Pulse Survey estimates that 24.7% of Black borrowers and 19.8% of Hispanic borrowers are not current on their mortgage payments, compared to 8% of white borrowers.

Many homeowners lack access to government-backed programs and will lose their homes without direct financial assistance.

- The CARES Act does not cover the one-third of the mortgage market with private loans.
- Currently, 700,000 of borrowers in forbearance have private loans (including portfolio and private label securities) for which there are no market-wide, defined post-forbearance options other than paying a lump sum at the close of the forbearance.
- After the first six months of forbearance, 80% of borrowers requested extensions, and most of these borrowers likely will need payment reductions when forbearance ends. Experience from the last crisis tells us that many will need additional financial assistance to stabilize their finances, qualify for a program, and avoid foreclosure.

Manufactured homeowners, some of the lowest-income homeowners, will need assistance.

- Manufactured housing, often the only source of housing for low-income families in rural areas, generally is outside of the protections for government-backed loans.
- The Urban Institute has found that 35% of manufactured homeowners work in the top five industries that have faced job loss due to COVID-19.

Loss mitigation options do not address threats to home retention such as past due property taxes, homeowner's insurance, and homeowner association fees.

- Many homeowners cannot obtain assistance from a mortgage company for paying past-due property taxes, including manufactured homeowners, those without an escrow (including most borrowers with vintage subprime mortgage loans), and those without a mortgage (including many older homeowners). These borrowers are at risk of a tax foreclosure, for which there is no forbearance program.
- Older homeowners with reverse mortgages have few options for avoiding foreclosures for past-due property taxes or homeowner's insurance.
- While many tax foreclosures were halted last year, they are beginning to restart in many localities. In Vermont, one attorney reported seeing tax sales for as little as \$200 owed, with most sales affecting seniors and owners of manufactured homes. In Philadelphia, 62% of homeowners delinquent on property taxes are not in a payment plan.

Utility bills often prevent homeowners from making mortgage payments.

- Homeowners face expenses that may limit their ability to meet mortgage obligations, such as high payments for energy, water, wastewater management, and broadband.
- While some utility assistance is available to homeowners, programs are chronically underfunded.
- In a nationally representative survey from the Brookings Institution, 15% of respondents reported that in the last three months someone in the household skipped paying a utility bill or paid a utility bill late due to not having enough money, with the average for Blacks and Hispanics at or above 20%.

The coming foreclosure crisis can be mitigated with bold action by Congress to:

- *Establish a Homeowner Assistance Fund to help homeowners with COVID hardships who cannot retain their home without additional financial assistance;*
- *Fund HUD-approved housing counseling agencies, which play a critical role in ensuring that homeowners get the individualized help and relief they need to stay in their homes;*
- *Provide mortgage forbearances and appropriate post-forbearance options to the entire mortgage market, including the one-third of the market not covered by government-backed loan programs;*
- *Extend forbearance periods beyond 12 months, as many homeowners who obtained forbearance last March will soon be facing the end of forbearance while the acute period of the COVID crisis may continue for several more months;*
- *Require a 120-day pre-foreclosure cushion at the end of COVID forbearances, so that homeowners exiting mortgage forbearance can obtain a repayment arrangement before foreclosure begins or restarts; and*
- *Prevent homeowners from being required to repay missed mortgage payments with a lump sum and require mortgage servicers to offer homeowners all repayment options for which they are eligible.*

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