Coronavirus Emergency: What Consumers Need to Know About Mortgage Relief

April 2020

Federal and states government have announced measures to assist millions of Americans facing an inability to make their monthly mortgage payments due to the COVID-19 emergency.

You should pay your mortgage if you can afford it.

If you cannot make a mortgage payment, relief may be available.

Under federal law, a servicer cannot start the foreclosure process unless your loan is more than 120 days past due.

But, not all mortgage loans qualify for the same payment relief.

The federal government's CARES Act provides temporary relief for borrowers with "federally-backed mortgage loans," which are loans that are owned or backed by an agency on this list:

- **Federal Housing Administration (FHA)** (includes reverse mortgages and loans under the Indian Home Loan Guarantee program)
- **U. S. Department of Agriculture** (USDA)
- **U.S. Department of Veterans Affairs** (VA)
- **Fannie Mae & Freddie Mac**

How to find out if you have a "federally backed loan"

- A list of federal loan agencies, their policies, and contact information can be found here.
- Go to www.knowyouroptions.com/loanlookup to see if you have a Fannie Mae loan.
- Go to https://ww3.freddiemac.com/corporate/ to see if you have a Freddie Mac loan.
- For FHA loans, it may indicate on your mortgage statement that part of your payment goes to FHA insurance. Or, check the first page of your closing documents from when you bought the house (HUD-1 statement or Closing Disclosure) for the loan type.
- If you cannot get through to your loan servicer on the phone, write a letter asking for the identity of any entity that owns, insures, or guarantees your loan. A sample letter is available by clicking here. Your servicer must respond within 10 business days.

If your loan is "federally backed"

- Your loan servicer cannot foreclose on you until **at least** May 17, 2020, and
- If you experience financial hardship due to the coronavirus emergency, you can request a **forbearance** (see page 2) of your payment for **up to** 180 days from your servicer with a possible additional 180 days upon request.

If your loan is not "federally backed"

- You still may have relief options through your loan servicer: call, or to avoid long wait times by phone:
  - Check the servicer's website for contact them through an online portal, email option, or a mobile app.
  - Write a letter requesting information about your "loss mitigation" foreclosure prevention options. It could take up to 30 business days for a response.

What Is a Forbearance Agreement?

A **forbearance agreement** is one type of **short-term** relief being offered by many loan servicers. Your loan servicer is the company that sends your mortgage statements and handles the day-to-day tasks for managing your loan.

- The loan servicer agrees to reduce or suspend your payments for a set amount of time.
  - Under the CARES Act, it can be **up to** 180 days with a possible additional 180 days upon request.
  - Other programs allow more or less time.
  - HUD and FHA are allowing **up to** 1 year.
- This provides a **temporary** break from making your full monthly payments.
- The payments are **not waived or forgiven; you will have to pay them back.**
- If your forbearance is under the CARES Act, fees and additional interest cannot accrue.
- If you do not have an escrow account and you make your payments directly for taxes, insurance, or condo fees, the forbearance agreement will not apply to these payments. You should continue to pay these if you can or try to make payment arrangements.

What Happens at the End of a Forbearance Agreement?

- You should contact your servicer **at least 30 days before** the end of the forbearance period to find out your repayment options for both your principal and interest payments and escrow payments (real estate taxes and insurance)
- If your loan is federally-backed, you **will not** be required to make a lump sum payment at the end of the forbearance period
- Even if your loan is not federally-backed, you still may not have to make a lump sum payment at the end of the forbearance period- ask your servicer
- If you can afford the regular payment you were making before the forbearance, your servicer will likely put your missed payments at the end of your loan.
- If you can't afford your regular payment, ask your servicer about other options like a loan modification to lower your monthly payments
- If you cannot get through on the phone to your servicer, send a **written** Request for Information asking for a description of all options available for the end of the forbearance period and the procedures for obtaining such options (keep a copy for your records).
  - This could be part of the same letter recommended on page 1 regarding available loss mitigation options.
  - You can see a sample letter with instructions here (PDF version) (MS Word) for asking what repayment options are available at the end of the forbearance period.
  - Your servicer must reply within 30 business days.

For more online resources, visit NCLC's COVID-19 & Consumer Protections.

