The pandemic has put our economy in a tailspin, and many of us are out of work. Thankfully the federal government and housing agencies, as well as mortgage lenders and servicers, have taken action to protect homeowners from foreclosure during this crisis.



This article will outline federal protections for homeowners who are having trouble paying their mortgage due to income loss caused by COVID-19 safe practices and distancing protocols, as well as mortgage relief options for all homeowners and how to obtain them.

I've Missed Mortgage Payments and am Afraid of Mortgage Foreclosure

First, know that mortgage foreclosure is a process that differs by state. Some states require a judicial proceeding to foreclose, others do not and allow servicers or lenders to mortgage foreclosure by right of contract.

According to Veronica Baxter, an established legal assistant to Philadelphia Bankruptcy Attorney David Offen says,"

> "Under federal law, a lender or servicer cannot begin the state foreclosure process until your loan is more than 120 days past due. They are required to send you several notices in the meantime, explaining options for curing the default on the loan, requesting forbearance, requesting a loan modification, or enrolling in some other loss mitigation program. If foreclosure is imminent, it won't come as a surprise to you."

The pandemic has created a financial emergency for many families who were financially secure previously. Federal and state governments have stepped in to help.

Mortgage Foreclosures under the CARES Act

The CARES Act mandated a moratorium on foreclosures for 60 days after March 18, 2020. This means that your mortgage lender or loan servicer can not begin or continue a judicial or non-judicial foreclosure against you, or enter a foreclosure judgment, or sell a foreclosed at auction, for 60 days after March 18, 2020.

Those 60 days have expired. The Federal Housing Finance Agency (FHFA) subsequently announced that Freddie Mac and Fannie Mae were extending the moratorium on foreclosures to May 17, 2020, and then June 30, 2020, and then August 31, 2020. The Federal Housing Authority (FHA) has also imposed a moratorium on foreclosures on FHA-insured mortgages through August 31, 2020.

Mortgage Forbearance under the CARES Act

Just because mortgage lenders and servicers are prevented from foreclosing now does not mean that they can't foreclose once the pandemic crisis is over, if you don't make your payments or make arrangements for forbearance.

The CARES Act gave homeowners who are in financial distress due to COVID-19 the right to request payment forbearance for up to 180 days and to request a forbearance extension for another 180 days. However, this forbearance does not go into effect automatically – you must contact your lender or loan servicer to request it.=

Although forbearance does not come with any additional costs, fees, or penalties, interest does continue to accrue on your loan, and eventually, the missed payments must be paid.

How do I request mortgage forbearance?

Before you call your mortgage lender or servicer, have your account number handy and be ready to explain that you are in financial distress due to the pandemic. Chances are you will be on hold a while as many homeowners are in the same predicament as you are. When you get an agent on the phone, you will want to ask the following questions:

- What are my options to temporarily reduce or suspend my monthly mortgage payments?
- Am I eligible for forbearance, loan modification, or any other mortgage relief?

If you have already missed payments due to the pandemic, also ask if it is possible for the lender or servicer to waive any late charges that have accrued already.

Keep track of who you speak to and when, and once you are in forbearance or get a loan modification, be sure to get those arrangements in writing from your lender or servicer.

How do I repay the forbearance payments?

Generally, borrowers must repay forbearance payments either:

- by paying one lump sum when the forbearance expires;
- by adding an amount to the existing monthly payments over a set number of months;
- by extending the loan term with additional monthly payments;
- by paying a lump sum at the end of the loan term.

Discuss your repayment options with your lender or servicer when you ask for forbearance, so there are no surprises. The following types of loans have these options:

Mortgages through Fannie Mae & Freddie Mac

- Borrowers may repay the past due amount within 12 months after forbearance terminates;
- Borrowers may extend their mortgage term by the number of months in forbearance;
- Borrowers may add the past due amount to the loan balance, and extend the term of the loan by the number of months necessary to make their monthly mortgage payment the same;
- Borrowers may add the past due amount to the loan balance and extend the loan term for 40 years (480 months), lowering their monthly payment but paying more in

interest.

FHA Mortgages

- Borrowers may enter into a repayment plan apart from the mortgage payments, to repay the past due amount within 6 months after forbearance ends;
- Borrowers may extend the loan term to 30 years (360 months) and add the past due amount to their monthly payments;
- Borrowers can pay the past due amount in a lump sum at the end of the loan term.

Veterans Administration (VA) Loans

- Borrowers may enter into a repayment plan to repay past due amount within 6 months after forbearance ends;
- Borrowers may add the past due amount to the loan balance and extend the loan term to 30 years (360 months);
- Borrowers can cap payments 31% of gross income by extending the loan term to 30 years (360 months) with the option to forbear the principal.

What if my mortgage is not backed by the federal government?

You may still be eligible for mortgage relief, whether it is forbearance or a loan modification. Contact your lender or servicer. Many financial institutions are working with their borrowers to weather the current crisis. There might be more detailed information about mortgage relief options on your lender or servicer's website.

What if I can't resume making mortgage payments when forbearance ends?

Again, contact your lender or servicer to find out what your options are.

There is no telling when this health crisis will end and when the economy will recover. Mortgage relief options may be offered and extended into the foreseeable future. Whatever your circumstances, safeguard your good credit and your home by communicating with your servicer or lender. They will work with you because they would rather be paid than foreclose.