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. Here's what you should know.

You should pay your mortgage if you can afford it.

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

Not all mortgage loans qualify for 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 HUD-1 Settlement Statement from when you bought the house and if you see a 13-digit HUD case number in the upper right hand corner, you have an FHA loan; or
- 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.

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

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.
  - Other programs allow more or less time.
  - HUD and FHA are allowing **up to** 1 year.
- This provides for a **temporary** period of time when you do not have to make your full monthly payments.
- The payments are **not waived or forgiven; you will have to pay them back.**

What Happens at the End of a Forbearance Agreement?

- Your servicer may require you to do one of these actions or something different:
  - **Pay the full amount in a lump sum at the end of the forbearance period;**
  - Add an extra amount to your regular payments each month until the entire amount is repaid;
  - Add the suspended payments to the end of the loan; or
  - Apply for a loan modification in which the servicer might add the unpaid amounts to the balance of the loan, increase the repayment term of your loan, or lower the interest rate.

- When you first talk to your servicer about a forbearance agreement, make sure to ask:
  - What repayment options are available at the end of the forbearance period for both your principal and interest payments and escrow payments (real estate taxes and insurance); and
  - Whether late fees and interest continue to accrue during the forbearance period.

- To get answers on repayment options, immediately after requesting a forbearance agreement from your mortgage loan servicer, send them 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. If you are seeking a permanent modification of your loan after the forbearance period ends, you may have to start that process shortly after your loan initially goes into forbearance.
  - You can see a sample letter with instructions here 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.