WHAT IS MORTGAGE **FORBEARANCE?**

At the time of writing, over 4 million homeowners had requested a forbearance plan from their mortgage loan servicer. Under the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, homeowners can suspend their mortgage payments if they have a federally backed mortgage.

Forbearance occurs when a borrower's loan servicer allows the borrower to pause or reduce their payments for a limited time period. Forbearance does not erase what the borrower owes. The borrower will have to repay any missed or reduced payments in the future. The types of forbearance available varies by loan type.

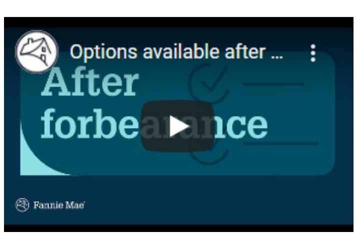
At the end of the forbearance, the borrower's options can include paying their missed payments:

- **At one time**
- **Spread out over a period of months**
- **Added as additional payments, or**
- **Added as a lump sum at the end of their mortgage**

The CARES Act requires service rs to grant forbearance for up to 180 days, with a one-time extension of 180 days for borrowers experiencing a hardship due to COVID-19 issues, such as, loss of income, unemployment, illness or caring for a sick relative.

The CARES Act also provides protection against derogatory marks against the borrower's credit. The servicer, however, can report notes to the credit bureau that can be seen by any future creditor that could prevent the borrower from obtaining any type of new financing for a 12-month period.

When the Federal Housing Finance Agency reports servicers who collect payments on mortgages backed by Fannie Mae and Freddie Mac, they will only be required to cover four months of missed payments on loans in forbearance.



The big question is what happens when that four-month period is over? As it turns out, the Government Sponsored Entities (GSEs) themselves are preparing to cover any remaining advances for as long as those loans remain in forbearance.

What does this mean to the title industry?

To prevent payoff losses due to deferred payments, settlement agents should:

- Ask borrowers if they have entered into a forbearance or loan modification agreement with their lender at the opening of the transaction
- Review the preliminary report or commitment for title insurance for junior liens, securing the deferred payments
- Ensure the payoff request includes the following language:

  "Please furnish to us a statement of the amount necessary to pay in full, including any amounts deferred due to a forbearance or modification agreement.

  If the borrower entered into a forbearance agreement and you are not the entity servicing any deferred amounts, please provide the contact information for the entity who is."

- Review the payout statement for deferred principal balance amounts

The last item is important. If the deferred amounts are not contained in the payoff statements, it is likely the amounts are being serviced by another loan servicer and a separate payoff statement will need to be requested.

MORTGAGE FORBEARANCE MYTHS vs FACTS

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Myth: I will have to pay the missed amounts all at once when the forbearance plan ends.

Fact: A mortgage forbearance plan does not result in reducing or forgiving the amount you owe. You will have to make payment arrangements to cure all unpaid amounts once the forbearance plan ends. However, you do not have to pay the missed amounts all at once, unless you can afford to do so. If you can, this will reinstate your loan and you can go back to making regular monthly payments. You may also consider working with your mortgage servicer to pay a portion of the missed amounts in addition to your regular monthly mortgage payments within a given time period, until all unpaid amounts have been repaid (also known as a repayment plan). Another option is Fannie Mae's COVID-19 payment deferral, where the missed amounts are added to the end of the loan as a non-interest-bearing balance. With COVID-19 payment deferral, the deferred amount is due on the last mortgage payment date (or earlier whenever the home is sold, the loan is refinanced or otherwise paid off). If these are not viable repayment solutions, remain in contact with your mortgage servicer to discuss modifying the terms of your mortgage to assist with repaying the total amount due. Find out more about COVID-19 relief options here.

Myth: A forbearance plan will negatively impact my credit score.

Fact: If your loan is covered under the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) your mortgage servicing company should report your loan as current to credit reporting companies if you were current on your mortgage payments before receiving a forbearance or other payment accommodation related to COVID-19 as long as you have made any forbearance plan or other COVID-19-related accommodation payments (or no payments) as required by your plan. Make sure to monitor your credit reports to find and resolve any inaccurate information.

Myth: If I enter a forbearance plan, I will be ineligible to refinance or get a new mortgage loan.

Fact: You may be eligible for a refinance or a new mortgage loan if you are in forbearance but have continued to make timely payments. You may also be eligible for a refinance or a new mortgage loan if you were previously in forbearance but have resolved any missed payments through a reinstatement or have made three timely payments either in accordance with a repayment plan or following a payment deferral, or completed the trial period plan payments in connection with a modification. Contact your mortgage lender to discuss your options as other eligibility requirements may apply.

Myth: If I contact my mortgage servicer and ask about a forbearance plan, they will automatically put me on a forbearance plan.

Fact: If you proactively contact your mortgage servicer about a forbearance plan, your mortgage servicer will provide guidance to help you determine your options. If you request a forbearance and are eligible, your mortgage servicer will communicate the next steps and provide you with an agreement that summarizes the terms of the forbearance plan.

Myth: If I am unintentionally placed on a forbearance plan and prefer not to be on one, I have to remain on the forbearance plan for the duration of the forbearance period.

Fact: If you were placed on a forbearance plan but did not request one you should contact your mortgage servicer immediately. You do not have to accept a forbearance plan that you did not request. If you are experiencing a hardship and need assistance, your mortgage servicer should discuss your options.

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