



COVID-19 Financial Information for Consumers

Mortgage Financial Assistance

On March 27th President Trump signed the CARES Act into law. Under the Cares Act, mortgages that were sold to Fannie Mae, Freddie Mac, Veteran Affairs and USDA must allow consumers facing financial distress due to COVID-19 to have mortgage payments postponed (deferred) for 6-12 months. MA Governor Baker and the MA Division of Banks also encouraged financial institutions to offer payment options for those impacted by COVID-19.

What does that mean to you?

If you are impacted by COVID-19 and unable to make your mortgage payments, help is available! Your mortgage servicer will be able to work with you and postpone mortgage payments for perhaps 6-12 months. This is temporary and **you will still be obligated to pay any mortgage payments that were postponed (deferred).**

Whom do I contact?

The first step is to contact your mortgage servicer. A mortgage servicer is the company who processes your mortgage payments and handles paying taxes and insurance payments if these are included in your monthly payment. Your loan servicer might be the original lender who provided you with a mortgage or it may be another company. Your mortgage statement will have contact information for your servicer.

What is a loan forbearance?

The temporary postponement of your mortgage payments is called loan forbearance. There are different repayment options that your servicer will discuss with you. The most important thing to know is that **you will still owe and need to pay back the mortgage payments that were postponed.**

The forbearance process is complicated. Repayment options will vary based upon your financial situation, what type of mortgage you have and who owns your mortgage. Some of the options may include:

- **Repayment of the missed mortgage payments at the end of the deferment:** For example, if your regular mortgage payment is \$1,000 and your servicer postpones (defers) your mortgage payment for six months, at the end of the six months the \$6,000 in missed mortgage payments might be spread over twelve months and added to the regular mortgage payment of \$1,000. Your new payment would be \$1,500 for the next twelve months (\$1,000 for your regular mortgage payment and an additional \$500 towards the 6 payments that were postponed (deferred).
- **Repayment of the missed mortgage payments at the end of the mortgage:** For example, if your regular mortgage payment is \$1,000 and your servicer postpones your mortgage payment for six months, at the end of the mortgage an additional \$6,000 would be owed. You can always make additional principal payments at any time during the mortgage to voluntarily repay the postponed (deferred) amount.

What about my taxes, insurance and condo payments?

It's important that these payments are always made. Discuss this with your servicer. The servicer may need to make these payments on your behalf if

you are unable to pay them. These amounts will be added to the amount that you will need to repay.

What if I am still working?

If the COVID-19 crisis has not financially impacted you, then continue making your mortgage payments. Don't call your mortgage servicer if you aren't facing an immediate issue. Mortgage servicers are getting a lot of calls and need to help those who won't be able to pay their mortgage due to COVID-19

Can I obtain a loan forbearance even if I can afford my mortgage payment?

It depends. Under the CARES Act, a homeowner needs to affirm that he/she is experiencing a financial hardship during and caused by the COVID-19 emergency. No additional documentation is required. The CARES Act applies only to federally backed residential mortgage loans. It includes Federal Housing Administration-insured mortgages, including reverse mortgages; Veterans Affairs-guaranteed mortgages; U.S Department of Agriculture-guaranteed mortgages; and conforming mortgages.

If you have a Fannie Mae, Freddie Mac, VA, USDA or reverse mortgage then you can apply for a forbearance under the CARES Act. For other types of loans, you may need to document your financial hardship in order to receive a forbearance.

What impact will forbearances have on my servicer?

Mortgage servicers are still required to pay monthly mortgage payments to investors, insurance premiums to insurance carriers and real estate taxes to cities and towns. That means even though you are not making payments, payments on your behalf are still needing to be repaid.

Already after only two weeks from the signing of the CARES Act, over 2 million forbearance requests have been received. The Urban Institute has predicted that if 12% of borrowers received forbearance for six months, the cost to servicers would be \$33 billion.

What about my credit report?

Under the CARES Act, if you are granted a forbearance:

- You won't incur late fees
- You won't have delinquencies reported to credit reporting companies
- Foreclosure and other legal proceedings will be suspended

Be sure to monitor your credit report each month to make sure that your deferment is being reported correctly. Although there will be no late charges, the forbearance may impact your ability to obtain financing in the future.

Be aware of scams!

Scammers often take advantage of consumers during disasters. In addition to coronavirus-related scams, there are other scams from companies that are not your loan servicer promising financial relief. Here are some things that scammers will do:

- Charge a high up-front fee for their services
- Promise to get you a loan modification
- Ask you to sign over your property title
- Ask you to sign papers you don't understand
- Tell you to make payments to someone other than your servicer
- Tell you to stop making payments altogether
- Promise you payments in connection with providing credit card numbers and other personal information

Additional resources:

Consumer Financial Protection Bureau:
www.consumerfinance.gov/coronavirus/

Mass.gov
www.mass.gov/info-details/COVID-19-resources

Fannie Mae
www.fanniemae.com

Freddie Mac:
www.freddiemac.com