

Forbearance Options for Borrowers Facing Hardship due to the COVID-19 Pandemic

By Rhonda L. Duddy, Esq.

The Federal Housing Administration (FHA) recently announced new and extended COVID-19 relief options for borrowers struggling to make their mortgage payments because of the COVID-19 pandemic. The Principal Deputy Assistant Secretary for the Office of Housing and FHA, Lopa Kolluri stated, “Our top priority is to help as many individuals and families as possible to recover from the COVID-19 pandemic and keep their homes.”



Included in the group eligible for relief are senior homeowners with reverse mortgages who need assistance to remain in their homes. A similar measure was also recently taken by Fannie Mae and Freddie Mac, who will continue to offer COVID-19 forbearance to qualifying multifamily property owners, as needed.

The forbearance request period was scheduled to expire on September 30, 2021. However, on September 27, 2021, the U.S. Department of Housing and Urban Development (HUD) released a Mortgagee Letter that included important information about FHA’s COVID-19 forbearance. The letter indicated a new forbearance period beginning on October 1, 2021.

For FHA mortgage borrowers who had previously requested an extension during the period of July 1, 2021, through September 30, 2021, and were originally granted a six-month forbearance period, that period has now been extended an additional six months for a total of twelve months. Borrowers who have not previously requested relief may ask for a forbearance of up to six months, with an additional six-month extension. The forbearance period will not extend more than six months after the expiration of the national emergency, or September 30, 2022, whichever is later.

For reverse mortgage borrowers, HUD is also providing an additional period of up to six months for a COVID-19 extension when the initial extension request was made between July 1, 2021 and September 30, 2021.

Property owners whose multifamily mortgage loan is backed by Fannie Mae or Freddie Mac may now continue to qualify for new or modified forbearance if they have experienced financial hardship due to the COVID-19 pandemic. However, they must also extend relief to their eligible tenants and inform them in writing about their protections during the property owner's forbearance and repayment periods. The property owner must also agree not to evict tenants solely for the nonpayment of rent while the property is in forbearance.

A forbearance is the allowance of your mortgage servicer or lender to pause or reduce your mortgage payments for a limited time. Forbearance is not automatic. You must request it from your mortgage servicer. There are no extra fees, penalties, or interest added to your account during the forbearance period.

With respect to repayment, the borrower will need to repay any reduced or paused payments. However, they will not have to pay them back all at once (as a lump sum) at the end of forbearance. Before the borrower's forbearance period ends, or as soon as the borrower is able to resume making payments, the borrower should contact their mortgage servicer about the repayment options available to them. One of the options available to borrowers who can resume making their current monthly mortgage payment is a partial claim. The partial claim is an interest free and no-fee loan from HUD that converts a borrower's reduced or paused payments to a secured junior lien on their property. The borrower must repay this junior lien when they sell their home, refinance, or when their mortgage otherwise ends.

These measures were taken in order to respond to the continued financial impacts of the pandemic. For those who are behind on their mortgage payments please contact your mortgage servicer to see if a COVID-19 forbearance or extension program is right for you.