

MORTGAGES AND COVID-19



Community
Legal Services

CONVENTIONAL MORTGAGES

FNMA (Fannie Mae) or Freddie Mac

- Higher down payment
- Higher income
- Higher credit score

Loans are made by a bank or other mortgage lender to the homeowner. The government then purchases (and becomes the owner of the loan) from the lender so that lender now has more funds to make additional loans. The homeowner's monthly payments are usually made to a loan servicer.

Almost 50% of the nation's mortgages are owned or backed by FNMA or Freddie Mac

GOVERNMENT INSURED/GUARANTEED MORTGAGES

FHA

- Lesser down payment
- Lower income
- Lower credit score

VA

- No down payment
- Current military, Veterans and eligible surviving spouse

USDA

- Loans are made by a bank or other mortgage lender to the homeowner. The government insures all or a portion of the loan. If the borrower defaults, the government pays the lender.

GOVERNMENT INSURED/GUARANTEED MORTGAGES (Continued)

Two protections are presently in place for the above-referenced loans:

1. **Foreclosure moratorium**

The CARES Act prohibits a lender or servicer from starting a foreclosure or completing a foreclosure during the period from March 18 – May 16.

GET CONFIRMATION OF POSTPONEMENT OF TRUSTEE SALE IN WRITING OR CONFIRM POSTING ON TRUSTEE WEBSITE

2. **Forebearance**

During the covered period (ending at the sooner of the national emergency or Dec. 31, 2020), If you experience financial hardship due to COVID-19, you can request a forbearance (reduction or suspension) of your mortgage payments for up to 180 days; and can request an additional extension for up to another 180 days. Forbearance does not forgive or release you from making the reduced or suspended payments. Rather, the reduced or suspended amounts will have to be paid at a later date. There will be no additional fees, penalties or interest as a result of the forbearance.

GET CONFIRMATION OF FOREBEARANCE IN WRITING

Toward the end of the forbearance period, your mortgage servicer is required to work with you on a mortgage modification so you can afford your mortgage payments going forward.

GOVERNMENT INSURED/GUARANTEED MORTGAGES (Continued)

Additional information for the above-referenced loans can be found at:

- CFPB Guide to coronavirus mortgage relief options
- FHFA COVID-19 Information and Resources

Also see the FHFA Frequently Asked Question: Fannie Mae and Freddie Mac Assistance Options for Families Impacted by COVID-19 at the end of this powerpoint.

PRIVATE MORTGAGE LENDERS

Relief for lenders other than listed above may be available. Arizona has reached an agreement under which bank will suspend foreclosures for the 60 days from the beginning of April to the end of May, with the possibility the suspension will be extended while the State is under a state of emergency. You can contact your lender to see what type of loan relief programs are being offered. A list of contact information is available in the Credit Karma article entitled "Coronavirus: Mortgage debt relief programs for homeowners".

ADDITIONAL ASSISTANCE

The Arizona Department of Housing has a program called Save Our Home AZ that provides assistance in making mortgage payments for people who have experienced a hardship (not limited to COVID-19 related hardships). For more information, go to the Arizona Department of Housing website.

Bankruptcy

If do not have confirmation in writing that Trustee Sale is postponed, must take steps stop the sale by injunction or Bk. If sale is completed, presumed to be valid and very difficult to undo. ARS 33-811(C).

BANKRUPTCY

Chapter 7

Temporarily stops foreclosure

Allows time to either:

- Get loan modification or Save Our Home
- Sell home and recover equity

BANKRUPTCY (Continued)

Chapter 13

Stops foreclosure

- Continue making regular monthly mortgage payment
- Payment plan through the Bk to repay the arrearages

▶ CARES ACT CHANGES TO BANKRUPTCY

CHAPTER 7: MEANS TEST MODIFIED TO EXCLUDE GOVERNMENT PAYMENT

CHAPTER 13: RELIEF PAYMENTS MADE TO INDIVIDUALS ARE NOT INCLUDED IN MONTHLY DISPOSABLE INCOME AMOUNT

ALSO ABLE TO MODIFY PLANS TO EXTEND IF IMPACTED BY COVID

WHEN DO THE CARES ACT CHANGES APPLY?

Changes to Chapter 7 and Chapter 13 filings are applicable to all pending cases.

They are also applicable for one year after the CARES Act went into effect.

FAQ

One Page Handout



FREQUENTLY ASKED QUESTIONS: FANNIE MAE AND FREDDIE MAC ASSISTANCE OPTIONS FOR FAMILIES IMPACTED BY COVID-19

What help is available for homeowners impacted by COVID-19?

Homeowners unable to make their mortgage payments resulting from the impact of COVID-19 (regardless of whether they have contracted the virus) may be eligible for a mortgage forbearance plan to reduce or suspend their mortgage payments for up to 12 months.

This assistance is available to homeowners with single family or condominium mortgages owned by Fannie Mae or Freddie Mac (the Enterprises) regardless of whether their property is owner occupied, a second home, or an investment property.

What is a forbearance plan?

A forbearance plan is an agreement between a homeowner and their mortgage servicer (the company they send their monthly mortgage payments to) that establishes an alternative payment schedule to reduce or suspend payments for a period of time. Importantly, mortgage forbearance plans do not reduce the principal amount owed on a mortgage, and interest continues to accrue for the duration of the plan. Homeowners who can afford to make partial payments should do so in order to lessen the amount due at the end of the forbearance.

Will the homeowner have to pay extra fees?

While in forbearance, homeowners do not incur late fees or other penalties. However, the terms of the mortgage are unchanged, and arrangements will need to be made with the servicer to make up missed payments.

What happens at the end of the forbearance?

At the end of the forbearance period, homeowners are still required to eventually fully repay the forbearance, but they will not have to repay it all at once unless they are able to do so. Servicers will reach out to homeowners in forbearance about 30 days before the scheduled end of forbearance to determine which assistance program works best for the homeowner at that point – a repayment plan, loan modification, or an extension of the forbearance period if needed.

How do homeowners in need of assistance enter into a forbearance plan?

Homeowners must contact their servicer to let them know they are impacted and having difficulty making their mortgage payment. Servicers will review the homeowner's situation to determine whether forbearance is appropriate. Homeowners do not need to provide extensive documentation to be placed in a forbearance plan.

When should a homeowner contact their mortgage servicer?

Forbearance is for homeowners in need of assistance, so only those unable to make their mortgage payment should request it. The first step homeowners should take is to determine whether they are able to make their next mortgage payment. Those homeowners still able to pay their mortgage, should continue to do so. Homeowners unable to make their next mortgage payment due to a decline in income resulting from the impact of COVID-19, should call their servicer immediately upon making that determination.

Where can homeowners go for more information or to find out if their mortgage is owned by one of the Enterprises?

Homeowners can use Fannie Mae or Freddie Mac's "loan lookup" tools on their respective websites – <https://www.knowyouroptions.com/loanlookup> for Fannie Mae or <https://www3.freddie.com/loanlookup/> for Freddie Mac.

Is there any assistance available for renters?

Yes. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which became law on March 27, 2020, institutes a 120-day suspension on evictions for renters unable to pay rent in Federally-assisted properties, which includes single-family and multifamily properties with loans owned or securitized by the Enterprises.

