

## FORECLOSURE PREVENTION

### **Current foreclosure moratorium runs through June 30, 2020**

- U.S. Department of Housing and Urban Development (HUD) Secretary Ben Carson, in consultation with the Trump Administration and the Coronavirus Task Force, authorized the Federal Housing Administration (FHA) to implement an immediate [foreclosure and eviction moratorium](https://www.hud.gov/sites/dfiles/OCHCO/documents/2020-13hsngml.pdf) for single family homeowners with FHA-insured mortgages for the next 60 days beginning March 18 (ending May 17<sup>th</sup>). On May 14<sup>th</sup>, Secretary Carson extended this moratorium through at least the end of June 2020. These moratoriums are part of the continued effort by President Trump to address impacts to the financial well-being of America's individuals, families, and businesses caused by Coronavirus (COVID-19). The guidance issued applies to homeowners with FHA-insured Title II Single Family forward and Home Equity Conversion (reverse) mortgages.

<https://www.hud.gov/sites/dfiles/OCHCO/documents/2020-13hsngml.pdf>

- The Federal Housing Finance Agency (FHFA), which oversees mortgage giants Fannie Mae and Freddie Mac, also extended its foreclosure moratorium through at least the end of June, 2020. This moratorium applies to any mortgage that is owned by a government sponsored enterprise (GSE), more commonly known as Fannie Mae or Freddie Mac

<https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Extends-Foreclosure-and-Eviction-Moratorium.aspx>

- The Department of Veterans' Affairs, which guarantees VA loans, has issued its own extension of the foreclosure moratorium. It also extended the prohibition against foreclosing on VA loans through June 30, 2020

[https://www.benefits.va.gov/HOMELOANS/documents/circulars/26\\_20\\_18.pdf](https://www.benefits.va.gov/HOMELOANS/documents/circulars/26_20_18.pdf)

- Mortgages that are guaranteed by the United States Department of Agriculture (USDA loans) also received an extension of the foreclosure moratorium through June 30<sup>th</sup>.

## **CARES ACT relief for homeowners**

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), passed March 27<sup>th</sup>, created further temporary foreclosure protections for homeowners with **federally-backed** mortgages.
- The CARES Act extended the foreclosure moratorium to all **federally-backed** mortgages, not just FHA insured mortgages.

### **What is a federally backed mortgage under the CARES Act?**

- A federally-backed mortgage is a mortgage that is issued, purchased, or insured by one of the following government agencies: Fannie Mae, Freddie Mac, the United States Department of Veteran's Affairs (VA), the Federal Housing Administration (FHA), and the United States Department of Agriculture (USDA).

### **How do I find-out if my mortgage is federally-backed?**

- Check these websites to find out if you have a Fannie Mae or Freddie Mac mortgage:
  - Fannie Mae: <http://www.knowyouroptions.com/loanlookup>
  - Freddie Mac: <https://ww3.freddiemac.com/corporate>
- Call HUD at 1-877-622-8525 and ask if you have an FHA mortgage.
- Call your loan servicer and ask if you have a federally-backed mortgage.
- Send your loan servicer a "Request for Information" letter. In the letter, ask who owns your mortgage. Also ask if a federal agency issued, purchased, or insured it. The letter must be sent to the address where your loan servicer accepts "Request for Information" letters. This address is usually listed on your loan servicer's website or your monthly mortgage statement.
- For more instructions about finding out who owns your mortgage, including how to write a "Request for Information" letter, visit [www.consumerfinance.gov/ask-cfpb/how-can-i-tell-who-owns-my-mortgage-en-214/](http://www.consumerfinance.gov/ask-cfpb/how-can-i-tell-who-owns-my-mortgage-en-214/)

### **What are my rights to avoid foreclosure if my loan is federally-backed?**

- Your lender cannot foreclose on you until at least June 30, 2020 if you have a loan insured by the FHA, backed by the FHFA (via Fannie Mae or Freddie Mac), or backed by the VA or USDA. In Texas, foreclosure sales are only held on the first Tuesday of every month.

- If you need it, your lender must offer you a forbearance agreement to temporarily suspend or reduce your mortgage payments. All you have to do is tell your mortgage servicer (middle man that sends you your monthly mortgage statements) that you're experiencing a financial hardship due to the economic effects of COVID-19. This can be done in writing or via phone. Some mortgage servicers may also have an online form you can complete to tell your servicer that you're experiencing a financial hardship due to the economic effects of COVID-19.
- The forbearance agreement can last up to 180 days. If you ask, the forbearance agreement can be extended up to another 180 days.
- You can ask for a forbearance agreement anytime between March 27<sup>th</sup> and the *earlier of*:
  - The end of the presidential disaster declaration due to COVID-19; or
  - December 31, 2020.

#### **What is a forbearance agreement?**

- A forbearance agreement is a short-term agreement with your lender that modifies your mortgage payments and limits your lender's right to foreclose. Under a forbearance agreement, your mortgage payments may be temporarily lowered or temporarily postponed.

#### **What are some important things I need to know about forbearance agreements?**

- A forbearance agreement does *not* cancel your requirement to pay your mortgage. After the forbearance agreement ends, you will have to pay back all of the mortgage payments that you put-off.
- Before you agree to a forbearance, make sure you understand up-front how you will be required to pay-back your mortgage. For example, you may need to make sure the lender will let you pay back the mortgage payments you did not make during your forbearance in installments instead of in one lump sum. There are other options available to ensure you able to continue to afford your home once the forbearance period ends. Your lender can foreclose on you in the future if you do not pay back your mortgage payments according to the terms of the forbearance agreement!
- Even with a forbearance agreement, some people still have mortgage-related expenses to pay – such as property taxes and homeowners

insurance, and possibly property owners' association assessments/dues – if they do not have an escrow account. Ask your lender to tell you if you have any expenses to pay while you are under a forbearance agreement.

- **What can I do if my mortgage is *not* federally backed?**
  - Only about two-thirds of mortgages in the United States are federally backed.
  - If your mortgage is not federally-backed, your lender *might* (but does not have to) offer you some kind of loss mitigation (forbearance agreements are one type of loss mitigation) to avoid foreclosure. Call your loan servicer or check your loan servicer's website.
  - Your loan might be owned by a company other than your loan servicer. Ask your loan servicer to tell you who owns your loan, or send your loan servicer a "Request for Information" letter as discussed above, requesting information from your loan servicer for all loss mitigation options available for your loan and instructions on to apply for and/or request each loss mitigation option.
  
- **Final Tips:**
  - If you can afford to pay your mortgage and still cover your necessary living expenses, go ahead and pay it.
  - If you can't afford to pay, find-out if you have a federally-backed mortgage. If so, contact your mortgage servicer right away and ask to set up a forbearance agreement. Make sure you understand the terms of the forbearance agreement before you sign-off.
  - If you don't have a federally-backed mortgage but can't afford your payments, you should still contact your loan servicer right away. Your loan servicer or the entity that owns your loan might be voluntarily offering other loss mitigation options to avoid foreclosure due to COVID-19.