



April 23, 2020

Re: information given to borrowers seeking forbearance about post-forbearance repayment options

We are writing today to urge your bank to simplify the process for borrowers to secure mortgage forbearance, and to ensure that homeowners are provided with the full range of post-forbearance options they may have. This is essential to borrowers seeking relief as they face the unprecedented financial fall-out from the COVID-19 pandemic. Borrowers seeking forbearance have reported being told that they will be required to make a balloon payment at the end of any forbearance.¹ The demand for a balloon payment is adding to the stress borrowers are already under, and fails to convey the range of post-forbearance options available to borrowers under both federal guidance and your own organization's policies.

As layoffs and business closures cut-off people's earnings, debt relief is essential so that families can stay in their homes and emerge post-crisis no worse off than before. Consumer Reports wrote to the Mortgage Bankers Association on March 26, 2020, urging all banks to put people first and establish easily-accessible, simple programs to provide immediate relief to mortgage borrowers.² The CARES Act gives single-family homeowners with federally-backed loans who are facing hardship during the COVID crisis the right to up to a year of mortgage forbearance. Millions of homeowners have sought forbearance of their mortgage obligations due to the severe financial hardship they are experiencing as a result of the novel coronavirus.³ Unfortunately, when CR asked consumers about their experience seeking help with their mortgage payments,⁴ borrowers told us that they are having difficulty contacting their servicer, and that they are not being given the range of post-forbearance repayment options.

¹ In addition to stories about this problem from CR members discussed below, there is widespread press coverage of this issue, *see for example* <https://www.wsj.com/articles/getting-a-mortgage-payment-break-isnt-the-boon-many-expected-11587634200>

² <https://advocacy.consumerreports.org/research/cr-letter-to-mortgage-bankers-association-calling-for-immediate-relief-for-borrowers/>

³ <https://www.wsj.com/articles/coronavirus-pandemic-fuels-rapid-increase-in-missed-mortgage-payments>

⁴ <https://www.consumerreports.org/stories?questionnaireId=143#>

Federal agencies have given servicers of federally-backed loans latitude to assist borrowers and ensure that borrowers can keep their homes.⁵ Dozens of mortgage borrowers reported to CR that their servicers have told them that they must repay the skipped payments in a lump sum when their forbearance ends. Not surprisingly, none of the borrowers who have contacted CR think this will be manageable. For example, we received this story from Jeanette from Connecticut:

[My servicer] stated that you could defer payments for 3 months if they reviewed your account status and you were approved. Then all monies were due at the end of the Three month period?If I can't pay now how can I pay three months worth?

The erroneous lump sum demand adds to the tremendous stress borrowers are already experiencing as a result of the current pandemic. Federal guidance requires servicers to contact borrowers before their forbearance period ends to discuss the specifics of the borrower's situation and determine a way forward.⁶ At the outset of a forbearance period, servicers must explain the range of post-forbearance options.⁷ There is no requirement that the servicer demand a balloon payment. And your company policies are apparently clear on this.

Nobody should face unnecessary hardship due to this emergency. Your organization should ensure that consumers who need relief are able to access it, and that your staff are trained to make clear to borrowers the range of post-forbearance repayment options in keeping with your organization's policies and federal guidance.

Thank you for your consideration.

Sincerely,

Christina Tetreault
Manager, Financial Policy

⁵ See for example: <https://singlefamily.fanniemae.com/media/22261/display> and <https://www.hud.gov/sites/dfiles/OCHCO/documents/20-06hsngml.pdf>.

⁶ <https://singlefamily.fanniemae.com/media/22261/display>

⁷ <https://singlefamily.fanniemae.com/media/22261/display>