



FHFA Announces Payment Deferral as New Repayment Option for Homeowners in COVID-19 Forbearance Plans

Washington, D.C. – To help homeowners who are in COVID-19 related forbearance, the Federal Housing Finance Agency (FHFA) has announced that Fannie Mae and Freddie Mac (the Enterprises) are making available a new payment deferral option. The payment deferral option allows borrowers, who are able to return to making their normal monthly mortgage payment, the ability to repay their missed payments at the time the home is sold, refinanced, or at maturity.

“For homeowners in forbearance due to COVID-19, payment deferral allows them to make up missed forbearance payments when they sell their home or refinance,” said FHFA Director Mark Calabria. “This new forbearance repayment solution responsibly simplifies options for homeowners while providing an additional tool for mortgage servicers. Borrowers who can pay their mortgage should, because missed payments remain an obligation that will ultimately have to be repaid.”

In response to the COVID-19 national emergency, borrowers with a financial hardship due to the pandemic have been able to receive forbearance, which is a pause or reduction in their monthly mortgage payment. The missed payments will have to be paid back by the borrower after the forbearance ends. FHFA and the Enterprises do not require lump sum repayment at the end of the forbearance. Servicers are required to evaluate borrowers for one of several repayment options, generally referred to as a “hierarchy” of repayment and loan modification options.

Payment deferral is one of the repayment options. **Payment deferral takes the missed mortgage payments and puts them into a payment due at the sale, or refinancing of the home, or the end of the loan. The borrower’s monthly mortgage payment will not change.** Mortgages that exercise the payment deferral option will remain in Enterprise Mortgage-Backed Securities, subject to the terms of the trust agreements.

Servicers will begin offering the payment deferral repayment option starting July 1, 2020.

In addition to the new payment deferral option, borrowers with COVID-19 related hardships can still utilize other options that include reinstatement, repayment plan, or loan modifications based on their individual situations.

Source:
<https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Payment-Deferral-as-New-Repayment-Option-for-Homeowners-in-COVID-19-Forbearance-Plans.aspx>