

Forbearance Guidance (Continuation from Forbearance is NOT Forgiveness)

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In these hard times, people are doing everything they can to survive; buy groceries, heating oil (yes in the Northeast, we still have our heat on), car payments and yes internet so you can home school your kids. No one wants to **not** pay their mortgage, but people have to prioritize their expenses with the resources they have. The house payment is usually the biggest bill people pay monthly and so with less money it goes to the bottom of the list.

I recently met Jason Jordan, of "The Divorce Loan Pro" on a training regarding the current housing and lending market conditions. What I'm sharing applies to both the general public and it will also have additional information that is very important for divorcing homeowners and your attorney/mediator to be aware of.

These are a few takeaways from Jason's outstanding experience and my own knowledge as a real estate short sale expert. I want to share them with you so you can gain a better understanding of what to expect if your need or have already gotten a forbearance of your residential mortgage:

Understanding the residual effect the of the current economic market and how it affects you as a homeowner. Understanding who the lending players are, what their role is and helping you to gain a better understanding of options that are available.

Lending Players:

1. Borrower: This is you, aka the "Guarantor".
2. Lender: This is the institution that helped the borrower to acquire the loan.
3. Investor / Bank: Once your loan is closed, it is sold to an "Investor", they own the loan.
4. Servicer: Collects the payment, manages impounds (taxes, insurance), and they deal with the borrowers who fail to make payments via loss mitigation.

Let's start with the "Servicer" and "Loss Mitigation":

There are four (possibly five) ways the "Servicer" can work with a borrower who is in financial hardship:

1. Forbearance: The temporary postponement of payments.
2. Loan Modification: The process of making application for a new, modified loan with new guidelines.
3. Short Sale: The process of selling the house for less than you owe on the mortgage.

4. Deed in Lieu of Foreclosure: The conveyance of all interest in real property to the mortgagee to satisfy a loan that is in default and avoid foreclosure proceedings.
5. *Deferment: The **very unlikely** process of tacking the missed payments to the end of the loan.*

A Deeper Dive”:

1. Forbearance:
 - a. Currently the federal government has made forbearance mandatory with no proof of financial hardship with a period of time that is determined by the servicer.
 - b. This may sound fantastic – YEA ... I just need to make an arrangement for forbearance and I don't have to make mortgage payments for 3, 6 or even 12 months with no repercussions because the federal government says my forbearance cannot be negatively reflected in my credit score. While this is true, the forbearance is recorded in your credit report and this is where forbearance can get ugly.
 - c. Everything I know about forbearance and from my experience and the experience of other experts I have consulted with, requires re-payment in full at the end of the forbearance period. So, if you have a \$2,000 mortgage payment each month and you obtain a 12 month forbearance, you will most likely be required to make a single, lump sum payment in month 13 for \$26,000. My math isn't off... in month 13, *you may* (depending on the conditions of your forbearance) be required to pay the previous 12 months plus month 13 which accounts for the current months payment.
 - d. If you are unable to make this payment, the bank may actually be able to begin an expedited foreclosure process. ***Forbearance does not guarantee foreclosure avoidance.***
 - e. So, if you can make your payments, it's always best to continue to pay them.
2. Loan Modification
 - a. After the housing market collapse in 2008, loan servicers were forced to create something to stop the bleeding of foreclosures. Loan modifications were one way they did that.
 - b. This can be a great way to be able to keep your house, but you need to understand what you are actually signing up for, read the fine print, even hire an attorney to read it so you understand what you are signing.
 - c. I have worked with enough homeowners in recent months who have houses they purchased prior to 2008 and who obtained a loan modification after the collapse. Most have no idea what they signed and the consequences can be grave.
3. Short Sale

- a. A Short sale is the process by which a **borrower hires a realtor who is an expert in short sales to negotiate with the loan servicer on their behalf** to get the house sold for an amount less than what is owed on the loan, yet an amount that the servicer determines to be acceptable factoring market conditions and a whole bunch of other items.
 - b. How much does it cost to hire me to negotiate your short sale? My services as a short sale expert and those of my team who will negotiate on your behalf come at **no cost to you, the home seller, they are paid by the loan servicer or the buyer.**
 - c. A short sale is anything but short. The process can take quite a long time.
 - d. Time is of the essence. Most borrowers wait to make a decision to pursue a short sale until it's too late and there is no time left before a foreclosure is imminent.
 - e. If you enter into a forbearance on your mortgage, even if you feel confident you can repay the loan to the terms of the servicer, it is in your absolute best interest to at least talk to a local short sale expert so you know what to expect in case you cannot repay. Remember – Sooner is always better.
 - f. Reverse Mortgage? Yes, you are eligible for a short sale.
 - g. Full release of financial liability.
4. Deed in Lieu of Foreclosure
 - a. There are advantages and disadvantages to the borrower.
 - b. The borrower and the lender typically negotiate. The lender has the upper hand in the negotiations.
 - c. It's advised that you use a real estate attorney to negotiate on your behalf or that at the very least you have a real estate attorney review the settlement agreement.
 - d. Cost of attorney is responsibility of the borrower.
5. Deferment
 - a. Deferment is not the same as forbearance.
 - b. Banks and loan servicers are not required by the federal government to offer deferment and based on the terms of your loan may they may not have the ability to offer a deferment.

Ultimately, your goal is foreclosure avoidance.

I am here for you in good times and in bad. If you are in the state of NH or MA and you need help to better understand what your banker or lender is telling you, call me for assistance or information, I'm an expert in foreclosure avoidance. I would be happy to join you on the call (no cost) to help you understand what the bank is saying and to ask them the tough questions you don't know to ask.

If you need additional information or resources on foreclosure avoidance, I am giving my digital book away now, FREE, just email me at ReichertRealtyGroup@gmail.com or text me at 603.377.0281 and I will send you the link for immediate access.

I am giving the digital version of my book away to anyone who wants a copy, you just need to PRIVATE MESSAGE me and request it. I will send you the link and you will have immediate access to it for FREE.

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