

Mortgage assistance for wounded warriors and surviving spouses

By LCDR Marc J. Soss, SC, USN



On 27 September 2010, Fannie Mae announced a new initiative to assist wounded service members and surviving spouses who are struggling with their home mortgage payments. The initiative is in recognition of the financial hardship which results from the death or injury of a service member on active duty and provides for mortgage forbearance under certain criteria. The forbearance program will apply only to mortgages backed by Fannie Mae, although Bank of America, Citi-Mortgage, JP Morgan/Chase, USAA, Wells Fargo, First Citizens Bank and

Luxury Mortgage Corp. have created their own programs.

Eligibility for the forbearance program requires a financial hardship (due to either an injury or loss of a spouse), ineligibility to refinance their mortgage, and a mortgage deficiency of several months. Once eligibility is established, the program can provide a temporary suspension or reduction in monthly mortgage, for up to six months, and no adverse credit reporting (due to the mortgage deficiency).

After expiration of the forbearance period, the service member's family must repay the reduced or suspended

mortgage payments. This can be accomplished by: (1) extending the mortgage term; (2) a one-time catch-up payment; or (3) making additional monthly principal mortgage payments.

The program may be valuable to families who are struggling while they wait for a large lump sum benefit or insurance payment. However, it will provide no benefit to families whose homes are worth less than their mortgage, have unaffordable monthly mortgage payments, or who have suffered a sudden loss or reduction of income as a result of the service members injury or death. ⚓