



American Rescue Plan – Update 5 Homeowner Forbearance Plans

The September Report focuses on homeowner forbearance plans in Manatee and Sarasota Counties. This will be the final ARP plan report from GLS.

Please share and distribute as you see fit.

Homeowner Forbearance Plans End as Borrowers Decide How to Move Forward

Thousands of Florida homeowners paused their mortgage payments during the COVID-19 pandemic through the CARES Act federal forbearance program. Under the CARES Act, homeowners with federally backed mortgages, such as FHA, VA, USDA, Fannie Mae, or Freddie Mac loans, could request initial forbearance for six months, and further request a six-month extension for a year of mortgage forbearance. **Recently, the federal government created additional opportunities to extend forbearance, providing 18 months of total loan forbearance.** Many homeowners began their forbearance plans early in the pandemic, as a last resort during those days of business shut downs, layoffs, and widespread unemployment.

A homeowner's year of forbearance runs from when the forbearance plan was requested, so each mortgagor's forbearance period is specific to them. **This means that homeowners who entered plans early in the pandemic are at the end of forbearance.** Research from the New York Federal Reserve shows that about two-thirds of those who signed up for forbearance have exited those programs. **However, 2.2 million homeowners were still in forbearance at the end of April 2021.**

While no fees, penalties, or excess interest can be charged on paused payments under the CARES Act, borrowers still owe the loan principal and interest that wasn't paid during the forbearance period. **Forbearance is not loan forgiveness.** This means that borrowers no longer in forbearance need to make both the regular mortgage payments and the payments they paused while in forbearance.

The wave of homeowners enrolling was highest in March and April 2020, therefore September and October 2021 (18 months post-plan) are expected to see the largest number of forbearance terminations.

Struggling homeowners are in a better position now than they were at the start of the pandemic due to the recent run-up in home prices across the nation resulting in higher levels of home equity. According to CNBC, over 90% of troubled borrowers still have more than 10% equity in their homes, even before repaying paused payments. Therefore, selling a home with some profit is a more likely scenario today than losing an underwater home to foreclosure.

Pinellas County

501 First Ave. N, Suite 420
St. Petersburg, FL 33701
T: (727) 821-0726
F: (727) 821-3340

Sarasota & Manatee Counties

1112 Manatee Ave. E
Bradenton, FL 34208
T: (941) 746-6151
F: (941) 746-3661

Nonetheless, **at the end of June 2021, the Consumer Financial Protection Bureau (CFPB) amended mortgage servicing rules to assist borrowers affected by the pandemic.** Temporary provisions include:

- 1) requiring special COVID-19 loss mitigation procedural safeguards to ensure that a borrower has a meaningful opportunity to apply for loss mitigation before the mortgage account is referred to foreclosure;
- 2) providing servicers the ability to offer borrowers certain COVID-19-related streamlined loan modifications without a complete loss mitigation application;
- 3) requiring the provision of additional information promptly after early intervention live contacts are established with certain delinquent borrowers, and;
- 4) establishing timing requirements for when servicers must renew reasonable diligence efforts to obtain complete loss mitigation applications from certain borrowers.

Foreclosure filings may continue to increase as forbearance periods end and some borrowers cannot find appropriate repayment plans. Yet, home prices are high and many homeowners will be able to sell with some equity. Rick Sharga, executive vice president at Realty Trac, a property that lists foreclosure sales, **expects to see foreclosures increase over the next several months, but primarily on those loans that were in default prior to the temporary halt caused by CARES Act forbearance programs.**

If you or someone you know is worried about foreclosure call [Gulfcoast Legal Services](#) right away at 800-230-5920.