

Freddie Announces No Lump Sum Required After Forbearance

By: Jann Swanson | Mon, Apr 27 2020, 11:52 AM

Freddie Mac has laid out options that borrowers who have been granted forbearance on its loans have when it comes to repayment. The company's CEO David Brickman stressed that **borrowers will never be asked to repay missed payments in one lump sum.**

March, the company, along with the other GSE Fannie Mae, announced several actions to assist homeowners facing financial hardship due to COVID-19. These include forbearance during which a borrower's payments are reduced or suspended. While borrowers in forbearance must repay the missed payments, full repayment immediately following forbearance is **just one option open to them.**

Brickman said, "Simply put, if you are a homeowner seeking forbearance and Freddie Mac owns your loan, you are never required to make up missed payments in a lump sum. Our policies offer a number of options to bring borrowers current. We encourage homeowners facing hardship to work with their servicer to identify the plan that's appropriate for their unique situation."

Homeowners with a hardship can have up to 12 months of forbearance although servicers will typically start with a shorter timeframe, reassessing it over time. Once the hardship has been resolved the homeowners will have the following options.

- Full repayment or reinstatement. Missed payments are repaid, putting the loan back on track
- A repayment plan which allows borrowers to pay their regular monthly payments and an additional amount so they can catch up gradually.
- Payment deferral or modification. This would keep the monthly payments as originally agreed. The missed payments are added to the end of the loan.
- Loan modification. Changing the interest rate, loan term, or some other feature to lower the original payment amount.

Freddie Mac said **servicers will contact homeowners 30 days before the expiration of their forbearance to discuss options.** If borrowers feels a loan is not being handled properly, they should contact the Consumer Financial Protection Bureau.

We assume similar information will be forthcoming from Fannie Mae.

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