

FHA Borrowers Offered New Option for Catching Up on Loans

By: Jann Swanson | Thu, May 14 2020, 8:18 AM

The Federal Housing Finance Agency (FHFA) and both GSEs (Fannie Mae and Freddie Mac) **have announced a new option for homeowners in COVID-19 forbearance plans**, to eventually return their mortgages to performing status. As part of the CARES Act, a borrower in financial stress because of the pandemic can request forbearance, 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 and FHFA and the GSEs have offered several options including repayment plans, loan modifications, or reinstatement although they have repeatedly stressed that **no borrower will be required to make such a lump sum payment** of the arrearage.

The new option is payment deferral. This will allow borrowers, once they are able to return to making their normal monthly repayment, to **repay the missed payments when the home is sold, refinanced, or at the end of the mortgage term.**

"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."

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

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