

Post-2008 Standardized Practices Have Helped Manage Forbearances

By: Jann Swanson | Fri, Jan 15 2021, 10:17 AM

Fannie Mae said that the standardization of **servicing standards that followed the 2008 housing crisis** appears to have helped the industry **manage the recent flood of COVID-19 forbearance plans**. The company included a series of questions about forbearance management in its September Lender Sentiment Survey and has now released a special report on the responses.

Servicers had to move quickly to implement the forbearance programs, which were first announced by the GSEs Fannie Mae and Freddie Mac and by FHA but were then expanded and mandated by Congress under the CARES Act. They also had to manage the loans in forbearance, continue remittances to investors, and make insurance and tax payments out of escrow accounts. As the plans had three-month terms, borrowers had to be contacted to do renewals or to implement loan modifications or other exit strategies.

In its survey Fannie Mae asked questions to clarify the challenges servicers faced with the forbearances. It also asked executives who worked in mortgage servicing during the 2008 housing crisis to assess, separately, what aspects of servicing they found more challenging and less challenging compared to that experience.

According to the report, the leading challenges identified by servicers were: "1) keeping up with policy changes from investors; 2) customer-facing staffing capacity, and 3) training the customer-facing staff to provide guidance to homeowners on mortgage relief and loss mitigation options." Technology and the process for homeowners to request assistance were much less of a concern. **Nearly 70 percent of mortgage servicers said they had a website with mortgage relief information** and payment assistance requests and nearly 60 percent reported that the website helped reduce forbearance related call center volume.

The biggest challenges of interacting with homeowners, were: 1) explaining clearly to homeowners what their options were for repayment after forbearance; 2) explaining clearly to homeowners the potential implications of taking a forbearance plan; and 3) periodically checking in with homeowners to see if they were ready to exit forbearance.

A plurality of those respondents who had servicing experience in 2008 found the recent situation to be less challenging, including data and technology related standards, the process by which homeowners requested assistance and more generally "helping homeowners overcome hardship and stay in their homes." The one area in which respondents said it was more challenging in 2020 regarded **"keeping up with policy changes from investors."**

Fannie Mae conclude that common standards in servicing practices established after the housing crisis provided the foundation for minimum borrower outreach expectations. While the standards played an important role in providing the industry a leg-up during this crisis, it was widely recognized among servicers that the challenges faced this year required a different response.

Even though the sudden surge of demand for mortgage assistance has receded, many borrowers are still in need of help in accessing the relief and loss mitigation options available. Servicers are prioritizing the need for a timely response and for communicating clearly with borrowers. Fannie Mae says that more fully coordinated efforts to align policy and direction across the industry can help servicers respond to the current crisis and future crises with even greater effectiveness.

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