Consumer Federation of America

Exiting the Forbearance Period on Your Mortgage? Here's What to Do Next.

The economic fallout of the COVID-19 Pandemic posed a significant financial challenge to millions of homeowners across the United States. As a result, the CARES ACT required the servicers of federally-backed mortgages to offer borrowers forbearance (a period where mortgage payments are not required to be made and no penalties or fees are assessed as a result). While many consumers have resumed payments on their mortgages, at the midpoint of 2021, 1 out of 3 mortgagors still remained in forbearance. With many of these forbearance periods soon reaching their limit, here are three things that every consumer about to exit the forbearance period on their home mortgage should do next:

1. Don't Panic. The most important thing you can do right now is not let fear or anxiety cause you to avoid talking to your mortgage servicer. Speaking to your mortgage servicer jumpstarts the process for developing a plan that can help you remain in your home, so its important not to avoid calls. If you haven't heard from your mortgage servicer, take the initiative to call them and let them know that you want to discuss your options after forbearance.

2. Know Your Options. There are generally 4 ways that you can make up the mortgage payments that were missed during the forbearance period and resume current payments:

A. **Repayment Plan.** A repayment plan is the right option for you if you can afford to increase your monthly mortgage payments for a while in order to make up the amount that you did not pay during forbearance.

B. **Payment Deferral.** If you can afford to resume your mortgage payments, but don't have the money to pay extra in order to catch up the payments missed during forbearance, a payment deferral may be the right option for you. Under payment deferral, the servicer will add the missed payments to the end of your loan term in order to make up the difference.

C. **Mortgage Modification.** For consumers who cannot afford to resume their mortgage payments at the same amount, you may qualify for a mortgage modification. A modification can reduce your monthly payment to an amount lower than your previous payment so that your mortgage is affordable for you by extending the length of your loan to address any missed payment or reduction.

D. **Lump Sum Repayment.** A lump sum repayment requires you to pay all of your missed payments back immediately after the forbearance period ends. For the majority of consumers in the United States ,whose home are backed by the federal government, a lump sum repayment is not required in order to remain in your home.

The availability of each option depends upon your specific financial situation and mortgage type. That's why its so important for you to contact your servicer as soon as possible. By law, your servicer is required to tell you the date when your forbearance period ends and what options are available to you.

3. Get Help. If you still have questions or would like additional help interacting with your mortgage servicer, get help by reaching out to a HUD-Certified Housing Counselor. These counselors are approved and specifically trained by the federal government to help people who are having trouble paying their mortgages. They know the law and your options. **And they will help you for free**. To find a HUD-certified Housing counselor in your area, click here.