

# Mortgage suspension program worries loan servicers

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that he sees no sign of "systemic stress" on the non-bank side. He said that the number of forbearance requests at Fannie Mae and Freddie Mac are under 2% of the total portfolio, so far.

Cecala said it's too soon to say how large the problem could become. "The first payment anyone would miss would probably be the April payment. Even if they have an April 1 due date, it's not considered late until the 10th or 15th."

For borrowers, the biggest issue is simply getting through to servicers, many of which are banks that are also fielding calls about small-business lending and other relief programs in addition to their regular business.

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## Answers to your mortgage questions

Mortgage payments loom as many homeowners face a loss of income. Here's what those in financial distress need to know.

**Q: What should I do if I can't pay my mortgage?**

**A:** The federal Cares Act provides two benefits if you have a financial hardship caused directly or indirectly by the coronavirus and your loan is owned or guaranteed by a federal agency including Fannie Mae, Freddie Mac, the Federal Housing Administration, Department of Veterans Affairs and Department of Agriculture.

**Q: What does the Cares Act provide?**

**A:** First, your servicer cannot start a foreclosure, or finalize a foreclosure judgment or sale, for 60 days starting March 19. Second, if you have a financial hardship because of the coronavirus, you can get a forbearance for up to 180 days, plus one extension for another 180 days. You must ask your servicer for

this forbearance. You may have to write a letter explaining your coronavirus hardship, but won't need third-party documentation.

During forbearance, your payments are temporarily suspended, but not forgiven. You will have to pay them later. "There will be no additional fees, penalties or additional interest (beyond scheduled amounts) added to your account" during the forbearance, according to the Consumer Financial Protection Bureau. In addition, the servicer should not report late payments to credit bureaus during this period.

These provisions apply to government-backed loans on one- to four-family homes, including condo units, even if they are rented out.

**Q: How can I find out if my loan is government-backed?**

**A:** If you can't reach your servicer, you can find out if your loan is backed by Fannie Mae at [www.knowyouroptions.com/loanlookup](http://www.knowyouroptions.com/loanlookup) or Freddie Mac at [ww3.freddie-mac.com/loanlookup/](http://ww3.freddie-mac.com/loanlookup/). For FHA and VA loans, check your monthly loan statement or find the HUD-1 Settlement Statement you got when you bought the home.

**Q: What happens at the end of the forbearance period?**

**A:** Ask your servicer this question in advance and get the answer in writing. "That is the only safe way for anybody to proceed," said Pamela Simmons, a Soquel real estate attorney.

Normally at the end of a forbearance, the servicer can demand all missed payments in a lump sum,

said Sarah Bolling Mancini, an attorney with the National Consumer Law Center. But they may offer additional options, again depending on who owns the loan and the borrower's circumstances. It could tack the missed payments onto the end of the loan, which would extend the term but not the payment. It could add the missed payments to the balance, which would raise the payment but not term. It also could agree to other loan modifications such as a lower interest rate.

If the loan is backed by Fannie or Freddie, the servicer must try to contact the borrower no later than 30 days before the forbearance ends. The servicer "must make clear repaying all at once is not the only option" — it's only one of many. Servicers are supposed to work with borrowers to find a repayment plan that works best for both parties," the Federal Housing Finance Agency, which regulates Fannie and Freddie, said in an email.

FHA loans "never require a lump sum payment at the end of a forbearance period," according to the Housing and Urban Development Department. FHA has various workout options available including a new "COVID-19 stand-alone partial claim" that puts the missed payments into an interest-free subordinate lien that requires no payments during the term of the loan. Instead, the second lien comes due when the first mortgage is paid off or the borrower sells the property. To qualify for this second lien option, the borrower must live in the home, was current or less than 30 days past due as of March 1 and

is be able to resume making on-time payments at the end of the Cares Act forbearance.

**Q: What if my loan is not government-backed?**

**A:** Still call your servicer. It's not required to offer the same benefits, but might allow reduced or deferred payments. "There is still a lot of uncertainty from the Federal Housing Finance Agency about certain aspects of this forbearance period, but servicers are determined to make sure that borrowers have the same treatment regardless of where the loan ended up," said Michael Bright, chief executive of the Structured Finance Association, which represents which represents the securitized loan industry.

**Q: What if my property is rented out?**

**A:** Loans backed by the federal government on one- to four-family homes are eligible for the Cares Act forbearance. Owners of multifamily apartments, those with five or more units, also can seek forbearance but the process is more complicated.

The Cares Act also halts evictions of renters living in single-family and multifamily properties with federally backed mortgages from March 27 through July 25, regardless of whether the landlord gets a forbearance. It also halts evictions of renters from federally backed multifamily properties whose landlords receive forbearance, effective for the duration of the forbearance, which is capped at 90 days, according to the Urban Institute.

For more on evictions, see our detailed FAQ for renters at [SFChronicle.com](http://SFChronicle.com).

**Q: What if I didn't pay my property taxes?**

**A:** The deadline to pay the second installment of 2019-20 property taxes has been extended to May 4 in San Francisco and San Mateo counties. Other Bay Area counties have not changed the April 10 deadline. Taxpayers who are unable to pay their property taxes because of the coronavirus can apply for a penalty waiver after their county's due date. For an application, see your county tax collector's website.

**Q: Is there anything extra available in California?**

**A:** On March 25, Gov. Gavin Newsom announced that four of the nation's five largest banks agreed to suspend mortgage payments for 90 days for California homeowners affected by the coronavirus. Wells Fargo, JPMorgan Chase, Citibank and U.S. Bank, along with about 200 state-chartered banks and credit unions, agreed to the 90-day grace period. This program could cover nongovernment loans not eligible for Cares Act relief. The announcement did not say what would happen at the end of the grace period.

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