

# Automatic Loan Extensions for Homeowners Affected by COVID-19

## A Policy Brief from the Florida Housing Coalition

As of June 5<sup>th</sup>, 4.73 million home mortgages in the United States are currently in forbearance. Depending on the servicer and which federal entity backs the mortgage, homeowners have a variety of options for repaying missed payments due to COVID-19. While forbearance plans are a critical part of the response to assist homeowners during this economic crisis, what happens at the end of the forbearance term can have a profound impact on whether homeowners are able to maintain their homeownership. Lenders may have several options for borrowers at the end of the forbearance term, but it is likely that many homeowners are not fully aware of what those options are or how to negotiate the option that best fits their ability to repay. Homeowners in default may not have access to counseling services to make the right decision and servicers may be overwhelmed by the millions of forbearance requests.

**The Florida Housing Coalition recommends that mortgage servicers automatically place forbore payments at the end of the loan by extending the loan term. This allows homeowners to pay the same monthly payments through the life of the mortgage.**

The best way to protect homeowners and to prevent foreclosures is to place missed payments at the end of the loan in the form of additional monthly payments that follow the current term of the loan. For example, if a homeowner is in forbearance for six months and has 25 years left on the loan term, the loan will automatically be extended an additional six months so the borrower does not experience an increase in monthly payments after the forbearance period ends.

This default policy will allow homeowners to continue their monthly mortgage payments with no increase in monthly payment, ease the massive administrative burden on the mortgage servicing industry, and reduce the number of foreclosures. For homeowners that can repay their forbore payments more quickly after the forbearance period, homeowners may do so through existing repayment plan policies.

**This Policy will prevent foreclosures and preserve limited assistance dollars for greater needs.**

Due to the economic uncertainty caused by COVID-19, it will likely be difficult for many borrowers to pay greater than normal monthly mortgage payments after the forbearance period ends. By automatically giving homeowners the ability to pay the same monthly mortgage payments for the life of the loan, rather than being required to pay a lump sum or higher monthly payments, the likelihood of foreclosures will decrease. This policy also allows public and private entities to preserve limited resources for rental assistance and for homeowners that are unable to receive a forbearance plan.

*The Florida Housing Coalition, Inc., is a nonprofit, statewide membership organization whose mission is to bring together housing advocates and resources so that all Floridians have a quality affordable home and suitable living environment. For more information on policy implementation and training and technical assistance, please visit our website at <https://www.flhousing.org> or contact us at (850) 878-4219.*