



Mortgage Foreclosure Moratorium Extended - Housing Market Update

In an effort to help keep homeowners and renters suffering from financial burdens due to the pandemic in their homes, federal foreclosure and eviction moratoriums are being extended to August 31, 2020 from the original expiration date of June 30th.

Government backed entities Freddie Mac and Fannie Mae, which back conforming mortgages, are formally extending the moratorium on foreclosures and evictions on single family homes. The concern is that the lenders that loaned the actual mortgage funds, including banks and finance companies, are required to carry the cost of the mortgages during the moratorium. The additional burden of carrying the unpaid mortgages is tightening credit standards on new mortgages as lenders bear the risk and cost of the moratorium.

FHA-insured single family mortgages backed by the U.S. Department of Housing & Urban Development (HUD), will have an extension on moratoriums until the end of June. So, the expiration on moratoriums depends on what entity insures the mortgage loan.

Lenders of unpaid mortgages during the moratorium, are required to halt foreclosure actions and suspend any foreclosure proceedings that may have been in process. Evictions of residents renting from homeowners in moratorium, are also forbidden until the expiration of the moratorium.

It is suggested that homeowners with FHA-insured or Fannie Mae & Freddie Mac loans continue to make mortgage payments during the moratorium period. If homeowners can not make any payments, then they may seek forbearance on the payments via a provision in the CAREs Act. Homeowners affected by the coronavirus pandemic with a federally-backed loan can delay or reduce mortgage payments for up to a year. Lenders will not require a lump sum "balloon" payment at the end of the moratorium, yet may tack on the payments missed onto the balance of the mortgage loan.

Homeowners that don't have a government backed loan may get forbearance at the discretion of their mortgage lender.

Sources: Fannie Mae, Freddie Mac, U.S. Department of Housing & Urban Development

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