



# Homeownership Resilience

Preventing Financial Instability Webinar Series

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While homeownership education in Tribal communities continues to be a major priority for the programs we serve. This two-part webinar series seeks to discuss the impact of COVID-19 on our current homeowners. Practitioners will examine crisis budgeting, refinance options, and the technical process of payment deferral, forbearance, and loss mitigation. Lastly, review and discuss how to assist homeowners who have already enrolled in such programs and what education and training support they may need as a result.

Training objectives include:

- Review of budgeting for homeowners in crisis
- Evaluate refinancing options
- Define and examine mortgage payment deferral, forbearance, and loss mitigation tools

## OUR MEASURE OF FINANCIAL FRAGILITY

Financial fragility is the inability to cope with a mid-size shock in a short period of time. It is a self-assessed measure of capacity to deal with financial shocks, regardless of whether the source of funds is the respondent's own assets, capacity to borrow, a network of family and friends, or something else. In January 2020, about one-in-four Americans were financially fragile.

### Question

*How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?*

*Source: 2020 TIAA Institute-GFLEC Personal Finance Index (P-Fin Index). The survey is a joint project of the TIAA Institute and GFLEC. The data was collected in January 2020.*

### Percentage of Americans

51%

I am certain I could come up with the full \$2,000

22%

I could probably come up with \$2,000

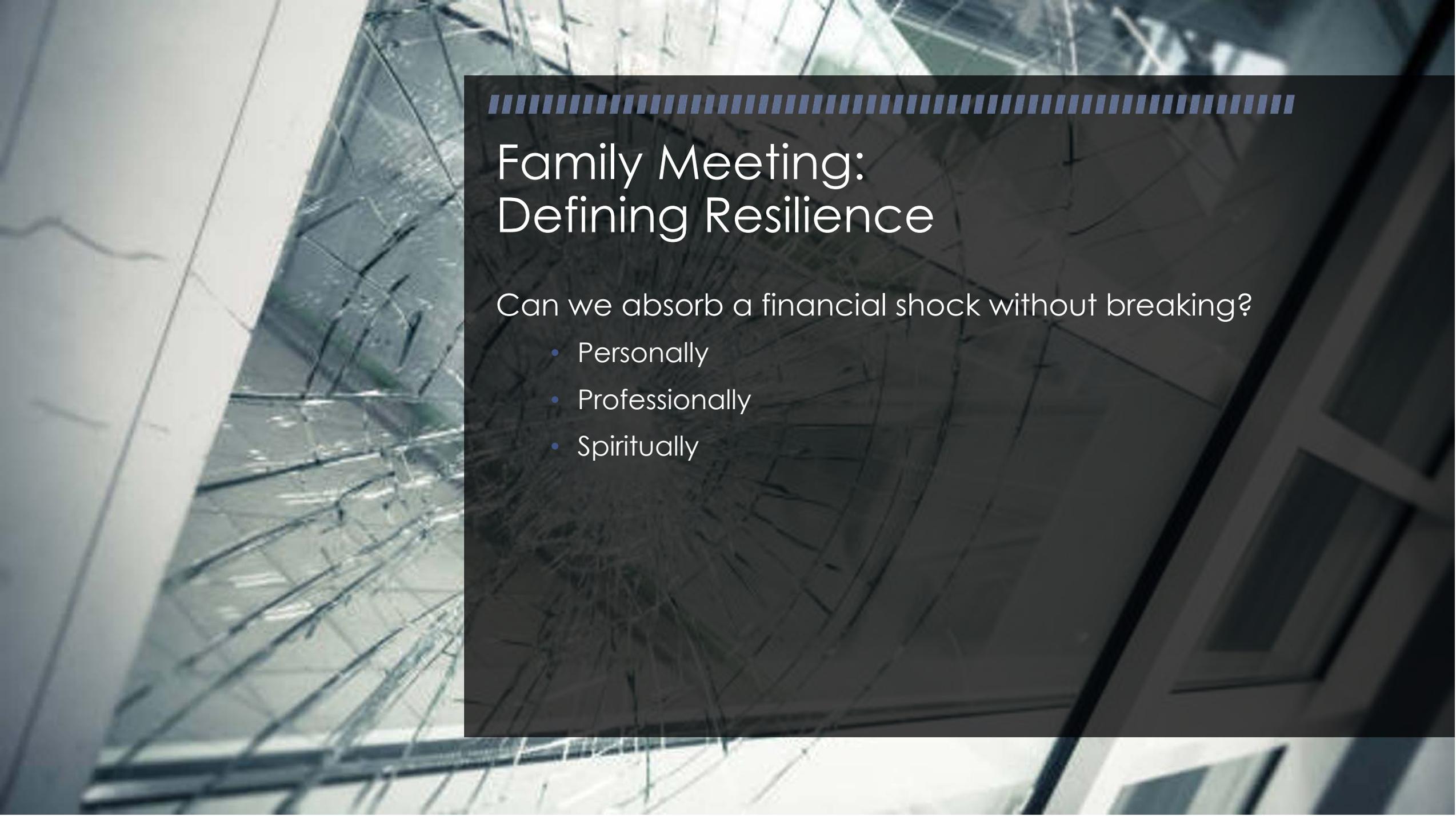
27% are financially fragile

10%

I could probably not come up with \$2,000

17%

I am certain I could not come up with \$2,000



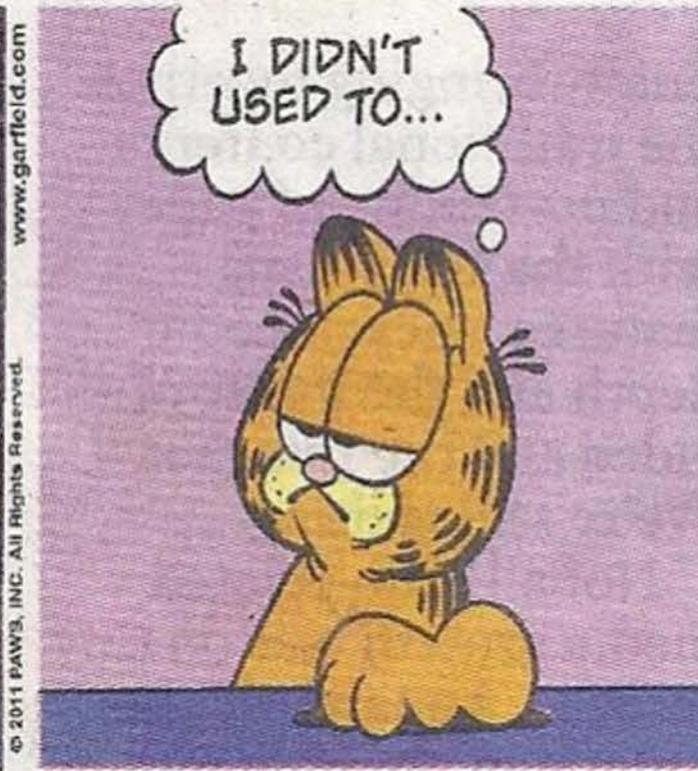
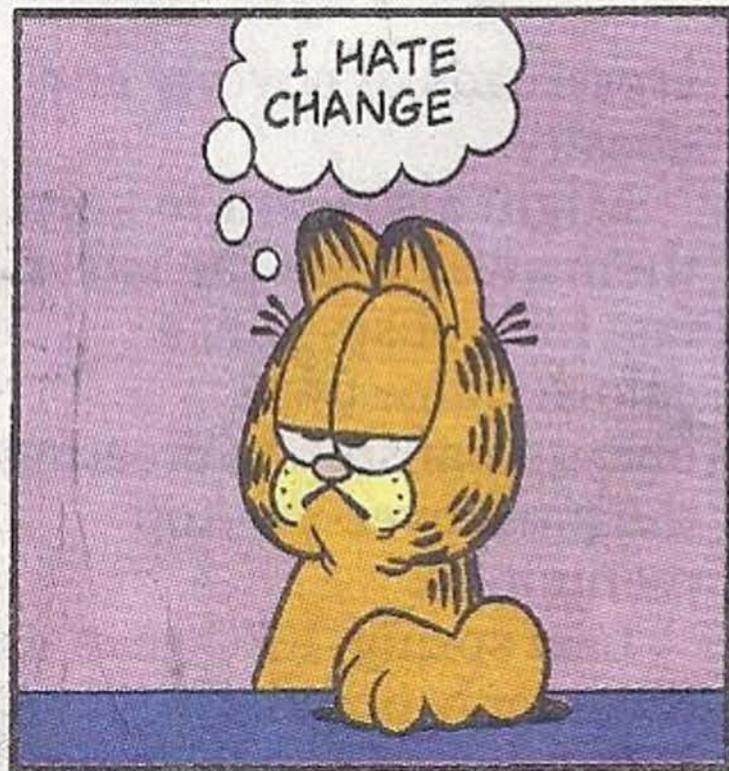
# Family Meeting: Defining Resilience

Can we absorb a financial shock without breaking?

- Personally
- Professionally
- Spiritually

# Garfield

Jim Davis



www.garfield.com

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# Crisis Budgeting

Financial literacy is a lot like health; in fact, sometimes we call it “financial health.” And just as with health, prevention is better than the cure. Now is a great time to talk about the fact that shocks happen, putting us in a difficult situation we could have never predicted. Illness happens. Job losses happen. It’s important that we practice prevention—saving and budgeting—so that we are better able to deal with crises like this one.





# MARCH

March 2020 vs March 2021

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Renter/Homeowner  
feelings over  
Payment “Relief”

Guilt

Frustration

Anger

Sense of Hopelessness

Anxiety/Fear

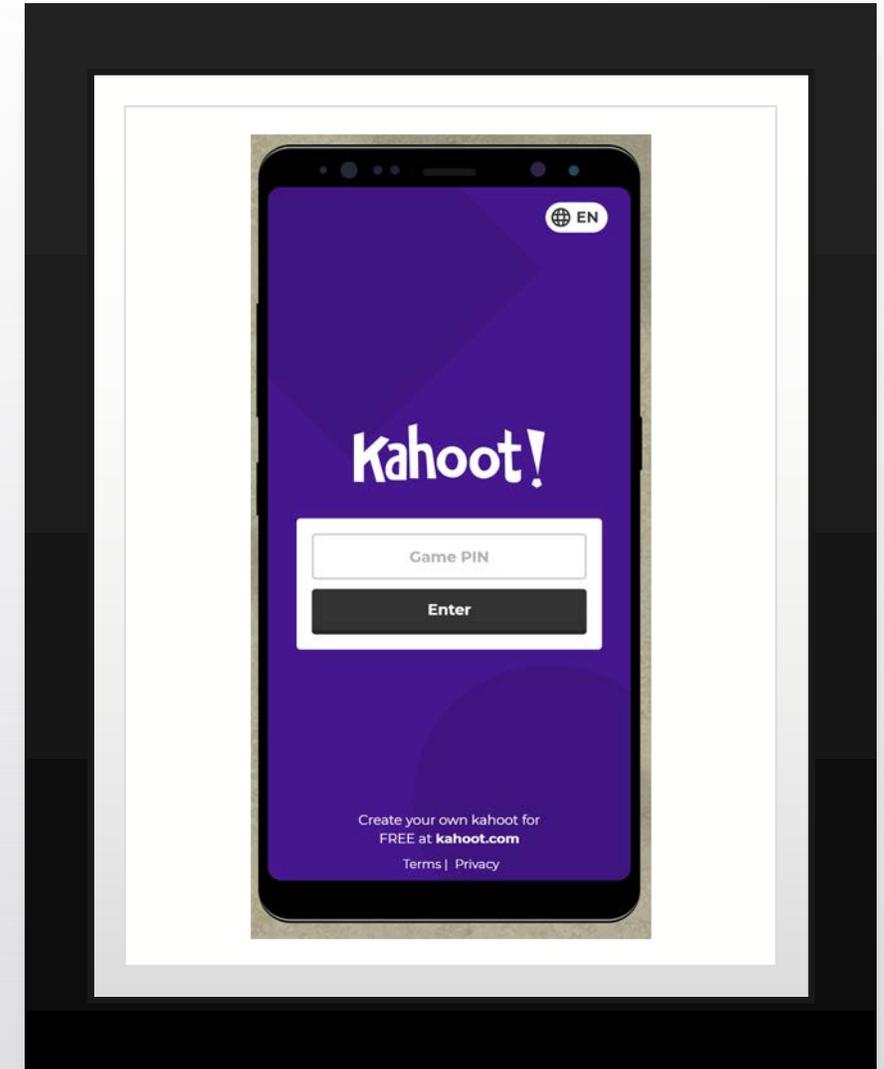
Avoidance



# Addressing the Gaps in Knowledge

# What are the Major Gaps in Knowledge?

- 1) “Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?”
- 2) “Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy...”
- 3) A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less





## Top Ten Elements to Add to Any Client Review

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# 1. Learn what the national, local, and tribal government programs are providing during the crisis.

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# 2. Learn about all possible hardship adjustments that can be made such as different payment options and due dates.

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# 3. Revisit and create a budget to manage the new conditions imposed by the crisis.



## # 3. Spending Plan Goals

- Set your goals for the budget.
- Have the budget help achieve them.
- Know what you have (your assets) and what you owe (your debt)
  - Maintaining a strong cash position
- Trade-offs and opportunity costs
  - Needs vs. wants
- Make budgets realistic.
- What expenses are contractual (required) and which are noncontractual (easy to reduce or eliminate).
- Change, add or remove categories as you need.
- Revisit or create a new budget after each goal is achieved.



## Top Ten Elements to Add to Any Client Review

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#4. Rebuild savings

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#5. Take Advantage of Lower  
Interest Rates

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#6. Take advantage of online  
technology to manage your money  
as well as to compare terms and  
search for the best offer available.



## Top Ten Elements to Add to Any Client Review

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#7. Manage Debt

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#8. Protect Your Credit  
Score

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#9. Watch Out for Fraud



## #7. Manage Debt

- Prioritize debt repayment before investing as interest rate on debt is often much higher than return on most investments.
- Save for an emergency fund that is worth 2 -3 months' expense to avoid getting into further debt for lack of liquidity
- Debt avalanche method : pay down the debt with the highest interest rate first, as their balance will grow the fastest
- Budget for debt repayment in a realistic way.
- Making larger monthly payments means taking less time to pay off debt, which maybe a sacrifice worth making in the long run
- If you can, always pay the balance on your credit card instead of minimum balance. The latter option will still accrue interest

# Compound Interest on Debt | Credit Card Calculator

What is your credit card balance?

\$ 1,000

What is the interest rate on your credit card?

18%



How is your minimum payment calculated?

2% of balance



Your minimum payment: **\$20**

Select a payment schedule based on:

Minimum payment

Fixed payment

What fixed payment could you make monthly?

\$ 50

**With a minimum payment:**

It will take you 151 months to be rid of your debt.

In that time, you will pay:

**\$ 1,396.76**

in interest.

**With a fixed payment:**

It will take you 24 months to be rid of your debt.

In that time, you will pay:

**\$ 197.83**

in interest.

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## Take Care of Yourself, Your Family and Your Health

Nearly half of U.S. adults have reported that their mental health has been negatively impacted due to worry and stress over the virus, according to a Kaiser Family Foundation poll.



<https://gflec.org/education/financialresilience/>



# Refinancing

- “Roughly 2.8 million homeowners refinanced their mortgages in the last quarter of 2020, which saw a record-breaking \$869 billion in refinance lending,” said Ben Graboske, Black Knight’s president of data and analytics.

# Mortgage Refinancing Basics

A mortgage refinance replaces the current home loan with a new one. Often people refinance to reduce their interest rates, lower monthly mortgage payments, or tap into their home's equity, but there are also other reasons in 2021 to consider the refinance option during this current economic crisis.

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## How Does Refinancing Work?



Mortgage refinancing requires you to qualify for the loan, just as you had to meet the lender's requirements for the original mortgage.



You still file an application, go through the underwriting process, and go to closing, as you did when you first bought the home.

# Why And When You Should Refinance A Home?

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REDUCING THE  
MONTHLY PAYMENT



TAP INTO EQUITY



PAY OFF THE LOAN  
QUICKER



REMOVAL OF  
PRIVATE MORTGAGE  
INSURANCE

# Refinancing under Section 184

- Section 184 has three types of refinancing options available:
  - No cash out
  - Cash out
  - Streamline refinance (184 to 184)



(Needs a Practical Application)



# Leveling the Playing Field: Understanding Mortgage Payments



# Understanding the Term: Default

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Mortgages are contracts with terms and conditions that are agreed to by both the lender and the homeowner. When a homeowner fails to make a payment, he or she is violating the contract, which is then in default.

The borrower remains in default until the loan is brought current or an arrangement is made with the lender regarding payment and terms.

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## Stages of Non-Payment



### Delinquency

Failure to make a payment when it is due. A loan is generally considered delinquent when it is 30 or more days past due.



The Term Default will kick in, when a borrower fails to meet the terms of their loan agreement. Usually this is based on failure to make payments on time.



### Foreclosure

Legal process that occurs when a lender seizes and sells a borrower's home after the borrower has failed to repay the mortgage.

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Short Term  
Relief of  
Payment  
Options

Repayment agreement

Forbearance

Modification

Partial or advance claim

Reverse equity mortgage

Refinance

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## Long Term Resolutions

Sale of property

Hardship assumption

Pre-foreclosure/short sale

Deed-in-lieu

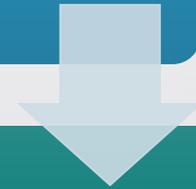
Foreclosure



## Who Are the Players?

Lenders

Makes mortgage loans to borrowers



Determines whether the borrower has the capacity and willingness to repay the loan

Collects and transfers mortgage payments

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graph TD; A[Collects and transfers mortgage payments] --> B[Manages escrow accounts (payment of taxes and insurance)]; B --> C[Provides mortgage assistance to the borrower]; C --> D[Administers foreclosures];
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Manages escrow accounts (payment of taxes and insurance)

Provides mortgage assistance to the borrower

Administers foreclosures

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Who Are the Players?

Loan Servicers

# Moratorium Rights under the CARES Act

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- A moratorium is the suspension of an activity and a legally authorized period to delay payment of money due.
- CARES Act was passed by Congress and signed into law on March 27th, 2020
- What most consumers know the CARES Act for is:
  - stimulus checks
  - extra money for unemployment
  - eviction and foreclosure moratoriums



# Types of Loans

Federally backed mortgage loan Includes any loan which is secured by a first or subordinate lien on residential real property (including 1 – 4-unit properties) that is:

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Insured by the FHA

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Guaranteed or insured by the VA

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Made, guaranteed or insured by USDA

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Purchased or securitized by Fannie Mae or Freddie Mac

# Types of Loans

Under the CARES act the foreclosure moratorium ended on August 31, 2020 However, for all federally backed mortgages the deadline has been extended.

Need to find out what kind of loan borrower has

- Fannie:  
<https://www.knowyouroptions.com/loanlookup>
- Freddie:  
<https://ww3.freddiemac.com/loanlookup>
- We cannot assume loan is still a Fannie or Freddie

# Additional Help



<https://www.consumerfinance.gov/ask-cfpb/how-can-i-tell-who-owns-my-mortgage-en-214/>

# The Client Request

- During the covered period, a borrower with a Federally backed mortgage loan experiencing a financial hardship due, directly or indirectly, to the COVID-19 emergency may request forbearance on the Federally backed mortgage loan, regardless of delinquency status, by—
- (A) submitting a request to the borrower's servicer; and
- (B) affirming that the borrower is experiencing a financial hardship during the COVID-19 emergency.

# What is a Forbearance Agreement?

A reduction or suspension of payments for a set amount of time. □ The payments are not waived or forgiven; they will have to be paid back. □ Does not cover taxes, insurance, or condo fees if no escrow account



## Forbearance Request

Upon a request by a borrower for forbearance, such forbearance shall be granted for up to 180 days and shall be extended for an additional period of up to 180 days at the request of the borrower, provided that, at the borrower's request, either the initial or extended period of forbearance may be shortened.

## Servicer's Requirements

Upon receiving a request for forbearance:

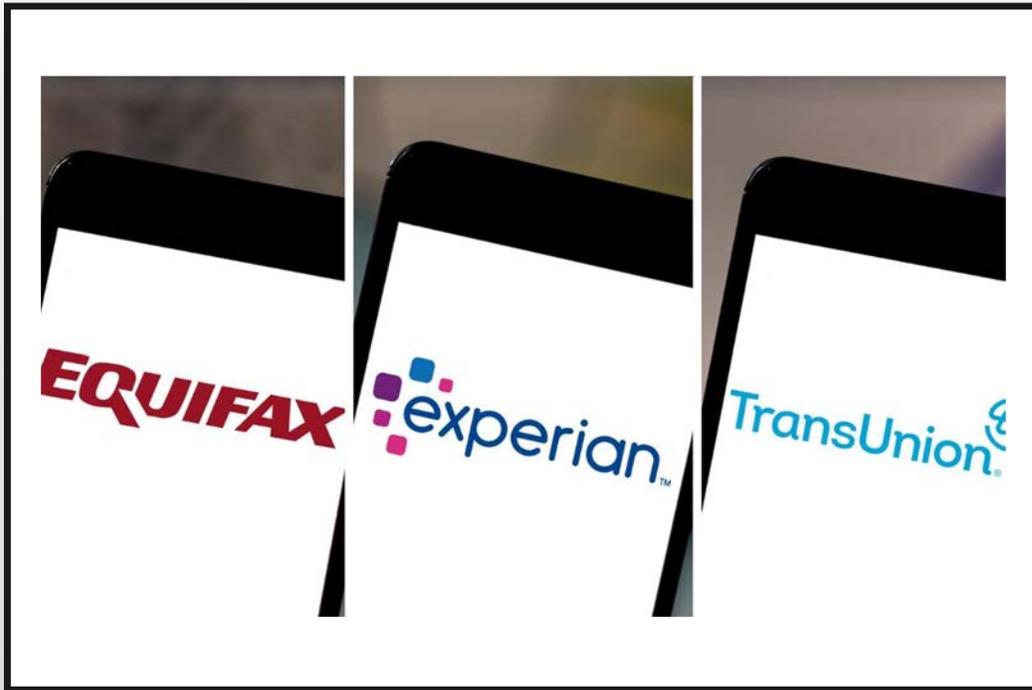
- The servicer shall with no additional documentation required other than the borrower's attestation to a financial hardship caused by the COVID-19 emergency and with no fees, penalties, or interest (beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract) charged to the borrower in connection with the forbearance.

## Servicer's Requirements

- provide the forbearance for up to 180 days, which may be extended for an additional period of up to 180 days at the request of the borrower, provided that, the borrower's request for an extension is made during the covered period, and, at the borrower's request, either the initial or extended period of forbearance may be shortened.

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# Credit Protection



- The Mortgagee/Service must suspend reporting of delinquencies to consumer reporting agencies for borrowers who are granted disaster related mortgage payment relief and is otherwise performing as agreed.

# Credit Reporting

- The Mortgagee/Servicer must suspend reporting of delinquencies to consumer reporting agencies for borrowers who are granted disaster related mortgage payment relief and is otherwise performing as agreed

# Credit Protection

- If borrower was CURRENT before January 31, 2020 and is granted a payment accommodation the creditor must continue to report the credit obligation as CURRENT
- If the credit obligation or account was DELINQUENT before the accommodation the creditor must:
  - maintain the delinquent status during the period in which the accommodation is in effect; if the consumer brings the credit obligation current, they will report it as such.

# Foreclosure Moratorium



May not initiate any judicial or non-judicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale for not less than the 60-day period beginning on March 18, 2020 = (May 17, 2020).

## If The Loan Is Not Federally Backed

- Depends on the owner/investor of the loan
  - To find out options:
  - Call, review website or Write Request for Information asking for all loss mitigation options available for the particular loan and instructions on how to apply for and/or request each loss mitigation option.

# Post-Forbearance Options

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What are homeowners being told about post-forbearance options?

The full lump sum will be due; no mention of other options

Might be options, no details given

We can put the arrearage at the end of the loan

If lump sum not affordable, reach out to us

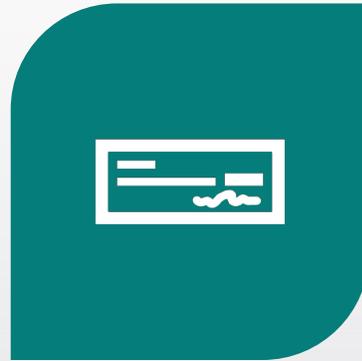
Other / I'm not hearing much yet

# What Happens When Forbearance Ends?

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CARES ACT DOES NOT  
ADDRESS SERVICER ACTION  
AT END OF FORBEARANCE



FEDERALLY-BACKED LOANS  
HAVE PUBLISHED GUIDELINES  
FOR END-OF-FORBEARANCE



PRIVATE LABEL LOANS – UP  
TO THE SERVICER/INVENSTOR



# Next Webinar

- Deeper look @ Repayment options
- Interview with a Regional Loan Service Provider
- Application of Terms for Refinancing under Section 184
- Any other suggestions???



Thank You.

