



Homeownership Resilience

Preventing Financial Instability Webinar Series

Presented by Marie Dufour Bonville, MPA

Sponsored by:



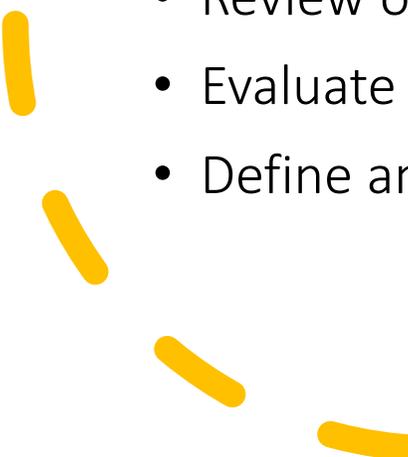
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While homeownership education in Tribal communities continues to be a major priority for the programs we serve. This two-part webinar series seeks to discuss the impact of COVID-19 on our current homeowners. Practitioners will examine crisis budgeting, 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.

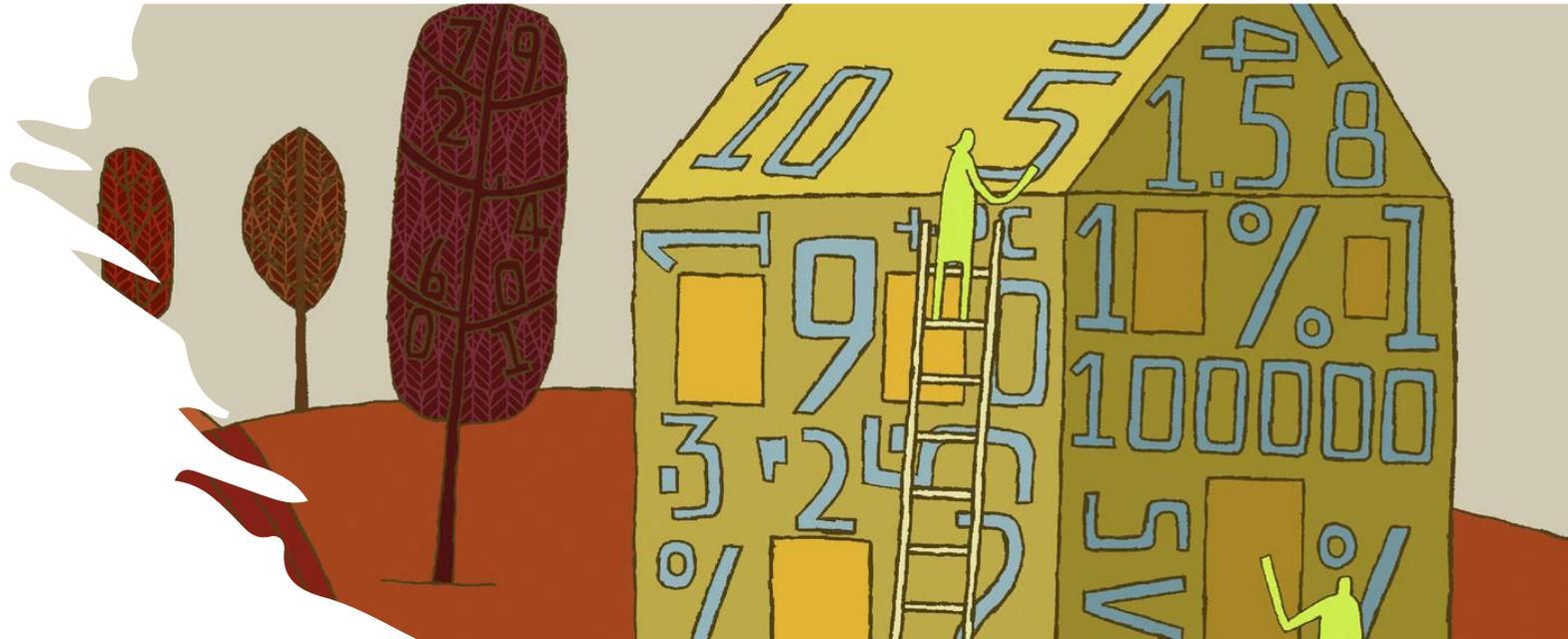
Training objectives include:

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

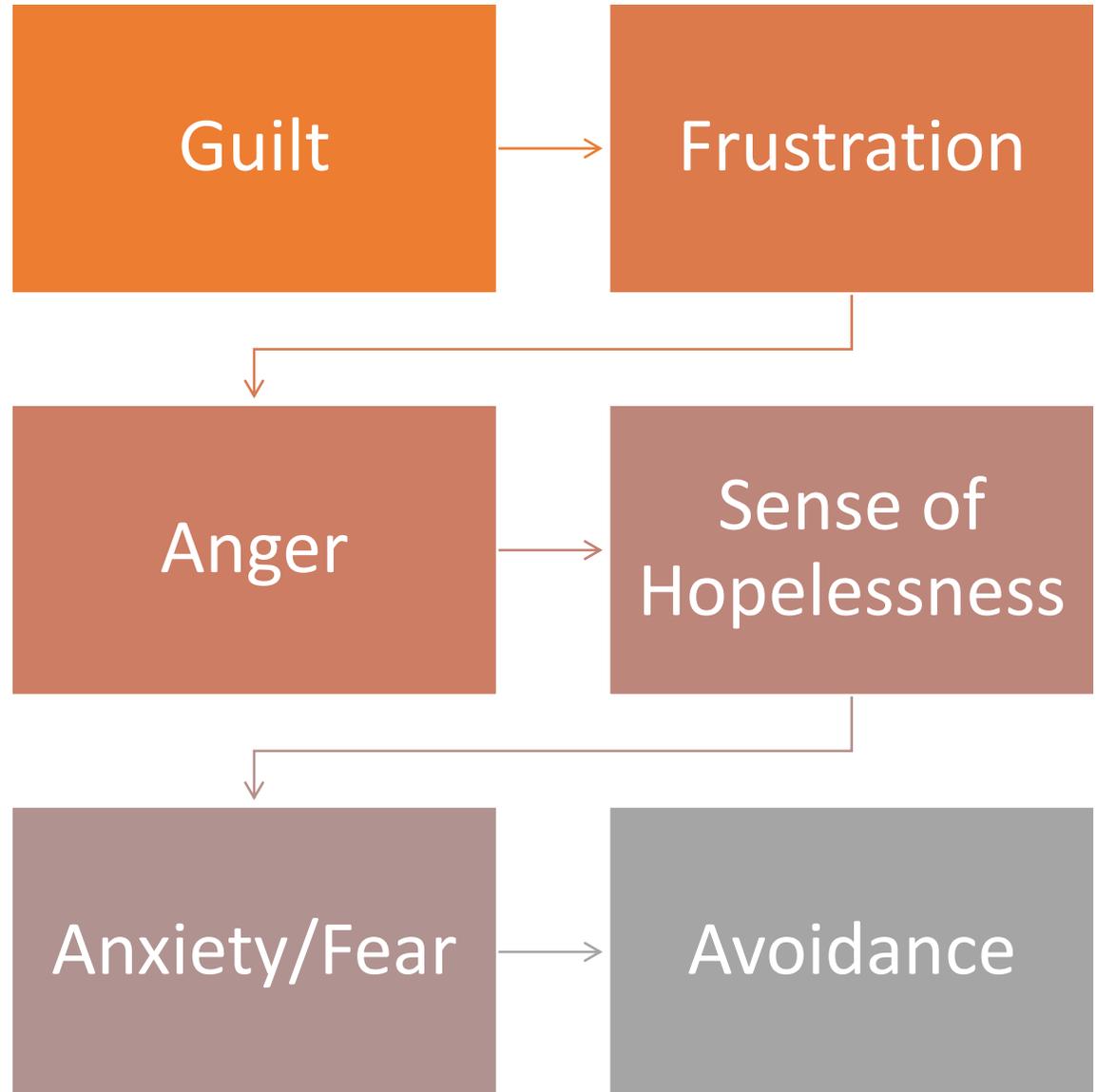
Homeownership Resiliency

Can we absorb a financial shock
without breaking?

- Personally
- Professionally
- Spiritually



All the “feels”



Budgeting vs. Crisis Budgeting



Ten Elements to Add to Any Client Review

1. Review what the national, local, and tribal government programs are providing during the crisis and plan for the additional support it can bring.

2. Discuss how the hardship adjustments can help not only create different payment options and due dates but increase your ability to lower debts.

3. Consistently review spending and saving conditions created by the crisis.



Ten Elements to Add to Any Client Review

#4. Review Saving Habits

#5. Take Advantage of Lower Interest Rates

#6. Review new technology that can assist with “reviewing” spending and saving habits



Ten Elements to Add to Any Client Review

#7. Eliminate Debt

#8. Review and Protect Your Credit Score

#9. Watch Out for Fraud





Financial Health is Mental 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/>

Crisis Budget Check List

Evaluate Income Level

- What was the income level before the Crisis? After?
- Have a plan for any new income sources/relief of payments (i.e. Stimulus Checks, Mortgage Payment Relief)?

Make 2 Household Commitments

- Commit to living on the new adjusted income level.
- Commit to not incurring any new debts.

Evaluate to Eliminate

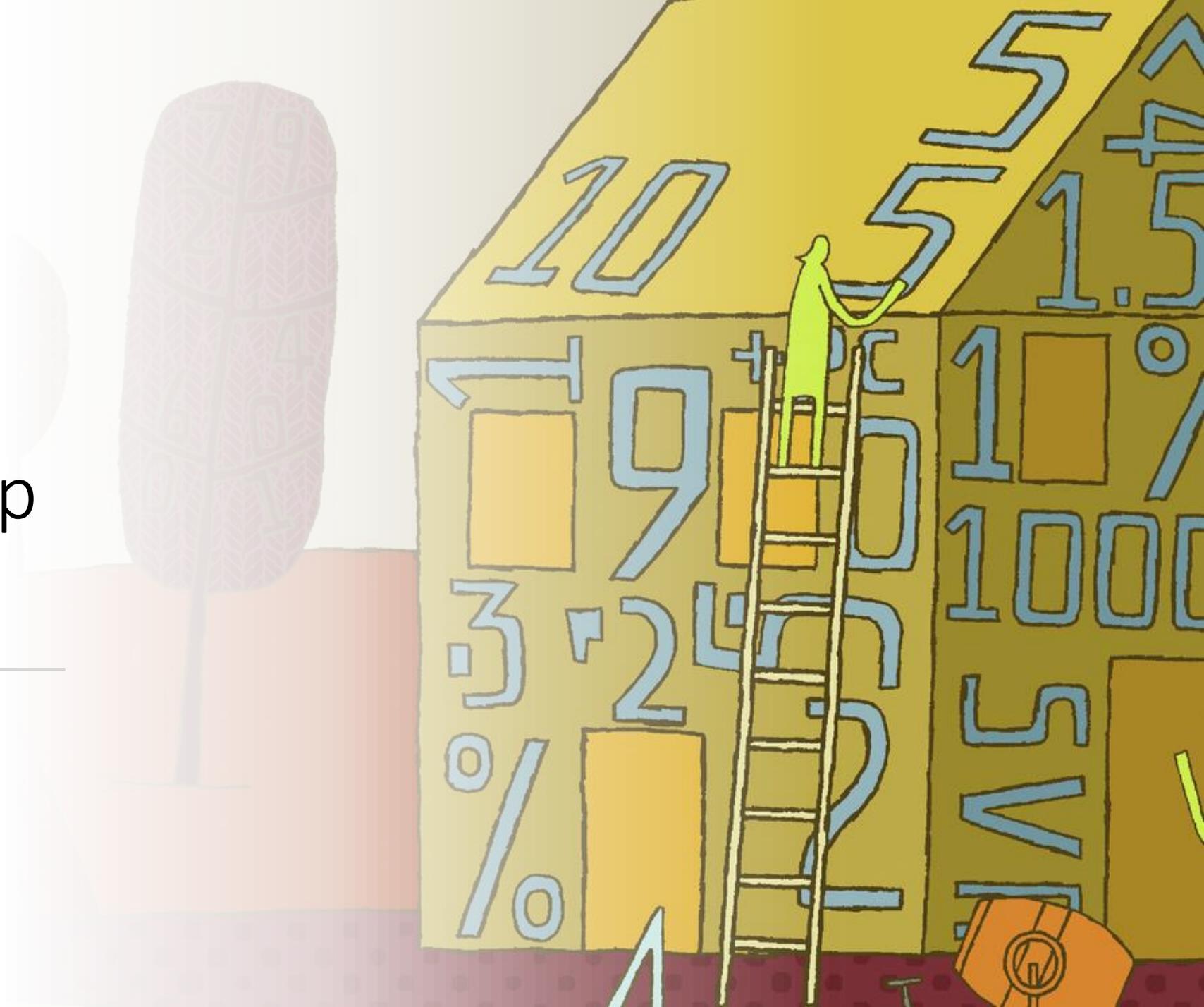
Prioritize Essential Needs vs. Nonessential Expenses

- Housing, food, transportation, medical expenses are always top priority
- Evaluate the flexible and non-essentials like entertainment, manicures, vacations etc.
 - Rethink/Delay annual activities such as school clothes, giving gifts
 - Analyze monthly subscriptions, magazines, memberships, cell phones, apps etc.



Homeownership Resilience

Covid-19 Forbearance



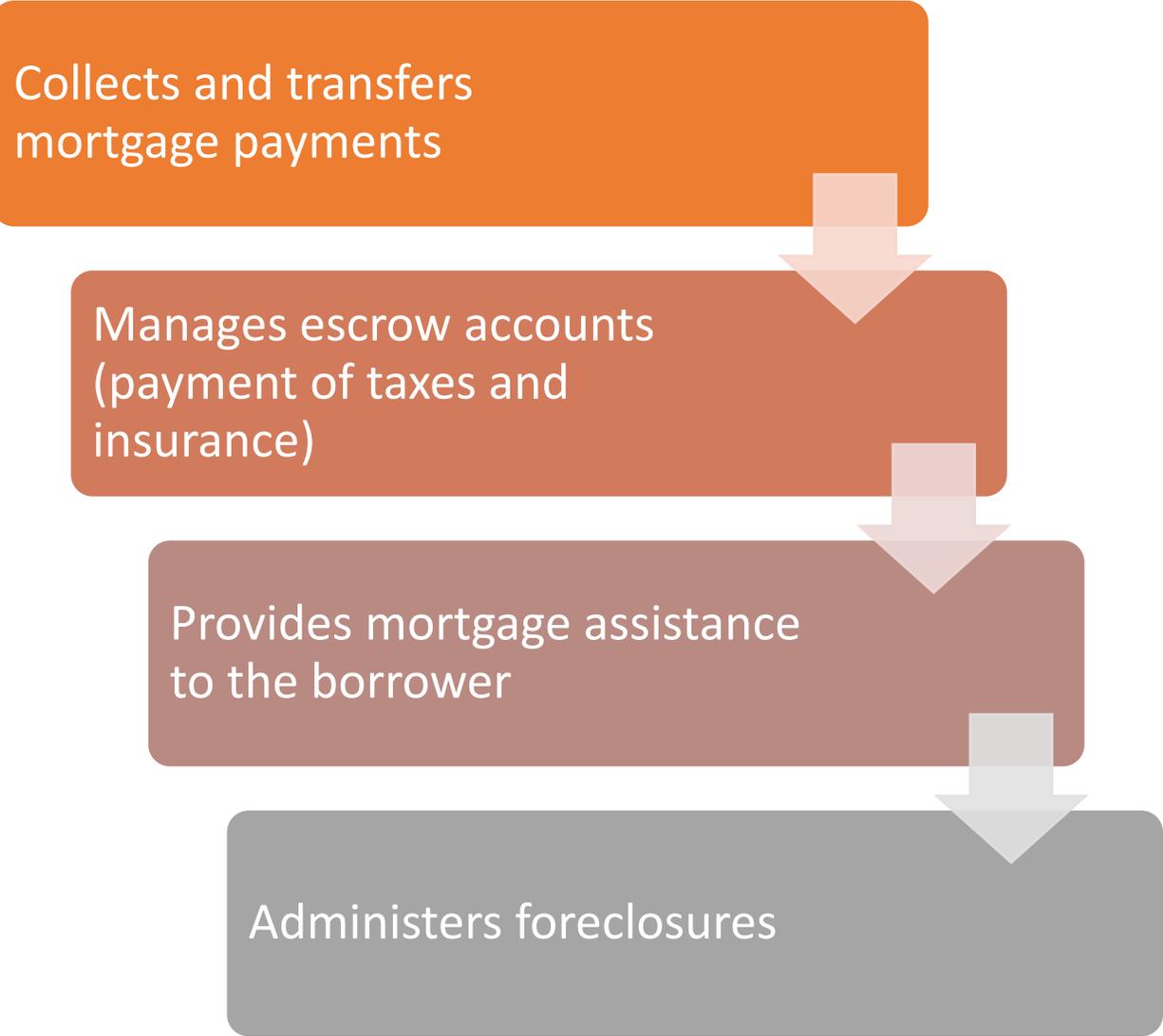
Covid Forbearance Review

- HUD initially announced the moratorium on **March 20, 2020**, and subsequently extended it multiple times to prevent Borrowers from losing their homes during the pandemic.
- A key tool in retaining homeownership for many Borrowers during the pandemic has been the **COVID-19 Forbearance**, which provides for **reduced or suspended payments**.
- The COVID-19 Forbearance provides for an initial period of up to **six months of relief** and an extension of up to an additional six-month period.
- Due to the **length of the pandemic**, and its impact across all sectors of the economy, HUD believes that making the distinction between Borrowers who were delinquent before the pandemic and those who were not is **no longer justified**.

Dear Lender Letter: Issued February 19, 2021

Extending	Extending	Providing	Extending	Allowing	Extending
Extending the Foreclosure and Eviction Moratorium through June 30, 2021.	Extending the deadline for the first legal action and reasonable diligence timeframe to 180 days beyond the expiration of the Foreclosure and Eviction Moratorium.	Providing up to two additional three-month COVID-19 Forbearance periods for certain Borrowers.	Extending the timeframe for Lenders to evaluate and complete a COVID-19 Loss Mitigation Advance.	Allowing Borrowers to be considered for a COVID-19 Loss Mitigation Advance regardless of delinquency or participation in COVID-19 Forbearance.	Extending the COVID-19 Forbearance start date through June 30, 2021.

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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The diagram consists of four rounded rectangular boxes arranged in a descending staircase pattern from top-left to bottom-right. Each box is connected to the one below it by a downward-pointing arrow. The boxes are colored in a gradient from orange at the top to grey at the bottom. The arrows are semi-transparent and match the color of the box they point to.

Manages escrow accounts
(payment of taxes and
insurance)

Provides mortgage assistance
to the borrower

Administers foreclosures

Loan
Servicers

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.

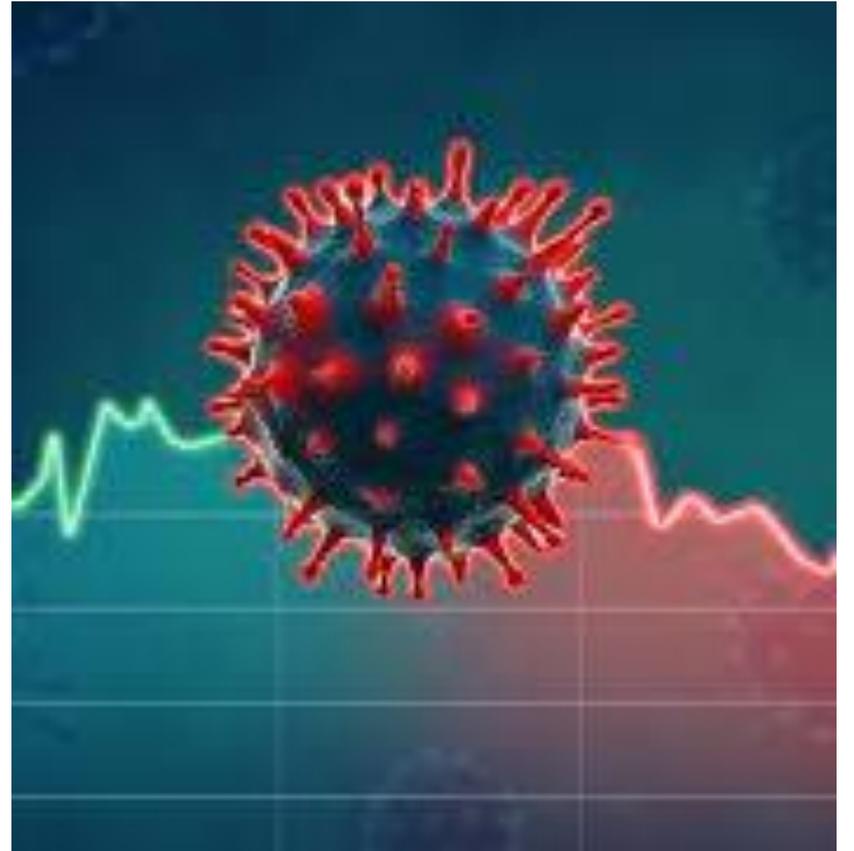
Does not cover taxes, insurance, or HOA fees if no escrow account

The Client Request

A borrower experiencing 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

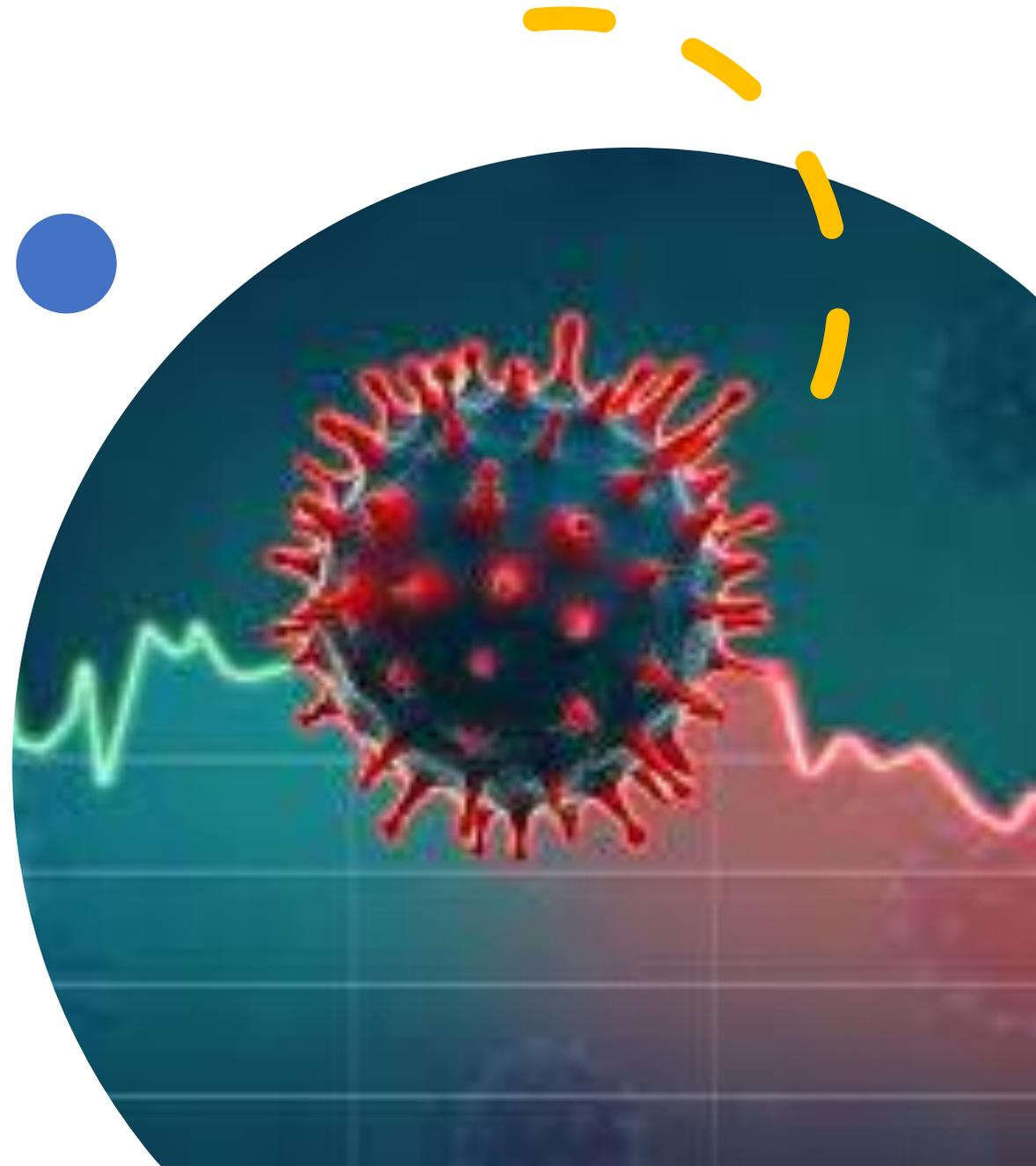
(B) **affirming** that they are experiencing a financial hardship during the **COVID–19 emergency**.



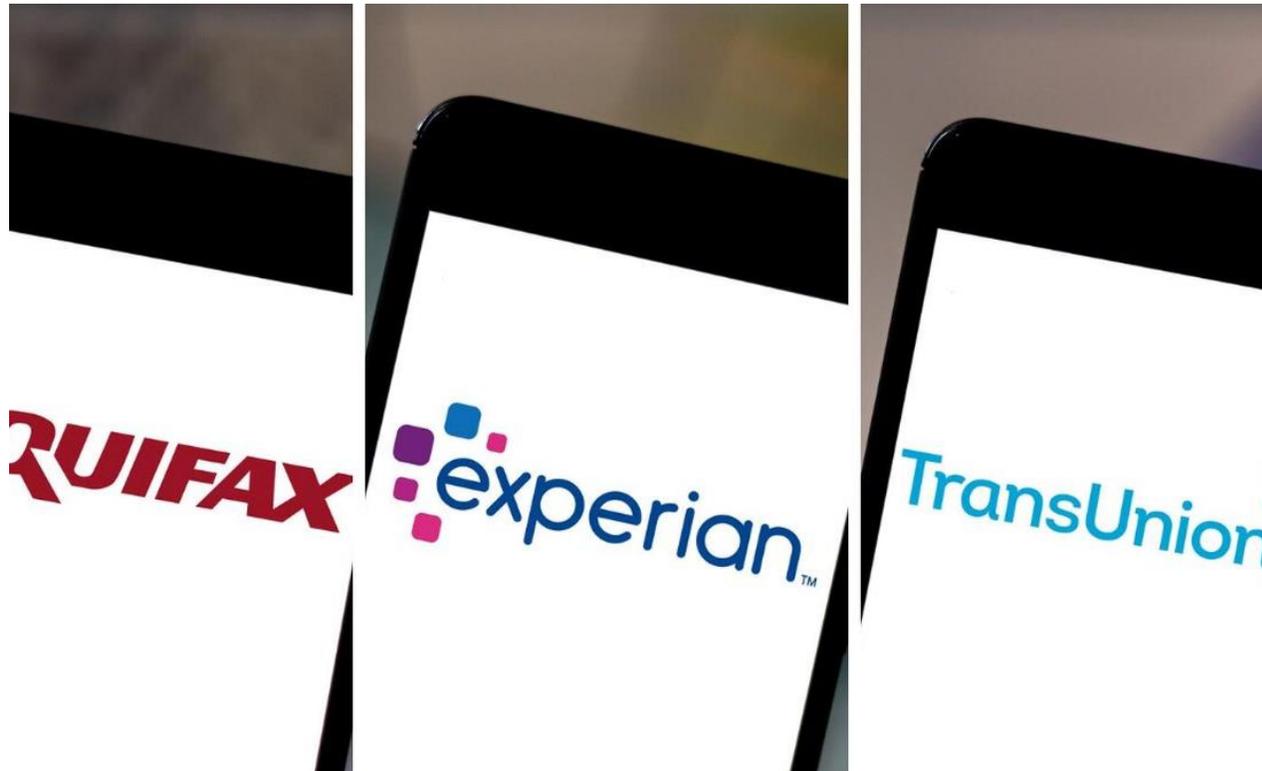
Servicer's Requirements

Upon receiving a request for forbearance:
The servicer cannot require any additional documentation other than the borrower's attestation to a financial hardship caused by the COVID-19 emergency.

They must place the borrower into forbearance with no fees, penalties, or interest, be placed into forbearance.



Credit Protection



The 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

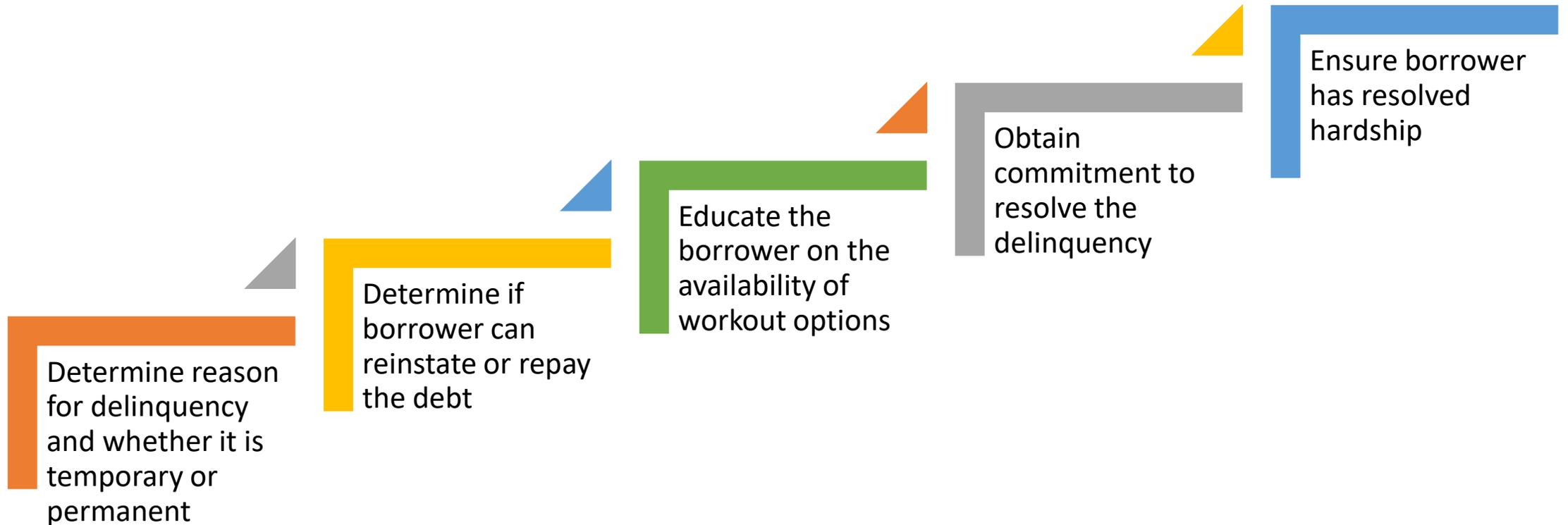
If borrower was *CURRENT before the request* the creditor must continue to report the credit obligation as CURRENT

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.



Servicer Responsibilities



Navigating Forbearance

Contact Your Lender

- Review current loan amount, are you delinquent?
- Evaluate Lender Repayment Options
 - Repayment Plan
 - Partial Claim
 - Loss Mitigation

Impacted by Covid-19?

- Yes, apply for forbearance.
- Review your crisis budget to see if forbearance provides you with an opportunity to get your finances back on track.

Already enrolled in Forbearance?

- Evaluate your budget to maximize non-payment
- Contact your lender when your ready to resume making payments

Loan Look Up

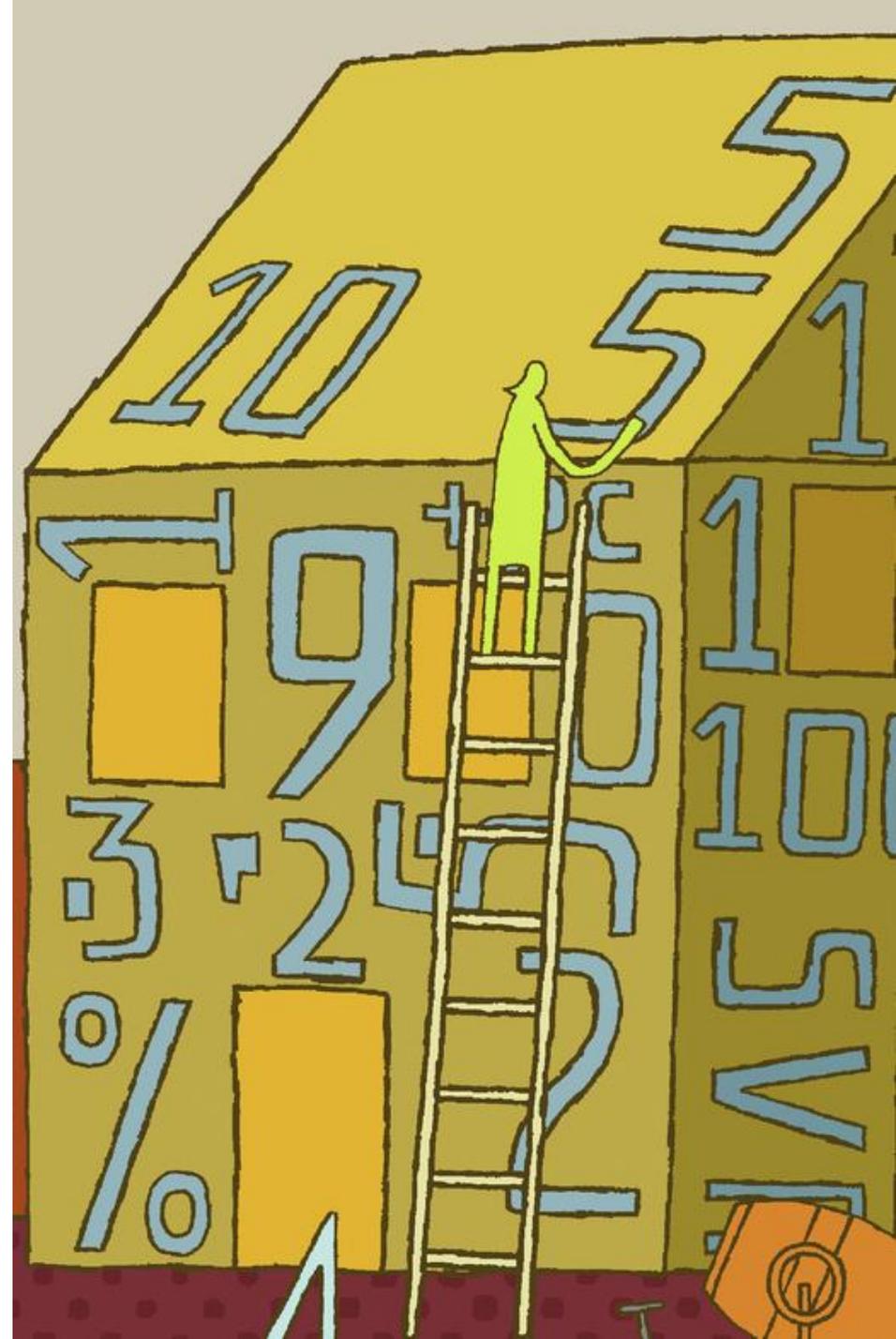
Need to find out what kind of loan you have:

- Fannie:
<https://www.knowyouroptions.com/loanlookup>
- Freddie:
<https://ww3.freddie.mac.com/loanlookup>

Refinance Options Review

A mortgage refinance *replaces* the current home loan with a new one.

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



Evaluating Goals: Refinancing Checklist

- Are you trying to lower your monthly payments?
- Do you want to shorten or extend the life of your loan?
- Would you like to use equity to pay off debt or fund home upgrades?
- Does refinancing make financial sense?
- Is the interest rate lower than your existing rate?
- Will the new rate increase your monthly payments?
- Will you pay more money over the entire length of the loan?
- Can you afford closing costs and fees?
 - Are you prepared to pay the loan origination/appraisal fees? Do you have these funds to pay upfront?
- Have you determined what the payoff amount will be (including any prepayment penalties)?
- Do you know what mortgage refinancing documents are needed to apply? Can you obtain them?

When & why you should refinance your home?

Reducing the monthly payment

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graph TD; A[Reducing the monthly payment] --> B[Tap into equity]; B --> C[Pay off the loan quicker]; C --> D[Removal of Private Mortgage Insurance];
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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

No Cash Out

No Cash Out is an option for homeowners wanting to reduce their interest rate or reduce the term of their loan.

- Mortgages must have a payment history of more than 6 months to be eligible for this type of refinance.
- Borrowers must credit qualify to be eligible for this type of transaction.
- Max Loan Amount is 97.75% of the Appraised Value of the Home; 98.75 if the value is \$50,000 or less.
- Acceptable Payment History of 12 consecutive monthly payments.



Cash Out

Cash Out is an option for homeowners needing to access their homes equity.

- Property must have been owned by the borrower as his/her principal residence for at least 12 months.
- Maximum Loan Amount is 85% of the appraised value of the home.
- Payments to third party creditors are required to be paid in full and the account closed.
- Max Cash to Borrowers are limited to \$25,000.00

Streamline

If you currently have a Section 184 loan and wish to reduce the interest rate or term of your loan, the **Streamline refinance** is a very simple way to accomplish your goal.

- No appraisal, income or asset verification is required.
- You must have made your mortgage payment on time for the past twelve months.
- Verification of Employment

Appraisal

With both No Cash Out and Cash Out refinance transactions, a new appraisal is always required.



Case Studies





Thank You.