

COVID-19 Forbearance - WebEx FAQ Summary

WebEx meetings held May 13 & 15, 2020



Q. Are escrows being discussed with members in forbearances?

A. Separate escrow payments are not required with the forbearance. Escrow accounts will update as full payments are applied when received. In keeping with RESPA guidelines; if a member's mortgage loan is delinquent at the time of the annual escrow analysis run, stops are placed on the analysis until the loan reaches a true "current" status on the PITI payments. Once the loan is brought current, the escrow analysis will be run and the payment adjusted according to the over/short status of the account. Running the escrow analysis during delinquency will skew the results and cause issues for both the member and the servicer. This is addressed with members as they inquire about the escrow status of their mortgage.

Q. How will the member's credit be affected by a forbearance showing on their credit report, if they try to refinance or purchase a different home in the future?

A. Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, there should be no negative impact on a borrower's credit report/score for payments missed during an approved forbearance. However, tell your members to not stop making mortgage payments until they have a written forbearance agreement in place. Otherwise, NMS is obligated to report late payments to credit bureaus, which could hurt their credit scores.

Also, they should check their credit report to make sure forbearance payments were not reported as being late, in error. If they find errors, members should dispute the information as soon as possible with the credit bureaus to avoid a drop in their credit scores. FNMA will be releasing additional guidance on this topic in late May 2020 that will clarify further the impact of forbearances on a member's application for a refinance of their existing mortgage and any future home purchases they wish to pursue. We don't expect the COVID-19 forbearance to have a negative effect on their ability to obtain new credit in the future.

Q. How should half-payment funds be handled on forbearance plans? Should they be kept at the credit union or transferred to NMS to hold in suspense?

A. Credit Unions using CU*Answers must send partial payment funds to NMS for holding in suspense, per FNMA Servicing guidelines. The funds may be share-branched to the NMS account at Frankenmuth Credit Union (contact Loss Mitigation for the corresponding account number), or a check may be sent to:

Neighborhood Mortgage Solutions, 975 N. Main St., Suite D, Frankenmuth, MI 48734 – Attn: Loss Mitigation

The check memo should indicate: Member Name, Member Account Number, and "FB ½ pmt. MM/YYYY) as applicable. Please email lossmit@gonms.org with the partial payment information so that we can expect the funds to be hitting our account or coming in the mail for follow-up purposes.

Q. Will Fannie Mae and Freddie Mac be allowing deferrals of Forbearance payments in the future?

A. Both Fannie Mae and Freddie Mac released new guidelines on May 13, 2020 indicating a relaxed deferral plan for mortgages that experienced a forbearance of payments due to the COVID-19 pandemic.

Please Note: Not every forbearance mortgage will qualify for this program. The deferral option moves the forbearance amount out to the payoff of the mortgage loan; it will essentially be a balloon-type payment due when the mortgage pays off, whether at maturity, at early pay-off, or upon the sale of the property.

This deferral does not extend the term of the mortgage. The deferred balance will be non-interest bearing and requires “deferral of delinquent principal and interest payments together with any allowable servicing advances paid to third parties as a result of the delinquency” to be rolled into the noninterest-bearing balance. Without compromising the generosity of the COVID-19 mortgage relief efforts granted by our government, FNMA has developed a very streamlined plan that applies strictly to only those borrowers who were current or less than 31 days delinquent on March 1, 2020; the effective date of the National Emergency declaration related to the coronavirus pandemic.

We do not have further details at this time on how this option will be put into effect in the FICS and CU*Base systems, however, NMS will be looking into this immediately. More details will be provided as NMS moves members into plans once hardships are resolved and the guidelines are fully understood.

Q. In the CU*Gold system, how can freezes on delinquent accounts be removed so that members can access their deposited funds?

A. There are three options for removing freezes, which happen as an automatic feature within the CU*Base platform whenever any loan payment hits a delinquent status. In no case should the checking account be frozen. If you believe your CU*Gold set up is causing that to happen, it would be best to adjust that practice as checking funds are “on demand” and should be available to the member at all times.

Options to remove/prevent freezes on deposit accounts are as follows:

1. **Option 1:** Remove the “individual mortgage membership” from “Delinquency Control” in Tool #20. Select “No Delinquency Control” to remove the freezes. CAUTION: This option will also prevent auto-advance of payment due dates when a full payment is posted to the mortgage, so the next payment due date will need to be advanced manually. The credit union will need to track these accounts and go back when the loan becomes current, to replace the membership/mortgage into the original setup and allow auto-advance to reactivate. For additional guidance, please consult CU*Answers Customer Service for assistance.
2. **Option 2:** Suggest that the member open a second membership with no loans included and move their deposited funds there to avoid the freeze altogether. If ACH/EFT auto-transfers or auto-pay agreements are in place, whether for the mortgage or for other payments, alternate arrangements by the member will be required. This is not the responsibility of NMS or the Credit Union, although we do discuss this with the member when establishing a forbearance plan, and we recommend credit union staff do the same. This is easiest for the credit union to manage, but the best option for member satisfaction should be activated.

3. **Option 3:** Turn off Global Freeze in “Delinquency Level Configurations”. This option removes the freeze capability from all memberships and should only be used in extreme circumstances. It also carries the same CAUTION as listed above in #1. This option will also prevent auto-advance of payment due dates when a full payment is posted to the mortgage, so the next payment due date will need to be advanced manually. The credit union will need to determine when to turn the Global Freeze back on if this option is chosen. We recommend extreme care in using this option due to its far-reaching effects on your platform setup.

Q. In the CU*Gold system, how can Credit Bureau reporting be set to report “current” while members are in forbearances due to COVID-19?

A. In compliance with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, mortgage loans in a forbearance agreement with their lender or mortgage servicer must not be reported negatively during the term of related delinquency, so as to avoid negative effects to the borrower’s credit. To make this happen correctly in CU*Gold, please follow these steps:

1. Tool #20
2. Select “Credit Reporting”
3. Select “Account in forbearance per Metro II guidelines”
4. Select “Code 11” in drop down below

Please Note: This must be done on a membership basis, one-by-one. Delinquent loans NOT covered by a COVID-19 forbearance agreement do not qualify for these concessions.

The previous instruction provided to: uncheck the “report to credit bureau” box, does not report the status at all, and doing so does not meet the requirements of the CARES Act or FCRA.

Q. When a member deposits a partial payment, how will they know to make the teller aware the funds are a partial payment, so the credit union is aware the funds will need to be forwarded to NMS?

A. Some members have unusual circumstances; such as living in a different state than where the mortgaged property and/or the credit union are located, or otherwise. Payments on CU*Gold may be made by A2A transfer. If the credit union is aware of such an account and needs to be notified by the member when they are making a partial payment, through account-to-account transfer, it will be up to the credit union staff member to let the member know this, when they are notified that a forbearance agreement has been put in place. NMS has no way to know that funds have been deposited for this purpose, without the credit union notifying NMS at: lossmit@gonms.org.

Thank you to all those that attended, asked questions and offered your insights for this list!

– Your Neighborhood Mortgage Solutions Team