

Good news for unemployed borrowers!

Fannie Mae and Freddie Mac announced they are modifying their forbearance policy to include unemployed borrowers as of Feb. 1, 2012. Current statistics show that 10% of the current delinquencies on FNMA and FMAC loans are due to unemployment so this policy change could help thousands of borrowers who are currently unemployed and struggling to make their mortgage payments.

The facts:

- Mortgage servicers can approve unemployed borrowers with Fannie Mae or Freddie Mac owned or guaranteed loans for up to six months of forbearance without prior approval from these lenders
- Servicers can extend the forbearance for an additional six months with prior approval for a possible total of 12 months of forbearance.
- Delinquent borrowers in an existing short term forbearance plan can be evaluated for an extended forbearance under the new policy.

While it will be up to the servicers to administer these new policies, so far GMAC has said it already participates in forbearance programs and will continue to follow the new guidelines. Bank of America stated they are “currently assessing operation aspects of implementing the guidelines” and Wells Fargo is currently reviewing the details of the new options.

Under these new guidelines servicers are required to consider a forbearance plan along with other options in order to hopefully prevent foreclosures. Since many of the government installed programs to help prevent foreclosures have not done well, the hope is this will give a much needed boost to the already declining rate of foreclosures. In 2011 approximately 2 million properties were foreclosed on which is down from 2.9 million in 2010.

According to Tracy Mooney, Sr. Vice President, Single-Family Servicing, REO at Freddie Mac, “These expanded forbearance periods will provide families facing prolonged periods of unemployment with a greater measure of security by giving them more time to find new employment and resolve their delinquencies. We believe this will put more families back on track to successful long-term homeownership.”

The other good news is that according to the guidelines, servicers are not allowed to accrue late charges to the borrower during the forbearance program or report them as late to the credit bureaus. All unpaid late charges must be waived.

Before entering into any modification or forbearance program the borrower should discuss with the servicer how this will be reported to their credit report. If the words “modification” or “forbearance” appear it could be classified as a derogatory by the credit bureaus and cause the score to drop. Borrowers need to negotiate with the servicer to make sure the reporting does not contain this verbiage.

Unemployed borrowers are encouraged to contact your mortgage servicer to find out if you are eligible for this new forbearance.

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