

Mortgage Provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act

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The [COVID-19 pandemic](#) has had wide-ranging impacts. With many households experiencing income disruptions, some may have difficulty making their mortgage or rent payments on their homes. An inability of tenants to pay rent can, in turn, impact the ability of landlords to remain current on any mortgage on the rental property.

On March 27, 2020, the President signed the CARES Act (P.L. 116-136) into law. Among many other provisions, it includes some intended to provide temporary relief for certain affected mortgage borrowers:

- [Section 4022](#) provides for forbearance and a foreclosure moratorium for federally backed single-family mortgages.
- [Section 4023](#) provides for forbearance for federally backed multifamily mortgages.

The CARES Act also includes a temporary moratorium on eviction filings for tenants in certain properties (Section 4024), discussed in CRS Insight IN11320, *CARES Act Eviction Moratorium*.

Forbearance generally refers to a period during which a borrower is allowed to make reduced mortgage payments or suspend payments altogether. Forbearance is not debt forgiveness; the borrower generally must repay the missed mortgage payments after the forbearance period ends.

The forbearance provisions in the CARES Act apply to federally backed mortgages. [Several federal agencies](#) insure or guarantee single-family and/or multifamily mortgages, including the Department of Housing and Urban Development (HUD) through the Federal Housing Administration (FHA) and the Section 184 and Section 184A programs for Native Americans and Native Hawaiians, respectively; the

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Department of Veterans Affairs (VA); and the U.S. Department of Agriculture (USDA) (which also directly originates some mortgages). Additionally, the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac purchase eligible single-family and multifamily mortgages and guarantee securities backed by those mortgages. The CARES Act provisions cover all of these, including FHA-insured reverse mortgages.

Prior to the passage of the CARES Act, [Fannie Mae](#) and [Freddie Mac](#), [HUD](#), [USDA](#), and [VA](#) each released guidance requiring or encouraging temporary foreclosure suspensions for the mortgages they back and reminding mortgage servicers of existing options to assist troubled borrowers, including forbearance. While in many cases this guidance was similar to the provisions included in the CARES Act, the law codifies the requirements and applies them consistently across federally backed mortgages.

Single-Family Mortgage Forbearance and Foreclosure Moratorium

The CARES Act provides for mortgage forbearance and a temporary foreclosure suspension for federally backed mortgages on one-to-four unit properties. Federally backed mortgages represent [a majority of outstanding single-family mortgages](#).

These provisions are not limited to owner-occupied properties; other properties secured by federally backed single-family mortgages, including rental properties, are also eligible.

Forbearance

Section 4022 allows borrowers with federally backed mortgages to request forbearance from their mortgage servicer (the entity that collects payments and manages the mortgage on behalf of the lender/investor) due to a financial hardship caused directly or indirectly by COVID-19. The borrower must attest to such hardship, but no additional documentation is required. Servicers must grant forbearance for up to 180 days, and must extend the forbearance up to an additional 180 days at the borrower's request. Either period can be shortened at the borrower's request. The servicer may not charge fees, penalties, or interest beyond what would have accrued if the borrower had made payments as scheduled.

Foreclosure Suspension

Section 4022 also suspends foreclosures on federally backed mortgages for a period of 60 days beginning on March 18, 2020. The suspension applies to the initiation and completion of both judicial and non-judicial foreclosures, but does not apply to vacant or abandoned homes.

Multifamily Mortgage Forbearance

A multifamily mortgage borrower typically owns a property with multiple tenants who pay rent (e.g., an apartment building). Multifamily mortgage borrowers depend primarily on the rent to make the payments on their mortgage. During a period of economic stress, some tenants may not be able to make their payments, which jeopardizes the multifamily mortgage borrower's ability to make his or her payment. If the multifamily mortgage is not kept current, foreclosure could occur, which could ultimately lead to eviction for renters. Providing forbearance for multifamily mortgage borrowers can help keep tenants in their homes by keeping the building from being foreclosed.

Section 4023 allows [multifamily borrowers with federally backed multifamily mortgage loans](#) to request a forbearance from their lender for a period up to 30 days, which can be extended for two more 30-day periods. To qualify for this option, the borrower must have been current on their mortgage as of February

1, 2020, and must contact the loan servicer to access the forbearance. Also, a borrower who enters into a forbearance is prohibited from evicting a tenant for the duration of the forbearance.

Policy Considerations

The CARES Act mortgage provisions potentially raise a number of policy considerations. Borrowers may not know if their mortgage is federally backed, particularly if it was sold to Fannie Mae or Freddie Mac. [Fannie](#) and [Freddie](#) each maintain websites where borrowers can look up whether that entity backs their mortgage. Borrowers can also [check their mortgage documents](#) for references to federal guarantees or [contact their servicers](#) or a [HUD-approved housing counseling agency](#) for assistance.

Borrowers must contact their servicer to request forbearance, which may raise questions about the capacity of servicers to handle large volumes of requests. Further, because mortgage servicers are often [required](#) to advance payments to securities holders even if borrowers do not make payments on time, [there are concerns](#) about the impact of a large volume of forbearances on servicer liquidity. Some federal housing agencies [have taken steps](#) to address potential liquidity issues.

Another consideration is what happens after the forbearance period. The act does not address how repayment should occur. In general, options following a forbearance may include repaying the missed amounts in a lump sum; a repayment plan through which the borrower repays the missed payment amounts over time; or, in certain circumstances, a mortgage modification. Servicers are to negotiate repayment terms with borrowers, subject to existing requirements or any [additional guidance provided](#) by the entity that backs the mortgage.

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