



OHIO MORTGAGE BANKERS ASSOCIATION

April 15, 2020

The Honorable Mike DeWine
Governor of Ohio
Riffe Center, 30th Floor, 77 South High Street
Columbus, OH 43215-6117

Dear Governor DeWine,

On behalf of the Ohio Mortgage Bankers Association (OMBA), I want to thank you for your outstanding leadership for Ohioans during the COVID-19 crisis. The impact on our citizens and the state have certainly been mitigated as a result of your actions.

Over the past several weeks OMBA has been coordinating efforts with the Mortgage Bankers Association in Washington surrounding the CARES Act, specifically related to forbearance. We would like to call your attention to efforts we are undertaking to address potential confusion of homeowners regarding the issue of forbearance.

Today, millions of Ohioans are sitting at their kitchen tables making difficult financial decisions in the wake of the COVID-19 pandemic, many of them are surely concerned about making their largest monthly expense – their mortgage. However, the recently passed federal CARES Act includes a forbearance option to provide some help. But there are pros and cons that everyone should be aware before securing a forbearance of their mortgage payments.

As you know, the CARES Act provides homeowners who are directly or indirectly affected by the pandemic temporary relief from their mortgage payments - forbearance. The option applies without regard to any prior delinquency or their ability to pay and is granted for up to 180 days. If the need arises it may be extended an additional 180 days. The CARES Act states the only documentation required from the borrower is a statement that their financial hardship is caused by COVID-19. With 90% of the country forced to stay at home, nearly everyone is “affected” by the pandemic. But should a homeowner take advantage of forbearance?

On the positive side, during the forbearance period, no fees, penalties, or interest beyond a homeowner’s monthly mortgage payment can be charged. There is no impact on a homeowner’s credit rating – it will be as if they made all payments on time and in full. Additionally, following a request for forbearance, a servicer may not initiate foreclosure or execute a foreclosure-related eviction for at least 60 days.

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With the original forbearance of 180 days, plus the extension of an additional 180 days and the 60 day moratorium on any foreclosure or eviction, a homeowner could have up to 14 months of no mortgage payments.

But forbearance is only a delay of payments – not a forgiveness of payments. Mortgage payments still must be made at a later date and in full. If a homeowner has a mortgage payment of \$1500 a month and they received the full 180 days of forbearance – on day 181 they will now owe \$10,500, potentially payable immediately, (\$9,000 in deferred payments from the forbearance and the next \$1500 monthly payment).

As many individuals seeking forbearance are attempting to make ends meet in uncertain times, most will likely use the money that would have otherwise been spent on their mortgage to pay other bills. This is exactly how forbearance is meant to be used. But what happens when this crisis is over, and they find themselves owing 6 months or more of mortgage payments?

This is where the details of forbearance matters. Understanding the terms of the homeowner's forbearance and how it will impact them in the future is key to using it to make it through a difficult time, instead of creating a bigger problem for themselves

We encourage homeowners to ask questions on how and when they will be required to pay back the deferred amount. There are different types of forbearance payment plans and they should work with their mortgage servicer to find a plan that works for them. But most importantly, we strongly discourage homeowners do not take forbearance if they do not need to. We are promoting a message that if they can pay their mortgage today, they should continue to do so. Paying their mortgage on time will always be the right decision. Forbearance is a necessary tool for people who need it, but only as a last resort. We advise homeowners who have questions about forbearance or need assistance with their payments, to contact their servicer – we are there to, and want to, help.

Again, we appreciate your steadfast leadership. As the state prepares to reopen, please do not hesitate to reach out and let us know how we can be of assistance, answer questions, or provide subject matter expertise related to the housing industry.

Sincerely,

Ed Hensley
President
Ohio Mortgage Bankers Association