



Understanding Forbearance in Escrow

Due to the 2020 pandemic, millions of homeowners have requested a forbearance plan from their loan servicer. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES) homeowners were given the option to suspend their mortgage payments by entering into a forbearance agreement with their loan servicer if they have a federally backed mortgage.

What is Forbearance?

The literal meaning of forbearance is “holding back”. It is a **temporary postponement of mortgage payments** resulting in a form of relief for the borrower in lieu of forcing a property into foreclosure. The borrower will have to pay the postponed payments back later. The terms of when and how depends on the details of the forbearance agreement accepted by both parties but one of the biggest benefits of this type of agreement is the lender delays its right to exercise foreclosure if the borrower can catch up to its payment schedule by a certain time. Loan owners, servicers and loan insurers may be willing to negotiate forbearance options because the losses generated by a foreclosure action typically fall on them.

Forbearance can help borrowers deal with a hardship in the event of unforeseen circumstances such as their home being damaged in a flood, an illness or injury that increased their healthcare costs, or loss of their job. **It does not erase the amount they owe** and borrowers have to repay any missed or reduced payments.

Forbearance is complicated. There isn't a “one size fits all” because the options depend on many factors such as the type of loan, investor requirements and the loan servicer.



Understanding and awareness of existing forbearance agreements is an important factor in the escrow closing process.

As your trusted title partner, you can expect additional inquiries to ensure a smooth closing.

Do you have questions? Let us know. We are here to help.

Trusted everywhere, every day.

