

# Congress is Nearing a \$2 Trillion Stimulus Deal, Here's What it Means for Loan Servicers

3 min read

Mar 26, 2020

By: Samuel C. Bodurtha

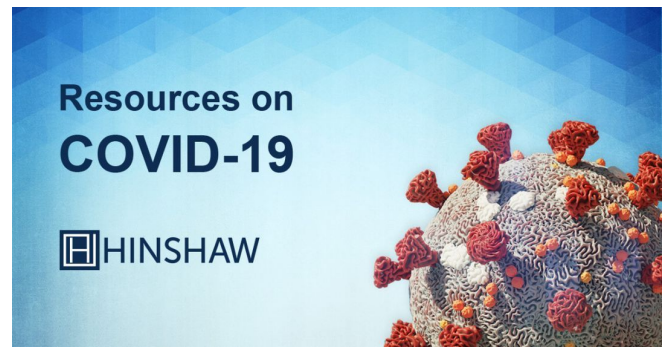
The COVID-19 outbreak has resulted in unprecedented job loss for millions of Americans, creating economic uncertainty and challenges for loan servicers in 2020. Until the outbreak is controlled, missed payments on mortgages and student loans are likely to increase. Already, the U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Finance Agency (FHFA) have issued 60 day moratoriums on foreclosures and evictions, which some states—and most banks and mortgage loan servicers—have adopted. Meanwhile, the Department of Education has announced that all borrowers with federal loans will have their interest rates automatically set at 0% for at least 60 days. Late Wednesday night, the Senate passed H.R. 748, the [Coronavirus Aid, Relief, and Economic Security Act](#) (CARES Act) after senate leadership reached an agreement with the White House earlier in the week. The legislation now moves to the House of Representatives for what many hope is unanimous consent. While we are still waiting on the House of Representative's approval, we've explored measures within the bill that will immediately impact student and mortgage loan servicers and outlined them below.

**The bill provides temporary relief for federal student loan borrowers.** Under Section 3513, the Department of Education will suspend payments for all federal student loans through September 30, 2020.

- Interest will not accrue on these loans while payments are suspended.
- For purposes of reporting to consumer reporting agencies, any payment that is suspended during this time period is treated as if the borrower made the payment.

**The bill provides consumers with the right to request forbearance.** Under Section 4022, any borrower with a Federally backed mortgage loan<sup>[1]</sup> who experiences financial hardship due to COVID-19 may request forbearance on the loan regardless of delinquency status by submitting a request to their mortgage loan servicer and affirming financial hardship.

- A mortgage loan servicer must grant forbearance for up to 180 days and must extend the forbearance for an additional 180 days at the borrower's request. During the forbearance period, no fees, penalties, or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full, can accrue on the account. The borrower can request a shortened forbearance during the initial or extended period of forbearance.
- Once a servicer receives a forbearance request from a borrower, the servicer must grant the forbearance with no additional documentation required other than the borrower's attestation to financial hardship caused by COVID-19.



#### **The bill imposes a moratorium on foreclosure.**

- Under Section 4022(c)(2), the servicer of a Federally backed mortgage loan may not initiate any judicial or non-judicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale for a period of 60 days beginning on March 18, 2020.
  - The foreclosure moratorium does not extend to vacant or abandoned property.

**The bill provides forbearance protections to borrowers with multifamily mortgage loans, as well as their tenants.** Under Section 4023, a multifamily borrower with a Federally backed multifamily mortgage loan experiencing financial hardship, due directly or indirectly to COVID-19, can request forbearance.

- To request relief, a multifamily borrower with a loan that was current as of February 1, 2020, may submit an oral or written request for forbearance to their servicer that affirms financial hardship.
- On receipt of the request, the servicer must document the financial hardship and provide the borrower forbearance for up to 30 days. The servicer must extend the forbearance period for up to two additional 30 day periods at the request of the borrower, provided that the borrower's request is made during the covered period and at least 15 days prior to the end of the period. The borrower can discontinue the forbearance at any time.
- During the forbearance period, a multifamily borrower may not evict or initiate eviction of a tenant from the dwelling unit for non-payment of rent or other fees and charges, and may not charge any late fees, penalties, or other charges. A multifamily borrower also may not issue a notice to vacate to a tenant until the forbearance period expires. Finally, a multifamily borrower may not require a tenant to vacate a dwelling unit on the property without providing 30 days' notice.

**The bill imposes a moratorium on eviction filings.** Section 4204 prohibits lessors with Federally backed mortgage loans from initiating eviction actions and charging fees or penalties to a tenant arising from the nonpayment of rent for 120 days beginning from enactment of the CARES Act.

Hinshaw will continue to monitor the status of the federal government's stimulus bill and any further actions within the loan servicing industry taken in response to COVID-19. Similarly, note that Hinshaw has created a resources page as part of our efforts to keep clients informed of the rapidly evolving circumstances and the potential impacts they may face with the COVID-19 pandemic. You can [opt-in to receive updates](#) in the future.

---

[1] Across the bill, Federally backed mortgages include loans insured by the Federal Housing Administration or purchased by the Freddie Mac or Fannie.

---

*Hinshaw & Culbertson LLP is a U.S.-based law firm with offices nationwide. The firm's national reputation spans the insurance industry, the financial services sector, professional services, and other highly regulated industries. Hinshaw provides holistic legal solutions—from litigation and dispute resolution, and business advisory and transactional services, to regulatory compliance—for clients of all sizes. Visit [www.hinshawlaw.com](http://www.hinshawlaw.com) for more information and follow @Hinshaw on LinkedIn and X.*

## Topics

Legislation, Student Loans, Loan Servicing, Loan Defaults, Mortgage Loans, HUD, Department Of Education, COVID-19, Coronavirus, Stimulus, U.S. Department Of Housing And Urban Development, Federal Housing Finance Agency, Coronavirus Aid, Relief, And Economic Security Act, CARES Act

## Related Capabilities

Mortgage Lending & Servicing Litigation