

Forbearance: What to Know & What to Ask Your Lender

In order to receive a forbearance from your mortgage lender, the homeowner must contact their lender and find out what options are available to them.

What is a forbearance? A forbearance could allow for a mortgage payment to be suspended for up to 12 months. It does not erase missed or reduced payments which will have to be paid in the future.

Here are some things to consider about a forbearance:

Pros:

- Allows you to stay in your home and avoid foreclosure.
- Gives you time to address a temporary financial difficulty.
- You may have a significantly reduced payment or no payment at all for a period of time.
- Less of a hit to your credit than foreclosure or multiple late payments (if the lender agrees not to report the account as late; so be sure to ask).

Cons:

- The unpaid portion of your payments will continue to accrue.
- You may still be charged late fees.
- Your account may be reported to the credit bureaus as a modified payment agreement or as past due, which could have negative impacts on your credit score.
- You may have a higher payment or need to pay a lump sum after the forbearance period ends.
- You may still need to find another solution or face foreclosure if you are not back on your feet after the forbearance period ends.
- Will not help you long-term if you are in a home you cannot afford (if the payment was difficult before the current hardship).

Before deciding if a forbearance is the right option for you, ask your lender the following questions:

- What will happen to my interest during the forbearance?
- Will I be charged late fees during the forbearance?
- What information will be reported to the credit bureaus?
- Ask about how your lender will handle the missed/postponed payments:
 - Will I owe the entire unpaid amount in a lump sum once the pause period has ended or will I at the end of the loan (this is called a balloon payment)?
 - Can the loan term be extended so missed payments are added to the end of the mortgage?
 - Will my payment amount change after the forbearance? If higher, for how long will my payments be higher and for how much?

Our non-profit mission is to help people achieve their money and housing goals through financial education, counseling, and support.