

FORBEARANCE

WHAT IS IT AND SHOULD YOU CONSIDER IT?



What is it?

Forbearance is when a lender agrees to let a borrower postpone payments until a later date. The payments are not eliminated. They will need to be paid at the end of the forbearance period, spread over time, or added at the end of the loan. It's important to know this is not for everyone but only those who have lost a job or have a financial hardship due to the coronavirus pandemic.

Potential Benefits

If you are eligible and in true need, this can be a big, albeit temporary help with cash flow.

Potential Problems

If you're without funds for monthly payments now, what is the likelihood of being able to make up missed payments all at once in a few months? This is the worst-case scenario, but you must ask your servicer if alternatives are available.

The CARES Act intends to protect your credit if pursuing forbearance, yet there's no guarantee that will occur without errors. It will be important to monitor both your monthly statements and credit report to assure accuracy.

This is temporary, not long-term relief. It may take a year or more beyond the end of the forbearance before you can refinance. Saving every month for 30 years later may be far better than a little short-term relief right now.

Possible Alternatives

If you still have sufficient household income to qualify, pursuing a "cash out" refinance could be a better option. You may be able to access equity to create a cash cushion from which you can consolidate other debts, make timely payments and eliminate risk to your credit.

If you have a 15-year loan now, stretching the term to 30 years can save hundreds of dollars per month. Once your income has returned to normal, you can always add extra principal to pay the loan off in 15 years without having to refinance again.

If you have no choice but to pursue forbearance, you **MUST** reach out using the contact info on your loan statement to arrange a formal, documented plan. Documentation will be critical to clear any credit reporting issues that may arise.

Please reach out if you have questions or if I can be of assistance in discussing options that might be best for you.

ACCESS CAPITAL MORTGAGE

Company NMLS# 421593

All loans subject to credit approval.

