



President's Column Central Hill Country Board of REALTORS®



by Emary L. Baehr, 2020 President

The Difference Between Mortgage Deferment and Forbearance

More homeowners are in search of mortgage relief due to the COVID-19 pandemic, and options like mortgage deferment and mortgage forbearance are becoming readily available to those in need.

But “we are seeing the terms being used interchangeably,” said Sara Singhas, director of loan administration for the Mortgage Bankers Association.

Mortgage deferment and mortgage forbearance allow borrowers to temporarily stop making their monthly payments, but they differ in what happens afterwards. At the end of a forbearance period, the amount of payments missed are due in a lump sum, Singhas explains. However, lenders may choose to work with borrowers to structure a payment plan.

On the other hand, deferment is allowing borrowers to repay the money over time or add it to the end of their loan period.

“Technically, a mortgage forbearance agreement is when you’ve possibly been late, and the lender agrees not to foreclosure during that forbearance period,” said Krista Allred, a mortgage loan originator.

In the current landscape, many borrowers haven’t become past due on their mortgage yet. But as the pandemic causes unemployment numbers to rise, borrowers are in a rush to seek help before they default.

“The moral of the story right now is to call your lender,” Allred says. “Don’t just assume you can skip a payment. Call them, let them know, and make arrangements.”

Forbearance and deferment aren’t the only options. Some lenders are doing loan modifications, too. The bottom line is that lenders want to remind consumers: Nothing is free.

“It’s not free mortgage payments; it’s not free money. [Forbearance] is temporarily hitting the pause button on your mortgage, and not having to make the payment,” according to Mary Bell Carlson, a certified financial planner who operates a blog under “Chief Financial Mom.” “It does not necessarily pause the interest that is accruing, and it does mean that you’re going to have to make that principal and interest payment at a later date.”

(Article courtesy of realtor.com)