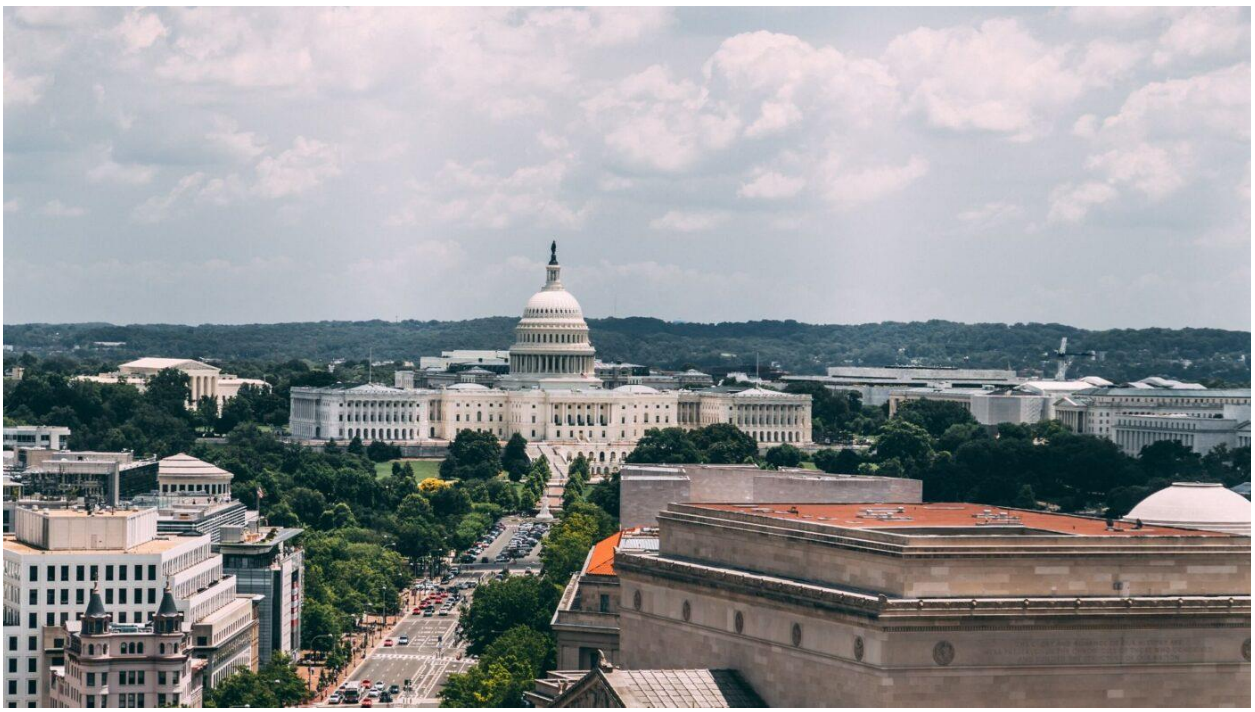
Housing protections in the stimulus bill explained

The 880-page bill signed into law by Trump on Friday includes credit protections, foreclosure moratoriums and forbearance on some mortgages



Vlad Tchompalov on Unsplash

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At the height of the Great Recession, 2.8 million properties filed for foreclosure in 2010. A key provision of the stimulus package passed this week is aimed at avoiding a repeat of the havoc the 2008 recession wreaked on the housing industry, as millions file for unemployment due to COVID-19 (coronavirus).

Much of the package's direct assistance — direct $1,200 payments for many Americans, small business loans, expanded unemployment insurance — has been covered by many outlets, including Inman. But included in that bill — called the CARES Act — are a number of protections for single-family owners, renters, multi-family building owners and even some-day-in-the-future prospective homeowners.

A lot of the specifics of the bill are already taking place on a state level and at smaller levels, but the CARES Act will codify these protections into federal law.

Mortgage forbearance and foreclosure protections

During this designated disaster period — which began on March 13 — a borrower with a federally backed loan can request forbearance through the loan servicer. A federally-backed loan means that it's either guaranteed or insured by the Federal Housing Administration, Department of Veterans, Department of Agriculture or purchased or securitized by Fannie Mae or Freddie Mac.

Once the request is submitted, forbearance is granted for a period of up to 180 days at the request of the borrower. No fees, penalties or interest beyond the amount scheduled can be accrued on the borrower's account.

The servicer cannot request any proof beyond the borrow's attestation to a financial hardship caused by COVID-19. The servicer of any

Federally backed loan also cannot initiate the foreclosure process for not less than a 60-day period beginning on March 18.

Protections for multi-family property owners

During the covered period, all of the protections extend to homeowners are being extended to owners of multi-family properties with Federally-backed loans as well. The loans are aimed at providing relief to the building owners that may be facing hardships — possibly due to the inability of tenants to pay.

Unlike single-family homeowners, in this instance, multi-family building owners need to document the financial hardship they are facing and can request forbearance for up to 30 days. That forbearance can be extended for two additional 30 day periods.

Renter protections are built into this section of the bill, guaranteeing that the building owner receiving forbearance cannot evict or initiative eviction of tenants based on nonpayment of rent or charge any late fees to tenants due to late payment of rent.

Increased tenant protections

For the next 120 days, the owners of any dwelling that participates in any housing program covered by various acts — including the low-income housing tax credit program, National Housing Act, Homeless Assistance Act, National Affordable Housing Act, rural housing voucher program and others — cannot begin any action to initiate eviction proceedings to re-take possession of a dwelling for nonpayment of rent, or charge any fees or penalties related to nonpayment of rent.

The protections also apply to tenants of any building that's owned by a lessor with a federally-backed mortgage, including through the U.S. Department of Housing and Urban Development.

Credit protections

The stimulus package amends the Fair Credit and Reporting Act to allow more leeway for consumers that come to agreements with lenders on deferring, making partial payments, modifying a loan, forbearing delinquent amount and utilizing any other relief. It's a measure designed at not allowing the tanking of credit scores of millions of Americans suddenly finding themselves out of work due to coronavirus.

If the lender and a consumer impacted by coronavirus come to an agreement on any of the aforementioned accommodations — with respect to one or more payments — and the consumer makes either the agreed-upon payment or is not required to make the payment, then the account must be reported to credit agencies as current.

If the account was delinquent before the noted period, that status must be maintained.