The Lindley Team
Certified Divorce Lending Professional

Divorcing Your Mortgage Educational Series

The Impact of COVID-19 and Divorce Mortgage Financing

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EQUAL HOUSING LENDER

The last couple of weeks have produced some very significant changes in the mortgage industry that could affect divorcing couples needing mortgage financing in the future. As turbulence continues in the housing market with mortgage rates fluctuating and the economy reacting due to shelter-in-place orders, it may be even tougher for divorcing borrowers.

Minimum Credit Score Requirements

Under today’s economic conditions, especially with the job losses we’ve seen lately, many lenders and investors are choosing to raise minimum credit score requirements in an effort to minimize the risk of borrowers not being able to make their payments.

For now, the change in credit score requirements is simply a protection against default during a rough time in our economy. It’s uncertain as to how long the increased credit score requirements will last. But many of the big benefits of each loan program remain, while interest rates are still sitting at historic low levels.

Jumbo Loans and DPA Programs May Be Suspended

Many lenders are choosing to temporarily pause jumbo loans and down payment assistance programs. Jumbo loans are loans that exceed the 2020 conforming limit of $510,400.

Down payment assistance programs may not be available in your area either. There is currently no set date as to when these programs will return.

Assistance During COVID-19

It’s not uncommon to see financial hardships during divorce and economic challenges like we are currently facing may increase those hardships. For some homeowners, this may be a difficult time to keep up with mortgage payments. Fannie Mae and Freddie Mac have initiated measures to mitigate some of the financial hardship that may be experienced during the coronavirus pandemic.

Assistance During COVID-19 Continued

Payment Forbearance

There may be options in place that allow homeowners to temporarily suspend or reduce monthly mortgage payments. A forbearance is not a deferment, meaning payments cannot be skipped or added to the end of the loan. After forbearance, mortgage servicers are committed to working with customers on permanent workout options to help maintain or reduce monthly payment amounts as necessary, including loan modifications.

Payment forbearance does not mean you can:

- Move payments to the back end of your loan
- Defer payments
- Skip payments
- Waive interest

Credit Reporting

For homeowners with conventional mortgage financing, Fannie Mae and Freddie Mac are requiring mortgage servicers to suspend credit bureau reporting of past-due home loan payments. This applies to homeowners in forbearance, using repayment plans, or using trial period plans as a result of this national emergency.

The FHA and VA programs have encouraged mortgage servicers to follow suit. Although not required, there may be servicers who have not yet put this practice into place. Homeowners should check directly with their servicer if they have concerns.

Foreclosures

Fannie Mae and Freddie Mac have set a temporary prohibition on foreclosure sales and evictions. Guidance has yet to be issued for options regarding initiation of new foreclosures. This suspension does not apply to properties that are vacant or have been abandoned.

FHA and VA also have a prohibition on the initiation of new foreclosures, completion of foreclosures in process, and evictions. The suspension of foreclosures does not apply to properties that are vacant or have been abandoned.

Now more than ever, it is important to have a Certified Divorce Lending Professional (CDLP™) on your professional divorce team. A CDLP™ will not only understand these major changes within the mortgage industry but the impact they may play during the divorce process and obtaining mortgage financing.