

# Mortgage Forbearance and Housing Expense Relief in Response to the COVID-19 Outbreak

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Original post [here](#).

With US unemployment claims at record highs due to the nation's directive to close many businesses and shelter-in-place, many individuals are struggling to pay recurring fixed costs, such as mortgages and rent. In response, the United States instituted the CARES Act, providing opportunities for [mortgage forbearance and moratoria on evictions](#) for all holders of federally backed loans. Other countries have instituted similar policies, but with varying time-frames and coverage for homeowners and renters.

## Mortgage and Rent Forbearance

More than 20 countries have instituted some form of mortgage forbearance in response to the ongoing COVID-19 pandemic. The CARES Act endows borrowers with federally-backed mortgages [the right to request forbearance](#). It provides a general framework for mandatory forbearance policies, while leaving the terms of agreement to the original lenders, with flexible windows for forbearance as determined by borrower need. [Canada](#) strongly emphasized that lenders should negotiate directly with mortgage borrowers to determine the terms of forbearance on individual loans. Some countries provide forbearance for a fixed time period. For example, the [United Kingdom](#) provides a fixed window of three months for forbearance.

Forbearance is not restricted to mortgage borrowers. Putting a moratorium on rent payments is one approach to provide temporary relief for renters. [British Columbia](#), in Canada, has promised to pay CAD\$500 a month, for three months, directly to renters' landlords to provide a direct subsidy of rental payments. [Greece](#) has restricted rent payment for those directly affected by the outbreak to 60% of rent for the months of March and April.

To emphasize that forbearance is not forgiveness, lenders offer [flexible repayment options](#). For example, there is the paused payment option, in which borrowers pause payment and either choose to make a balloon payment once their regular loan payment commences, or when the mortgage reaches its term. Borrowers can also opt to reduce their payment by some fraction for a set period. Any individual who seeks repayment accommodations due to the impact of COVID-19 will remain current for purposes of credit reporting.

To fully account for housing-related fixed costs, some countries are paying utilities or providing forbearance for citizens on utility payments. [Argentina](#) has extended forbearance clauses to utility bills for households in arrears in addition to covering mortgages. [Bahrain](#) will pay residents' electrical and water utility bills for three months beginning in April, though it hasn't instituted any form of mortgage forbearance or rent. [Ukraine](#) has outlawed disconnecting utilities for customers late on payments.

Typically lenders use caution when determining if a borrower is eligible for renegotiation of the terms of a loan. Doing so may expose lenders to balance sheet losses and require them to categorize the renegotiation as a troubled debt restructuring (TDR). TDRs require strict reporting, tracking, and accounting requirements that are administratively costly. Since forbearance is a form of term renegotiation, regulators have modified guidance around the

reporting of TDR to increase the expediency of the forbearance process in response to the pandemic. To read more on the expansion of loan restructuring options that countries have employed to provide flexibility to lenders, such as changing loan classification or accounting requirements, click [here](#).

#### Eviction Moratoria

To prevent evictions for individuals who are behind on payments, countries have instituted moratoria on evictions and foreclosures. In some cases, this has not been codified into law. [Barbados](#) has not passed legislation, but has “strongly encouraged” landlords to not evict their tenants during this time; it plans to legally enforce the rule if not upheld without legislation. Other countries have extended the timeline for foreclosures. In the [United Kingdom](#), landlords must now give renters three months’ notice before eviction, through September 2020.

Other governments have implemented stricter tenant protections. [British Columbia](#), in Canada, has placed a ban on evictions for three months. In addition to moratoria, [Ireland](#) has paired a three-month moratorium on evictions with a ban on rent increases for the duration of the COVID-19 emergency in the country. [New York City](#) has placed a moratorium on residential evictions for 90 days; the [United States Congress](#) has prevented eviction for 120 days after enactment of the CARES Act on March 27, and foreclosures for 60 days after March 18, for federally guaranteed mortgages. In addition, US landlords receiving forbearance on their mortgages are prohibited from bringing eviction proceedings against tenants, or charging penalties during the forbearance period.

*To read more about debt restructuring for mortgages, click [here](#).*