

Strategies for Credit Unions Dealing With Mortgage Defaults During the COVID -19 Crisis

Articles, COVID 19: Answers to Business Challenges April 3, 2020

As more states issue stay at home orders and mandatory lockdowns, Credit Unions must institute business contingency plans and adapt to a remote workforce. The lack of face to face communication with customers can heighten already growing anxieties as economic pressures increase.

Now is the time to for Credit Unions to fortify their strategies in the event of missed mortgage payments. Specifically, Credit Unions should reanalyze methods to assist consumers who are fearful of defaulting on their mortgage obligations.

Credit Unions have the ability to offer a number of remediation options to reposition the consumer to avoid default such as:

Loss Mitigation: Applications for loss mitigation should require the consumer to provide proof of income, expenses, bank statements, tax returns, explanation of hardship and proof of real estate tax and insurance payments. If the consumer qualifies for loss mitigation a temporary or permanent modification, whereby the monthly payments are reduced or deferred, may be offered.

Mortgage Refinancing: As Mortgage rates are historically low, some consumers who are not in default may be able to refinance their existing mortgage.

Extending Loan Maturity: Consumers may be able to enter into a forbearance agreement whereby the maturity date of the loan can be extended.

Capitalization of Delinquent Amounts: Consumers may be able to enter into forbearance agreements whereby the underlying amounts in default (principal, interest and fees) are added to the principal balance.

Community Services and Housing Counselor Services: In the event a Consumer has difficulty applying for loss mitigation, they can be directed to various nonprofit organizations that can assist them in the application process.

For more information about Credit Union's options in dealing with mortgage loan defaults please contact Kevin J. Cummings by phone (412) 594-3945 or by email.