As forbearance requests slow, will usage be lower than expected?

By **Bonnie Sinnock**

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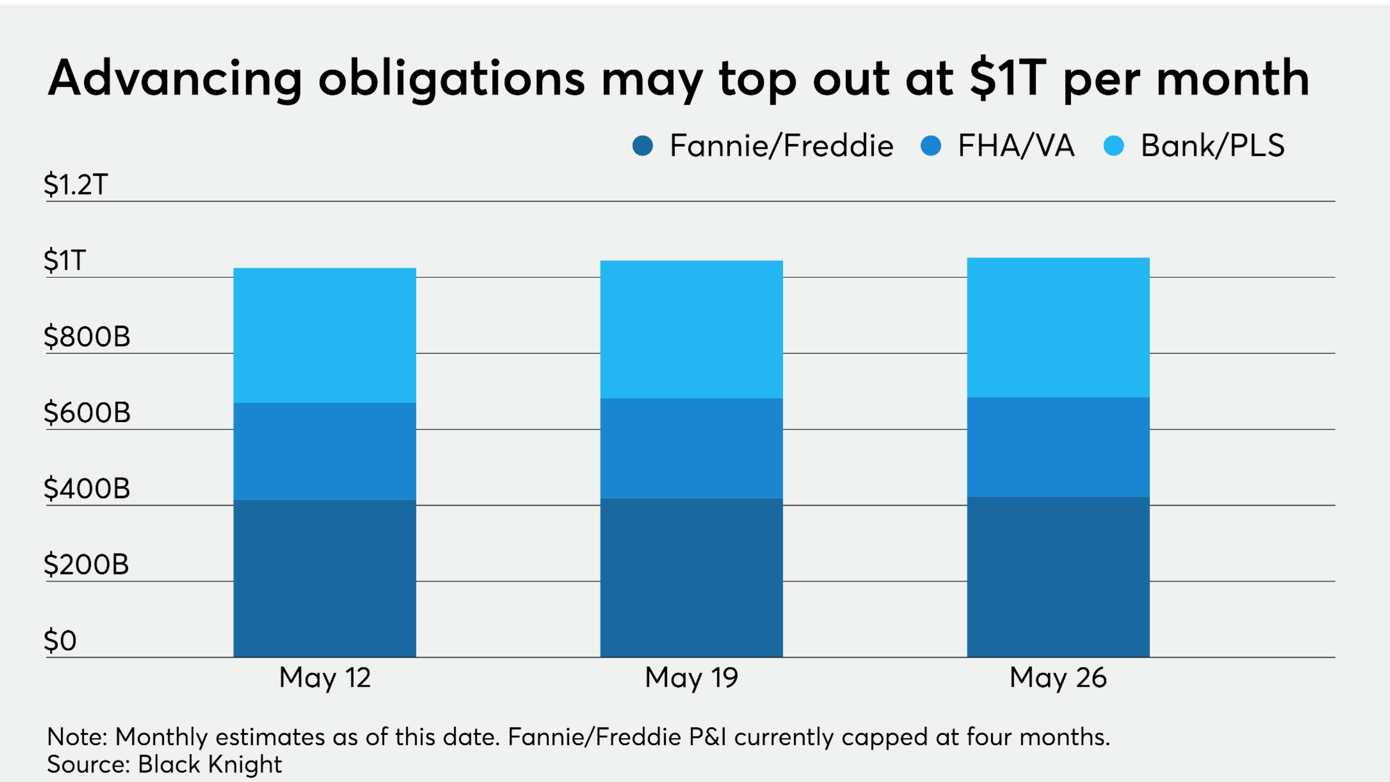
Servicers' advancing obligations related to forbearance have gotten pretty high, but they are starting to level off and may not be as bad as feared in other ways as well.

Not only do current reports like the one Black Knight put out Friday consistently show overall enrollment in suspension plans is slowing, it's starting to look possible that usage rates could fall, too.



"You've got a lot of consumers that signed up for forbearance that haven't used it," said Joe Chappell, executive vice president at Covius.

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A lot of initial requests for the coronavirus-related payment suspensions available without documentation may have been a form of "strategic forbearance" motivated more by opportunity than current need, he noted.

More than 70% of homeowners approved for forbearance aid said they could have made their payments but wanted to be able to take a breather from them, according to the results of a LendingTree survey released last week. Five percent couldn't pay their mortgage bills, while the rest would have had to skip paying other essential bills to remain current on their mortgage.

Many people may continue to engage in forbearance for strategic or need-based reasons. But for others, recent clarifications around how payment suspensions affect financing in the influential government-sponsored enterprise market could impact whether they want to use forbearance or not.

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Some of the recent clarifications suggest there will be more leniency around forbearance repayment and broader financing available for consumers with payment suspensions than there would normally be. These may make some aspects of forbearance more attractive to borrowers.

On the other hand, the Federal Housing Finance Agency — which regulates and serves as the conservator for Fannie Mae and Freddie Mac — also has made it clear that forbearance and the extent to which consumers follow through payments or not has an impact on homeowners' ability to get new loans. That could discourage some borrowers from suspending payments.

While overall enrollment in forbearance plans is plateauing at a rate below 10% on average, the obligation that forbearance could place on servicers or loan holders to advance or otherwise absorb the impact of unpaid borrower funds still could be considerable unless borrowers choose to keep paying.

Servicers may find themselves responsible for more than $1 trillion per month of suspended payments across all types of mortgages, according to Black Knight.

Ginnie Mae and Fannie Mae have taken some steps to ease that burden in a worst-scenario, but mortgage companies remain concerned about other outstanding forbearance-related obligations.

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