

Farnoosh Intro: Welcome to So Money everyone...Excited to bring you this BONUS episode, in partnership with Fannie Mae, where we'll be providing timely advice and support for struggling homeowners and renters impacted financially by COVID-19. The pandemic has hurt so many millions of Americans from being able to pay their bills, including their housing payments. It's been especially challenging for people of color who have been disproportionately impacted economically.

Joining me to provide some solutions is Danielle McCoy, Vice President and Fair Lending Officer at Fannie Mae. She and I cover a lot of ground in this next half hour about their Here to Help education effort, including the ins and outs of forbearance, and why this might be a real option for homeowners right now. We also tackle some of the myths surrounding forbearance and how it impacts one's credit. Also, important advice for renters that may need some financial assistance right now, how to know if you can qualify for free financial counseling and the best ways to negotiate with your landlord.... Here we go...

Farnoosh: Danielle McCoy, welcome to SO MONEY. I'm so happy to have you here. We get to help so many homeowners and renters in this moment make ends meet. It's really great to have you.

Danielle: Thank you so much for having me on today Farnoosh.

Farnoosh: Absolutely. Couldn't think of a better person, you know at Fannie Mae you are a Vice President, Fair Lending Officer. So you are really at this intersection. You're hearing, you're seeing, you're experiencing a lot of this hardship and educating people along the way. So let's just dive right in and maybe we can start with an overview of how this pandemic has really hurt people in terms of their ability to pay for housing, which we know is such a big part of the budget.

Danielle: Correct. You're a hundred percent right. Almost everyone knows at least one person that has had a job loss, has been furloughed, worked for a business that's been closed or lost hours because they were sick due to covid-19. And when these things happen, it really hurts your ability to pay your bills including your rent or your mortgage. And at Fannie Mae one of our top priorities is to make sure that people know that there's help out there, if they're in this situation. And that's really why I'm here today and why I'm so happy to be on.

Farnoosh: Let's talk about some of these relief options and we want to maybe start with forbearance which is something that maybe a lot of homeowners wouldn't have considered but now might feel like a real option. What is forbearance? Let's just start there and how does it usually help the borrower?

Danielle: Sure. So a forbearance is a temporary reduction or pause in your monthly mortgage payment. If you have a mortgage that's federally-backed and most mortgages in this countries are...you can get forbearance up to 12 months... and the great thing about forbearance is it really helps you. It's a tool that helps you until you're able to get back on your feet. So it bridges you from where you are today until you're in a better situation.

Farnoosh: I sense that there's a little bit of taboo around this concept of forbearance. And I know we're going to talk later about how this may or may not impact your credit, but for a variety of reasons, I think mortgage borrowers are hesitant to consider this as an option as a viable option because they just worry about how it's going to look how it's going to impact them.

Danielle: You're completely right and I think that's because of the key misconception that if you take forbearance, when you're better, you have to pay it all back at one time. That is not true. And I really urge and encourage all of your listeners to take their time. We have a website KnowYourOptions.com that has a lot of information about forbearance and other options that I'm going to discuss today. And I realize this is not something people talk about everyday. You're not using words such as forbearance or payment deferrals or you know, this is not everyday speak and so it's really important that people do two things: educate themselves. And then secondly, they call their mortgage servicer. And your mortgage servicer is the name of the company on your bill. You talk to them as soon as you have trouble because forbearance could be great and there's a lot of ways to pay back your mortgage.

Farnoosh: You use the term deferment and so just wanted to know if there is a difference between forbearance and loan deferment.

Danielle: Sure so forbearance again, it's just it's a temporary pause right or or a reduction in your monthly payment. I was referring to a payment deferral and I should go through these. There are three ways that you can exit a forbearance because as I said, you don't have to repay all at once. You could repay all at once but I'm going to go over three other ways. The first is a repayment plan. And under a repayment plan you pay a little more every month for a period of 12 months until you've made up all your missed payments. Some people will be able to do this. Some people won't because it's just too much money. Right? And so that gives us a second option which is a payment deferral and under a payment deferral all of the payments that you missed are tacked on to the very end of your mortgage when your loan is paid off. And you don't even accrue interest on those amounts.

So it's a great way to repay your missed amounts.. Will be people that the repayment plan in the payment deferral don't work best for them. And these are people that let's say you lost your job and you have a new one, but you don't make as much money as you did before Covid-19. You might be able to afford a monthly mortgage payment, but you might not be able to afford to pay the same amount and for people in this situation a loan modification may be best. And a loan modification is when they modify your interest rate or the term of your mortgage to reduce your monthly mortgage payment. So again, there's multiple ways to exit forbearance. You have to contact your mortgage servicer and it really will depend on your situation.

Farnoosh: Great. Thanks for breaking that down for us. This will be relief to a lot of listeners who are under the assumption that it's all do right away. I know that at the beginning of last year's beginning of covid there was a lot of misunderstanding around the covid related forbearance programs and when they were going to come due If people were worried about enrolling

Danielle: Definitely there was and I think there was misinformation as well. And so, you know, I try to get the word out as much as possible that this is a great option. People should use it if it's available for you. We don't have to struggle. If you're struggling make the phone call and take advantage of one of these opportunities.

Farnoosh: So Danielle what happens if you end your forbearance period and you can't pay back you're still struggling.

Danielle: That's a really great question. And you know right now you have a lot of people that took forbearance last March and their forbearance periods are ending and I'm happy to say that they might be eligible for an additional extension for up to six months. It's really important to call your mortgage servicer and let them know your situation hasn't changed. You still can't pay anything on your monthly mortgage. If you have a complete pause or you still need that reduced payment and have those conversations because you could be eligible for additional periods of forbearance.

Farnoosh: Can it work for someone who let's say is in forbearance about to come out to refinance. I know that you have to have good credit and all the things in order to get a refi approval. But do you see that happening usually in the marketplace?

Danielle: So if you're in forbearance, you're still going to have to exit it in some way. Yeah, so I guess you could be in forbearance and if you're financially capable. Or you could do a repayment plan or repay the amounts that are due and then if rates are still low enough you may decide you want to refinance. But typically if you're in forbearance, you have to exit become current and then refinance.

Farnoosh: All right, let's talk about the impact on one's credit. This again is something that I think there's a lot of confusion around. Months ago. I did a story where I was kind of just looking at I noticed there was this spike in complaints, consumer complaints, related to their credit reports and one of the things that kept popping up was, you know, I applied for some sort of modification or forbearance through my bank, my lender. I was told it wasn't going to impact my credit and yet it showed up on my credit report. Now that's not conclusive. You know, these are just sort of people's assumptions of what was on their credit reports. Who knows, but I think it speaks to the volume of confusion around how this does or does not impact your credit. Can you settle this for us once and for all?

Danielle: Definitely. If I know today that I might not be able to pay my mortgage, I need to call and get into a forbearance plan as soon as possible and the reason why is because if you get into forbearance while you're current, your credit report will remain current as during your forbearance phase. As long as you follow a payment reduction, you have to continue to pay that reduced amount or if it's a payment, you know delay, then you're fine. It's a good way to protect your credit, especially if you anticipate, because if I take forbearance for 12 months and don't pay for 12 months, but I took it when I was still current, I'm current those 12 months.

Farnoosh: Also, because we're talking about it, I got some questions back again early in 2020 people were hesitant. Like I know this isn't going to hurt my credit. But if I do this will this make me look less qualified, I'm using air quotes, for the next home that I'm going to purchase. People were actually worried that this could somehow backfire if it ever showed up on their even on their credit report, even though it was not a negative stain, but it was reported and the next lender is like hmm. Any thoughts on that?

Danielle: It's very clear that missing a payment is not ideal. If your main concern is your credit report. The harm for missing a payment is much greater than any concern they have about the fact that they're not continuing to potentially accrue credit during the forbearance period

Farnoosh: It's this saying where 'if your house is on fire. Don't worry about the cost of the water,' you know, and again when I was giving so much advice in the beginning of the pandemic and the recession, there were a lot of relief options for people that were relatively new that we approached with a lot of skepticism. For example, you know, we were thanks to the Cares Act we could take up to a hundred thousand dollars out of our 401ks or IRAs penalty-free. As a financial advisor expert under normal circumstances, I wouldn't really recommend that as a first option, but I thought about I was like look if you can't make payment on your home mortgage or all these other bills, if you're out of work, use the water. Take the money out of a 401k, apply for forbearance, all of the things.

Danielle: Exactly. I mean, that's the most important thing and you know, there are so many options out there and I hate for someone to struggle when there's relief.

Farnoosh: All right, let's now talk about something really cool. I understand that if Fannie Mae owns your mortgage loan or if you are a tenant in a multifamily rental property that's financed by Fannie Mae, you may have access to what's called Disaster Response Networks hud-approved housing counselors. This is a really great resource. I want to talk about this. How can dwellers access this? How can you find out if you can even access this support? So tell us about this Disaster Response Network's hud-approved housing counselor.

Danielle: I love this. I love this program and the reason why is a lot of people in addition to not knowing where to turn, some people think they have to pay for help right? If I pay this person they will help me out of my financial situation. This is free financial counseling. So free from HUD approved counselors. And it's available to anyone again as you said where Fannie Mae owns your mortgage or if they finance your multifamily property. So it's a great thing and what they do is they help you come up with a customized action plan. So it's based on your situation. They know all of the bills that you have to pay and they can help you navigate for a period of up to 18 months, as you're getting out of financial difficulty.

Farnoosh: So that brings us to talking a little bit more about renters because this housing counselor program could potentially also work out for renters in multifamily rental properties that are financed by Fannie Mae but in general for renters what are some relief options that they may not know about because I think often times they think all they can really do is try to negotiate with their landlord and

that is you know, that's that's really a hard bet. You can't really rely on that all the time. But what are some maybe more formal relief options for them?

Danielle: Sure. So in addition to the Disaster Response Network, which they do have available and talking to your landlord, I know it's not always the favorite approach for people or the favorite option, but I will say I think it's important that people I'll have those conversations. And we do have tips for people that have to have those conversations on our website. A good resource to see what you may qualify for would be the National Low Income Housing Coalition. And so that's a good place to find out what state and local resources are available for renters. Another thing that renters should know is that the CDC has an official order out that halts any eviction until March 31st, and I think that that's really important as well for people to know that.

Farnoosh: yeah, let's get into some of those negotiating tips with your landlord. I can only speak anecdotally because I hear from a lot of my listeners that have had success or you read about it in the paper my brother, In fact, just the other day said he wouldn't be able to negotiate a month-to-month lease in New York City, which is very hard to to get but I think everybody's just looking to you know be flexible right now. I think that's that's important like in any negotiation what does that other person across the table across the aisle, what does that person's needs and how can you start to frame this so it's a win-win for both of you. Landlords don't want to have to scramble to find new tenants right now, especially in cities where there's been a lot of exodus.

Danielle: Landlords are not excited about having them evict anyone right now their their goal is also to keep you in a rental property to the extent that they can come up with some type of arrangement with you. And I think people should understand that. You know, it cost landlords a lot of money to find new tenants and put them in their buildings. So I highly encourage people to have those conversations because I think it's one of the few times where interests are actually somewhat aligned by both parties and you might be able to come up with a payment plan or some other type of plan with your landlord.

Farnoosh: Yeah, and sometimes we're scared to have those conversations. We're worried that we're going to reveal our you know, our fragility, our financial fragility and but look everybody I always say this has happened in the last recession too like there's no shame. Everybody is experiencing some level every, you know, except for maybe the billionaires but a lot of people are experiencing hardship, of course on a varied scale but there's no embarrassment, you know, and frankly, I think that if you can even afford it and rents around you are dropping. You know, that's something else to talk about with your landlord. You don't want to leave but also want to understand that I can get another apartment for 20% less. So maybe we can work out a deal. And again, I think that that's going to save the landlord the marketing and all the time that he doesn't have to spend on finding someone to replace you. So I think that there's a lot of incentive for people to negotiate right now.

Danielle: I think you make a very important point about shame, you know, as I said earlier on, There's no shame in taking any of these options. There are millions of people that are taking these options. There's millions of people that are in forbearance. There's millions of people that are negotiating and finding solutions with their landlords.

This is an unprecedented pandemic and people the worst thing anyone can do is to do nothing. If you're struggling to pay your mortgage or struggling to pay your rent. Please do something. Please wmpower yourself, you know learn as much as you can and then use a solution because other people are doing the same thing. It's out there and you know, the goal really is to keep people in their homes.

Farnoosh: All right, so I'm actually on the Here to Help website. Tell me a little bit about how to best navigate this site.

Danielle: Sure. So once you go on Knowyouroptions.com, one of the things I like about it is that we have a virtual assistant and then the virtual assistant, it just allows you to type information about your circumstance and it will pull up the relevant information for you. So you don't have to spend time going through all the links and find exactly what you need. You can just you know, type a search like you would on Google or any place else and the relevant information will pop right up for you.

Farnoosh: Yeah, and right away help for homeowners or help for renters.

Danielle: Yeah, there's look up tools on there for homeowners and for renters. So if you're a renter and you live in a building with more than five units and you want to see a Fannie Mae owns or finances your building you can type in your address and use our lookup tool.

Farnoosh: What do you think has been the big lesson out of the last year at least from where you stand and the work that you do. Have there been any learnings that... of course, there's so many pandemic specific resources and moves that are happening right now. But do you think that some of that will endure?

Danielle: So I think you know thinking about how to keep people in their homes and the best way to do that and how to design those and what works and what doesn't work, we learned a lot of that from the crisis and I think it's great that we're using those learnings to create things like the payment deferral program that we have as a way to exit forbearance.

So I definitely think that just like we learned from the crisis we're going to learn a lot from this and use it to deal with other disasters. I mean the way the pandemic while it's not technically a disaster, it's a health. It's a health emergency that we didn't anticipate right but these things come up from time to time and I think while they are challenging and people are impacted they give us an ability to reconsider the best way to help people and as you said design new solutions.

Farnoosh: Just to summarize and recap. I think what I'm learning, is that there are many ways to address your financial hardship as a homeowner, as a renter. First is obviously the forbearance program that specifically if you have a Fannie Mae backed loan or you live in a multi-family as a renter where that mortgage is backed by Fannie Mae. That's a first stop.

Danielle: Correct. So forbearance also, it's Fannie Mae Freddie Mac. I don't know government all of them and if people want to know whether they have a Fannie Mae Freddie Mac federal government loan, especially for Fannie Mae loan, we have loan lookup calculators on our website on knowyouroptions.com. So you can look up to find out if you if you are in that category.

Farnoosh: Yeah, so maybe the first step after you listen to this podcast is go to the website knowyouroptions.com first figure out your loan situation if it's Fannie Mae or another another company and then from there, you know, there's forbearance, but we also talked about so many state level programs, negotiating with your landlord if you are a renter, but also I think one of the first calls should also be with your mortgage provider and to ask about what your options are. Are there specific options at certain banks provide over others, or is it pretty much a Level Playing Field?

Danielle: If you have a federally backed mortgage, which again is a majority, most loans are that way, the options are pretty similar.

Farnoosh: And how are you doing with all of this? I mean we're now a year out I'm asking all my guests, you know, what's been the greatest takeaway for you personally, at least maybe as it pertains to your financial health>

Danielle: I think... I'm doing well, so thank you for asking. Like so many people I think the pandemic really helps you think about what is really important. And I think from a financial perspective. It shows me what I you know, I think I've actually saved more money during the pandemic because I wasn't doing as many things socially and it helps you to focus on what you want to continue to do and what is good that you cut back on which wasn't really as essential. So I think it's helped from that perspective. And I'll also say it's been great working at Fannie Mae during the pandemic to feel like you have a direct connection to helping people navigate these situations. It's been a huge opportunity for me and so I feel very fortunate to be able to work here during this pandemic.

Farnoosh: Well, we're grateful that you shared some of your time with us to help us go through all of this and educate our listeners and myself as well. Thank you for joining us. It's been really really great, and I'm really happy to hear that things are going well for you personally, and we hope to have you back Danielle McCoy. Thank you so much.

Danielle: Great. Thank you Farnoosh.

Farnoosh: Thanks again to Fannie Mae and Danielle McCoy for making this episode possible. To learn more about our discussion you can visit KnowYourOptions.com