

March 30, 2020

Guidance to Illinois-Licensed Mortgage Servicers and Exempt Mortgage Servicers Urging Support for Borrowers Impacted by COVID-19, Including 90-Day Forbearance

The COVID-19 pandemic presents many challenges for mortgage servicers and borrowers. The pandemic will continue to cause serious financial hardship for borrowers and their families, especially for those who do not have access to paid leave, have their hours reduced, or lose their jobs during this time of economic dislocation.

During this challenging period, the Illinois Department of Financial and Professional Regulation, Division of Banking and Division of Financial Institutions (the “Department”) is urging all mortgage servicers, including those licensed under the Illinois Residential Mortgage License Act of 1987 (the “Act”) and those exempt from licensing under the Act (such as banks and credit unions), to take concrete steps to alleviate the direct and indirect adverse impacts of the COVID-19 pandemic on mortgage borrowers. Servicers should identify and implement fair and prudent actions, subject to the requirements of any guarantee or insurance programs, to support those mortgage borrowers unable to make timely mortgage payments as a result of the pandemic.

Federal Guidance

Servicers should check regularly for updates from the federal housing agencies and government-sponsored enterprises and quickly implement any available programs to help eligible borrowers. In addition, the Department reminds servicers that they must comply with all relevant loss mitigation requirements, including, but not limited to, those contained in [Regulation X](#) under the Real Estate Settlement Procedures Act.

As of the date of this guidance, both [Fannie Mae](#) and [Freddie Mac](#) have communicated the following temporary policies to mortgage servicers to assist single-family borrowers impacted by COVID-19:

- Foreclosure sales and evictions of borrowers are suspended for 60 days;
- Borrowers impacted by the pandemic are eligible for a forbearance plan to reduce or suspend their mortgage payments for up to 12 months;
- Credit bureau reporting of past due payments of borrowers in a forbearance plan as a result of hardships attributable to the pandemic is suspended;
- Borrowers in a forbearance plan will not incur late fees; and
- After forbearance, a servicer must work with the borrower on a permanent plan to help maintain or reduce monthly payment amounts as necessary, including a loan modification.

In addition, the [U.S. Department of Housing and Urban Development \(HUD\)](#) and the [Federal Housing Administration \(FHA\)](#) have issued a [foreclosure and eviction moratorium](#) for 60 days for FHA-insured loans. The [U.S. Department of Veterans Affairs \(VA\)](#) has also encouraged servicers to take the following actions for VA-guaranteed loans:

- Extending forbearance to borrowers in distress as a result of COVID-19;
- Waiving late charges on affected loans; and
- Suspending credit bureau reporting on affecting loans.

The Department urges all servicers to not only implement the programs above for eligible borrowers, but also to provide additional assistance whenever permitted under federal requirements, including, but not limited to, the types of assistance outlined in the following section.

Additional Department Guidance

In addition to the above, the Department urges all servicers of nonconforming and private mortgages to implement policies at least as helpful to borrowers as those offered for conforming loans, including, but not limited to, the following:

- Forbearing mortgage payments for at least 90 days without incurring additional interest or fees;
- Refraining from reporting late payments to credit rating agencies, and when payments are deferred or modified, coding those payments as deferred with the applicable disaster code;
- Offering mortgage borrowers an additional 90-day grace period to complete trial loan modifications, and ensuring that late payments during the COVID-19 pandemic do not affect their ability to obtain permanent loan modifications;
- Offering other loss mitigation options to mortgage borrowers, including those that help borrowers stay in their homes at affordable payments;
- Waiving late payment fees and online payment fees for a period of at least 90 days and, for mortgage borrowers in a forbearance plan, during the period of forbearance;
- Postponing foreclosures and evictions for at least 90 days; and
- Contacting mortgage borrowers on automatic payment plans to see if they need to temporarily suspend those payments and, if so, grant any such requests without delay and place the mortgage borrower in a forbearance program as discussed above.

In addition, all servicers should make all reasonable efforts to serve their customers, subject to any guidance from or requirements imposed by public health authorities, including the following:

- Ensuring borrowers do not experience a disruption of service if the mortgage servicer reduces staffing or closes an office, including making available other avenues for borrowers to continue to manage their accounts and to make inquiries; and
- Contacting borrowers via app announcements, text, email or other effective means to explain the assistance being offered to them.

The Department recognizes that efforts to help borrowers who are dealing with temporary business closures, slowdowns, or sickness will serve the long-term interest of Illinois communities and financial institutions, and prudent actions taken during this period will be considered to be consistent with safe and sound banking practices and will not be subject to examiner criticism. However, the Department will also carefully review mortgage servicing

activity during this sensitive time for failures to implement federal assistance programs and for any applicable violations of consumer protection law.