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How Servicers Should Prepare for the End of COVID-19 Forbearances

08 June 2020 By: Austin Kilgore

More than 4 million mortgage borrowers have obtained forbearances since the federal CARES Act was passed to provide economic relief due to the COVID-19 pandemic. At approximately 8.53% of total servicing volume, the rate of mortgages in forbearance is rapidly approaching the peak delinquency rate of 10.06% reached during the first quarter of 2010.

While the pace of new forbearances is showing signs of slowing down, mortgage servicers have significant work in front of them once forbearances end and borrowers resume making their payments. Servicers, investors and regulators have gotten a lot right in their response to this crisis. But there's still considerable room for improvement on multiple fronts. To effectively manage this situation, mortgage servicers must rapidly deploy automated and scalable tools to streamline the process of communicating post-forbearance options and assisting borrowers as they resume making their loan payments.

The Consumer Financial Protection Bureau's recent granting of a "No Action Letter Template" to servicing fintech vendor Brace highlights the opportunity the industry has to adopt digital strategies that provide borrowers an easier and more reliable way to obtain assistance, improve servicers' efficiency and minimize default risk and investor losses.
