

CONSUMER FINANCIAL PROTECTION BUREAU | MAY 2021

Complaint Bulletin

Mortgage forbearance issues described in consumer complaints



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1. Introduction

The Dodd-Frank Wall Street and Consumer Protection Act directed the Consumer Financial Protection Bureau (CFPB) to facilitate the centralized collection of, monitoring of, and response to consumer complaints regarding consumer financial products or services.¹ The CFPB's Office of Consumer Response (Consumer Response) performs this statutorily-mandated function, analyzing and sharing complaint data to inform the marketplace and to empower consumers to take more control over their financial lives.

This *Complaint Bulletin* expands on the [2020 Consumer Response Annual Report](#) and relies primarily on information provided during the [consumer complaint process](#). For this bulletin, the CFPB analyzes mortgage complaints and, specifically, forbearance topics consumers described when submitting their complaint to the CFPB. Although there have been several legislative and policy responses aimed at assisting mortgage borrowers since the national emergency declaration as a result of COVID-19, borrowers continue to experience forbearance issues.²

The CFPB recently issued a Notice of Proposed Rulemaking that would amend Regulation X, 12 CFR 1024, and the existing Mortgage Servicing Rule provisions, to add additional borrower protections related to the COVID-19-emergency. The public comment period closes May 10, 2021.³

¹ See Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. No. 111-203 (Dodd-Frank Act), Section 1013(b)(3); see also § 1002(4) (“The term ‘consumer’ means an individual or an agent, trustee, or representative acting on behalf of an individual.”).

² The Coronavirus Aid, Relief, and Economic Security (CARES) Act, for example, provides that homeowners with GSE (Fannie Mae and Freddie Mac) and federally backed mortgages have the right to request and obtain a forbearance for up to 180 days, and an extension for another 180 days (for a total of 360 days). Guidance from the GSEs and federal agencies allow up to 18 months of forbearance. The CFPB issued a compliance bulletin to help prevent avoidable foreclosures. See Consumer Fin. Prot. Bureau, Bulletin 2021-02: Supervision and Enforcement Priorities Regarding Housing Insecurity, available at https://files.consumerfinance.gov/f/documents/cfpb_bulletin-2021-02_supervision-and-enforcement-priorities-regarding-housing_WHcae8E.pdf.

³ See Consumer Fin. Prot. Bureau, Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X, available at https://files.consumerfinance.gov/f/documents/cfpb_mortgage-servicing_ndrm_2021-04.pdf.

Key findings of this bulletin include:

- The volume of overall mortgage complaints increased to more than 3,400 complaints in March 2021—the greatest monthly mortgage complaint volume in nearly three years.
- Some consumers experience various communication issues related to forbearance plans and options available at the end of these plans.
- Some consumers described confusion with mandatory account notices.
- Some consumers reported long delays in modifying their loan to address forbore payments.

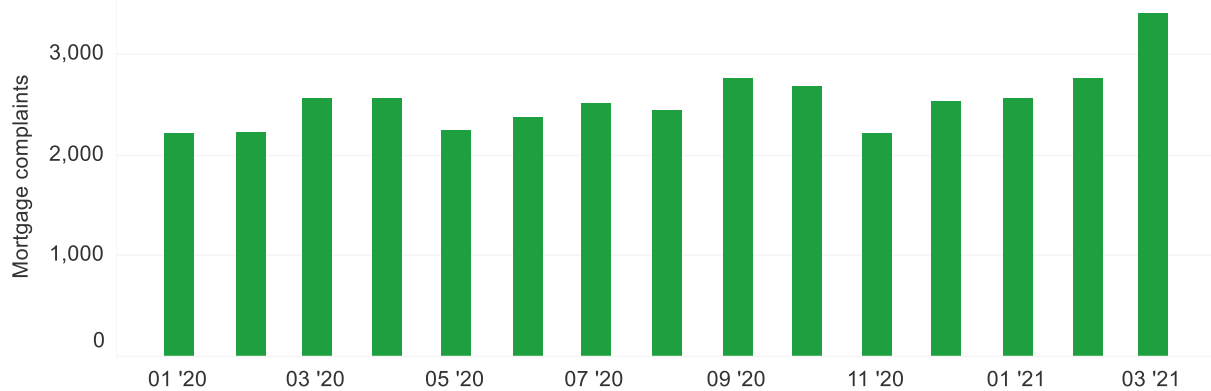
This *Complaint Bulletin* is organized as follows. Section 2 provides an overview of the complaint data used in this report. Section 3 summarizes forbearance issues consumers described in their complaints to the CFPB. Finally, Section 4 highlights consumer resources the CFPB published that may be especially relevant for mortgage borrowers who are experiencing hardship and those, such as housing counselors and others, that work with such borrowers.

Readers who desire to learn more about the issues consumers raise in their complaints may visit the public [Consumer Complaint Database](#).

2. Complaint data

The CFPB received approximately 38,100 mortgage (origination and servicing) complaints from January 1, 2020 through March 31, 2021, which is approximately 5% of all complaints the CFPB received during this period.⁴ Mortgage complaint volume has remained relatively steady since January 2020, averaging around 2,500 complaints per month. In March 2021, however, the volume of mortgage complaints increased to more than 3,400—the greatest monthly mortgage complaint volume since April 2018 (Figure 1).

FIGURE 1: MORTGAGE COMPLAINT VOLUME, BY MONTH



When submitting mortgage complaints, consumers identify from a list the issue that best describes the problem they experienced. For mortgage complaints, issue options include: *applying for a mortgage or refinancing an existing mortgage; closing on a mortgage; problem with a credit or consumer report; struggling to pay mortgage; and trouble during the payment process.* The most common issue reported since January 2020 has been *trouble during the payment process.*

⁴ This report is based on dynamic data and may differ from other public reports.

The number of borrowers behind on their mortgage has doubled since the beginning of the pandemic.⁵ Even so, although the number of borrowers selecting the *struggling to pay mortgage* issue increased in March and April 2020, that number decreased in the following months (Figure 2). It picked up again in 2021, but has only just regained pre-pandemic levels.

This decrease may be explained, in part, by relief provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which became effective in March 2020 and provided relief for struggling homeowners with federally backed mortgages.⁶ CARES Act forbearances required only an attestation of hardship due to COVID-19, permitting borrowers to obtain relief quickly.⁷ Under the CARES Act, homeowners with an eligible mortgage who had experienced financial hardship due to the pandemic had the right to request and obtain a forbearance on their mortgage for up to 180 days. Homeowners also had the right to request and obtain an extension for up to another 180 days (for a total of up to 360 days). In addition, in February 2021, the Federal Housing Finance Agency (FHFA), Federal Housing Administration (FHA), Department of Veterans Affairs (VA), or Department of Agriculture (USDA) announced that they were expanding their forbearance programs beyond the minimum required by the CARES Act for a maximum of up to 18 months of forbearance for borrowers who requested additional forbearance by a date certain.⁸

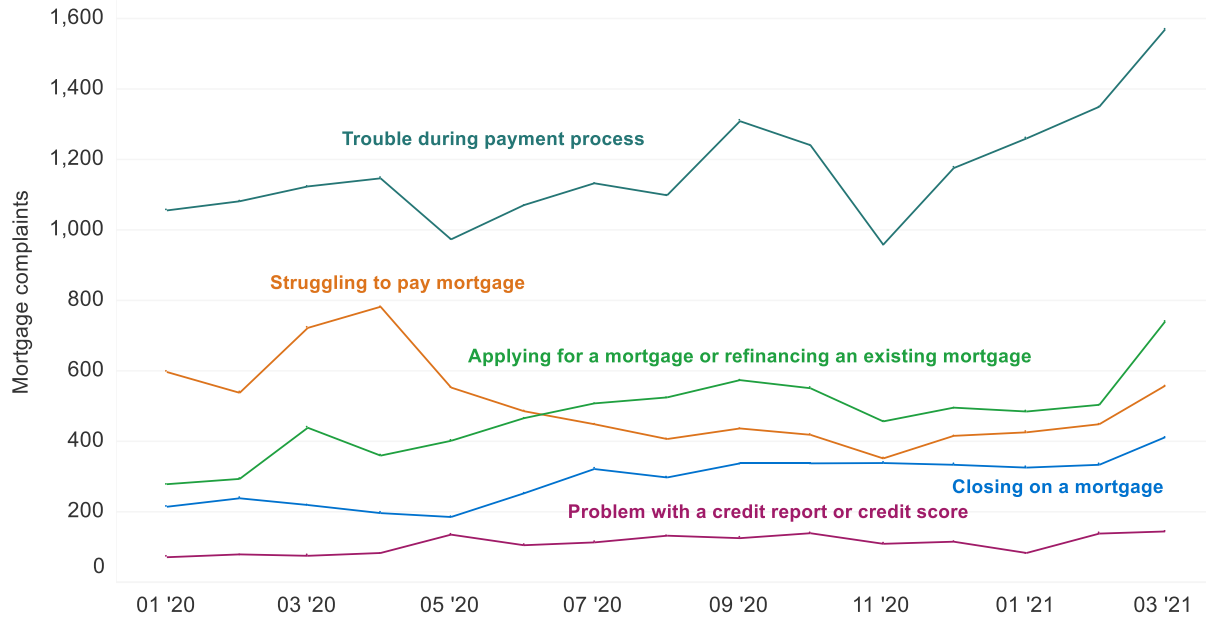
⁵ See e.g., Consumer Fin. Prot. Bureau, Housing insecurity and the COVID-19 pandemic at 7 (Mar. 2021), available at https://www.consumerfinance.gov/documents/9512/cfpb_Housing_insecurity_and_the_COVID-19_pandemic.pdf (citations omitted) (“The number of homeowners behind on their mortgage has doubled since the beginning of the pandemic—six percent of mortgages were delinquent as of December 2020, up from three percent in March 2020.”).

⁶ 15 U.S.C. § 9056(c).

⁷ See, e.g., Joint Statement on Supervisory and Enforcement Practices Regarding the Mortgage Servicing Rules in Response to the COVID-19 Emergency and the CARES Act, https://files.consumerfinance.gov/f/documents/cfpb_interagency-statement_mortgage-servicing-rules-covid-19.pdf (“Servicers may not require any additional information from the borrower before granting a CARES Act forbearance.”); Fannie Mae Lender Letter 2020-02 (“[N]o additional documentation other than the borrower’s attestation to a financial hardship caused by the COVID-19 emergency is required.”); Freddie Mac Temporary Servicing Guidance Related to COVID-19 (“In the event the Servicer and Borrower cannot agree on an appropriate forbearance length, or further communication with the Borrower is not possible under the circumstances, the Servicer must provide the term requested by the Borrower, not to exceed 180 days.”)

⁸ See Press Release, The White House, Fact Sheet: Biden Administration Announces Extension of COVID-19 Forbearance and Foreclosure Protections for Homeowners (Feb. 16, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/02/16/fact-sheet-biden-administration-announces-extension-of-covid-19-forbearance-and-foreclosure-protections-for-homeowners/>; Press Release, U.S. Dep’t of Hous. & Urban Dev., HUD No. 21-023, Extensions and expansions support the immediate and ongoing needs of homeowners who are experiencing economic impacts related to the COVID-19 pandemic (Feb. 16, 2021), https://www.hud.gov/press/press_releases_media_advisories/HUD_No_21_023; News Release, Fed. Hous. Fin. Agency, FHFA Extends COVID-19 Forbearance Period and Foreclosure and REO Eviction Moratoriums (Feb. 25, 2021), <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Extends-COVID-19-Forbearance-Period-and-Foreclosure-and-REO-Eviction-Moratoriums.aspx>; Jason Davis, VA extends existing moratoriums on evictions and

FIGURE 2: MORTGAGE ISSUE COMPLAINT VOLUME, BY MONTH



As the CFPB previously reported, there were 2.7 million borrowers in active forbearance as of January 2021. Many of these borrowers have been in forbearance for more than a year and, as of April 2021, have more than three months of missed payments.⁹

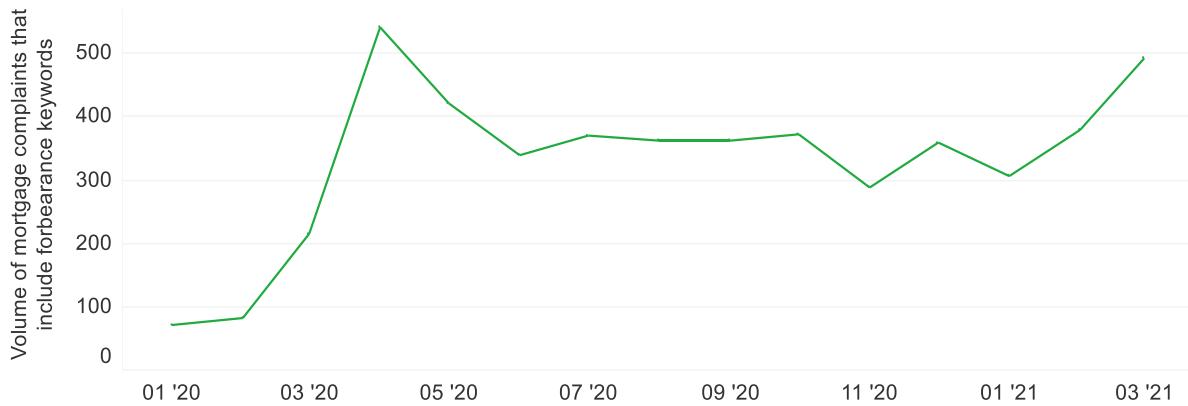
Mortgage complaints mentioning forbearance keywords (“mortgage forbearance complaints”) increased significantly in March and April 2020.¹⁰ Since this initial spike and subsequent decrease in May and June 2020, the volume of mortgage forbearance complaints remained steady until increasing again in March 2021 (Figure 3).

foreclosures and extends loan forbearance opportunities, Vantage Point: Official Blog of the U.S. Dep’t of Veterans Aff. (Feb. 16, 2021 12:00 PM), <https://blogs.va.gov/VAntage/84744/va-extends-existing-moratoriums-foreclosures-extends-loan-forbearance-opportunities/>; Press Release, U.S. Dep’t of Agric., Release No. 0026.21, Biden Administration Announces Another Foreclosure Moratorium and Mortgage Forbearance Deadline Extension That Will Bring Relief to Rural Residents (Feb. 16, 2021), <https://www.usda.gov/media/press-releases/2021/02/16/biden-administration-announces-another-foreclosure-moratorium-and>.

⁹ Consumer Fin. Prot. Bureau, *supra* note 5 at 11 (citations omitted).

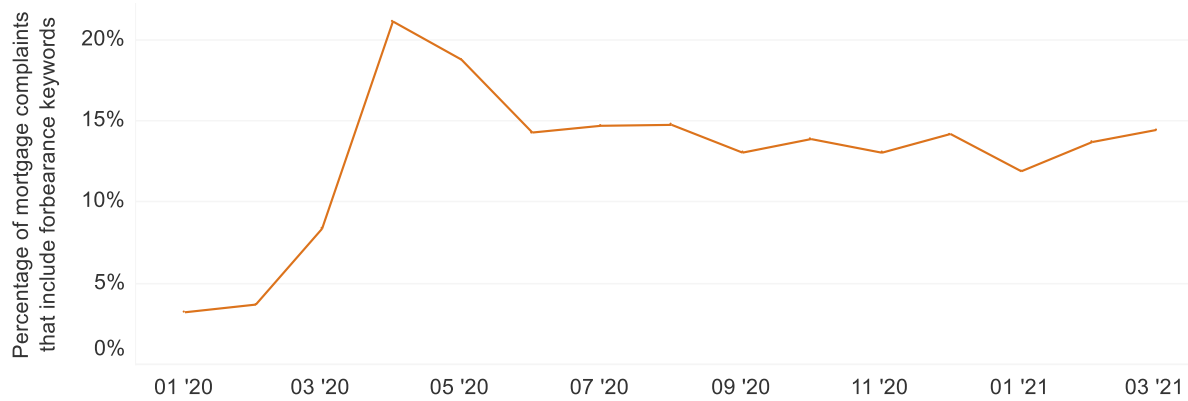
¹⁰ *Mortgage forbearance complaints* are defined in this bulletin as mortgage complaints where the consumer used certain keywords, such as forbearance and deferment, in their narrative text.

FIGURE 3: VOLUME OF MORTGAGE FORBEARANCE COMPLAINTS, BY MONTH



Although the number of mortgage forbearance complaints is increasing, their share of overall mortgage complaint volume peaked at more than 20% in April 2020 (Figure 4). Since that point, they have remained in the range of 11 to 14% of overall volume, suggesting that several issues are contributing to the increase in mortgage complaints (Figure 1).

FIGURE 4: MORTGAGE FORBEARANCE COMPLAINTS AS A SHARE OF MORTGAGE COMPLAINTS OVERALL, BY MONTH



3. Complaint insights

The CFPB uses a variety of approaches to analyze and understand complaints. In addition to monitoring complaint volume across multiple categories (e.g., product, issue, sub-product, sub-issue etc.), subject-matter experts routinely analyze consumer complaints and company responses to understand problems consumers are experiencing in the marketplace.

The following discussion highlights four issues Consumer Response identified in its ongoing complaint monitoring work.¹¹ Because of the quickly evolving landscape and various responses targeted to mortgage borrowers, the following issues focus on complaints submitted to the CFPB in the first quarter of 2021.

3.1 Forbearance communications

A common topic raised by consumers in mortgage forbearance complaints concerned servicers' communications. Some consumers expressed frustration that servicers did not communicate clearly about which relief options would be available when their forbearance period ended. In particular, some of these consumers were concerned about what would happen to forborne payments and about whether they could extend a forbearance period.

Many of these complaints stemmed from phone calls with servicers, suggesting that servicers may not be clearly communicating about the variety of available options. Some consumers reported that after calling their servicers, they were left with the impression that a lump sum payment, repayment plan, or modification were the only post-forbearance options available. Some consumer experiences suggest that the possibility of modifying their loans by moving all missed payments to the end of the loan term was not clearly communicated or discussed during some of these conversations. Other consumers reported that they were not informed that their loan was ineligible for deferrals until after their forbearance plan ended.

¹¹ This bulletin does not suggest the prevalence of the issues described as they relate to the entire mortgage market. The information provided by consumers helps to illustrate where there is a mismatch between borrower expectations and service delivered. Representatives from industry and organizations serving consumers will likely find the discussion of borrower issues helpful in further understanding the diversity of customer experiences in the marketplace.

In response to these complaints, servicers typically stated that they would contact consumers 30 days before the forbearance period ended to discuss post-forbearance options. In their written complaint responses, servicers usually listed one or more of such options, depending on the consumer's financial situation: lump sum payment, a short-term repayment plan, deferring all forborne payments to the end of the loan, or another form of loan modification.

Based on complaints and company responses, it appears consumers would benefit from clearer communication from servicers over the phone and in writing. In particular, consumers appear concerned about their forbearance plan end date and available loss mitigation options, especially options that would resolve forborne payments (e.g., deferment). Complaints also suggest that at least some consumers are anticipating the end of their forbearance plans; therefore, servicers that are proactive in communicating before the end of the forbearance period may help give consumers sufficient time to understand all available relief options and to apply for help.

3.2 Account statements and notices

Servicers are required to provide certain consumers with a number of notices, both in writing and orally.¹² In light of the complaints consumers submitted to the CFPB, servicers may want to consider what additional information might be provided with these notices to help consumers understand the status of their loans.

Consumers, for example, expressed confusion when their monthly mortgage statement indicated that their mortgage loan account was delinquent during a forbearance period.¹³ In response to these complaints, servicers typically responded that federal regulations required them to send certain communications to delinquent borrowers if the consumer's loan was delinquent during a forbearance plan. Servicers also stated that they contacted consumers to

¹² For example, no later than the 36th day of delinquency, the servicer is generally required to make good faith efforts to establish live contact with the consumer to inform them of certain loss mitigation option information. *See* 12 CFR 1024.39(a). Additionally, no later than the 45th day of delinquency, in most circumstances the servicer is also required to provide the borrower a written notice concerning their delinquency and providing certain information about loss mitigation options. *See* 12 CFR 1024.39(b).

¹³ For purposes of the Bureau's mortgage servicing rules, a preexisting delinquency period could continue or a new delinquency period could begin even during a forbearance program that pauses or defers loan payments if a periodic payment sufficient to cover principal, interest, and, if applicable, escrow is due and unpaid according to the loan contract during the forbearance program. 12 CFR 1024.31 (defining delinquency as the "period of time during which a borrower and a borrower's mortgage loan obligation are delinquent" and stating that "a borrower and a borrower's mortgage obligation are delinquent beginning on the date a periodic payment sufficient to cover principal, interest, and, if applicable, escrow becomes due and unpaid, until such time as no periodic payment is due and unpaid.")

make sure the consumers were aware of the status of their loans and to establish whether they could begin repayment.

Based on complaints and company responses, it appears that it may be helpful for servicers to more clearly communicate to borrowers about whether their mortgage loan could be considered delinquent during a forbearance plan. In addition, servicers may want to consider whether to provide relevant information to borrowers about their forbearance plan.

3.3 Delays and denials of partial claims and loan modifications

Another topic raised by consumers in mortgage forbearance complaints concerned loan modifications following a forbearance period. Some consumers reported long delays in servicers establishing a FHA partial claim or otherwise modifying their loan to address forborne payments. Some delays were due to additional document requests from servicers. Other consumers reported receiving conflicting information about potential relief options—such as partial claims or modifications—that were later denied because the borrowers did not meet certain criteria.

In response to these complaints, servicers usually explained the relief options for which the consumer's loan had been reviewed and the current status of the servicer's review. Some servicers stated that requests for relief were incomplete and, thus, that consumers were required to submit more documentation so the servicer could evaluate the loans for all relief options, thereby increasing the time to complete the review and decision process. When servicers reached a determination, they generally explained their decision. Servicers stated that some denials were due to the loan's previous modification, the loan was delinquent going into the forbearance, or the consumer's current income was insufficient. Based on these complaints, it appears it would be helpful for servicers to communicate with borrowers throughout the loss mitigation process, particularly with respect to the basis of denials. Servicers may also be able to reduce complaints by ensuring compliance with notices required by Regulation X.

3.4 Ongoing and emerging forbearance issues

Recent consumer complaints about forbearance plans and corresponding company responses suggest there are several issues that servicers will have to navigate as consumers extend or exit forbearance plans. Those issues include:

- difficulty reaching a servicer representative to talk through options;
- needing to correct inaccurate credit information furnished about a loan in forbearance;
- ensuring that the principal balance is accurate after a deferral plan becomes effective;
- providing accurate information about loan status and relief options during forbearance;
- accurately communicating that no written application would be required to extend a forbearance plan;
- not imposing an inspection fee, late payment fee, or modification fee during a CARES Act forbearance period; and
- accurately applying payments while a loan is in forbearance or while the post-forbearance review is ongoing, including after a servicing transfer.

By taking proactive steps to avoid these issues, servicers may help reduce potential consumer confusion and harm.

4. Consumer resources

To ensure that consumers have timely and understandable information to make responsible decisions about financial transactions, the CFPB released a variety of resources to help homeowners struggling financially during the COVID-19 pandemic. These resources include:

- [Mortgage and housing assistance website](#): Launched jointly with the Federal Housing Finance Agency (FHFA) and the Department of Housing and Urban Development (HUD), this website consolidates critical information and features videos to help homeowners and renters. For homeowners, the website includes information about CARES Act mortgage relief, resources for additional help, and how to avoid COVID-19 related scams. The website is regularly updated to reflect recent developments.
- Most homeowners can temporarily pause or reduce their mortgage payments if they're struggling financially. A dedicated [Help for Homeowners](#) page provides additional guidance so homeowners can:
 - Learn about forbearance
 - Find their servicer to see what relief options they may qualify for
 - Request forbearance
 - Extend their forbearance
 - Repay their forbearance
 - Avoid foreclosure
 - Learn about protections for reverse mortgages
- [Consumer Relief Guide](#): Released jointly with the Conference of State Bank Supervisors (CSBS), this guide helps homeowners with federally backed loans to understand their options for mortgage relief, highlighting borrowers' rights to mortgage payment forbearance and foreclosure protection under the federal CARES Act.
- [Informative blogs](#): The CFPB regularly posts up-to-date information and guidance—which often include videos and links to additional resources—to keep homeowners

informed of important developments, such as when mortgage relief deadlines were extended. Blogs are posted in English and Spanish and can be searched for by topic category or keyword.

The CFPB also has a centralized [webpage](#) with information on how consumers can navigate their finances during the pandemic.

The public may read the CFPB's Supervision and Enforcement Priorities Regarding Housing Insecurity.¹⁴ The public may also comment on the CFPB's Notice of Proposed Rulemaking that would amend Regulation X, 12 CFR 1024, and the existing Mortgage Servicing Rule provisions, to add additional borrower protections related to the COVID-19-emergency. The public comment period closes May 10, 2021.¹⁵

¹⁴ See Consumer Fin. Prot. Bureau, Bulletin 2021-02: Supervision and Enforcement Priorities Regarding Housing Insecurity, available at https://files.consumerfinance.gov/f/documents/cfpb_bulletin-2021-02_supervision-and-enforcement-priorities-regarding-housing_WHcae8E.pdf.

¹⁵ See Consumer Fin. Prot. Bureau, Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X, available at https://files.consumerfinance.gov/f/documents/cfpb_mortgage-servicing_ndrm_2021-04.pdf.